**NEW ISSUE**

**Book-Entry Only** **RATINGS: S&P: "BBB-"**

*In the opinion of Nixon Peabody LLP, New York, New York, Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Issuer and the Institution described herein, interest on the Series 2020A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that interest on the Series 2020A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Bond Counsel is further of the opinion that interest on the Series 2020A Bonds is exempt from personal income taxation imposed by the State of New York or any political subdivision of the State of New York, including The City of New York. Interest on the Series 2020B Bonds is not excluded from gross income for federal income tax purposes and is not exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See "TAX MATTERS – SERIES 2020A BONDS" and "TAX MATTERS – SERIES 2020B BONDS" herein regarding certain other tax considerations.*

# $76,050,000
# TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION
## REVENUE BONDS
## (LONG ISLAND COMMUNITY HOSPITAL PROJECT), SERIES 2020
**consisting of:**

Long Island Community Hospital

| $59,135,000 | $16,915,000 |
|---|---|
| **Series 2020A** | **Series 2020B Taxable** |

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

On the issuance date, the Town of Brookhaven Local Development Corporation (the "Issuer") will issue its $59,135,000 Revenue Bonds, (Long Island Community Hospital Project), Series 2020A (the "Series 2020A Bonds") and its $16,915,000 Taxable Revenue Bonds, (Long Island Community Hospital Project), Series 2020B (the "Series 2020B Bonds," and collectively with the Series 2020A Bonds, the "Series 2020 Bonds"). The Series 2020 Bonds are issuable only as fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") under the book-entry only system maintained by DTC, only through brokers and dealers who are, or act through, DTC Participants. Purchases by Beneficial Owners will be made in book-entry only form in the denominations of $5,000, or any integral multiple thereof. Beneficial Owners will not be entitled to receive physical delivery of the Series 2020 Bonds. Interest on the Series 2020 Bonds is payable on each April 1 and October 1, commencing April 1, 2021. So long as Cede & Co. is the registered owner of the Series 2020 Bonds, payments of principal or redemption price of and interest on the Series 2020 Bonds are required to be made to Beneficial Owners by DTC through its participants. See "THE SERIES 2020 BONDS – Book-Entry Only System" herein.

The Series 2020 Bonds are issued pursuant to an Indenture of Trust dated as of October 1, 2020 (the "Indenture"), by and between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"). The proceeds of the Series 2020 Bonds will be loaned by the Issuer to Brookhaven Memorial Hospital Medical Center, Inc. (d/b/a Long Island Community Hospital) (the "Institution") pursuant to the terms of a Loan Agreement, dated as October 1, 2020 (the "Loan Agreement"), by and between the Issuer and the Institution and applied by the Institution as described herein.

The Series 2020 Bonds will be secured by (a) certain funds and accounts established under the Indenture; (b) any and all other Property (as defined in the Indenture), by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred, by the Issuer or by anyone on its behalf or with its written consent or by the Institution in favor of the Trustee; and (c) Obligation No. 1 delivered with respect to the Series 2020 Bonds (the "Series 2020 Obligation") issued under the Master Trust Indenture, dated as of October 1, 2020 (the "Master Indenture"), by and between the Institution as the sole Member of the Obligated Group (as defined herein) and U.S. Bank National Association, as master trustee (the "Master Trustee"), and under the Supplemental Indenture for Obligation No. 1 dated as of October 1, 2020 described herein (the "Supplemental Indenture"). The Series 2020 Obligation is secured by a mortgage on the principal hospital campus of the Institution. The Series 2020 Obligation is also secured by a guaranty of Brookhaven Healthcare Services Corporation d/b/a Long Island Community Hospital Health Care Foundation pursuant to a guaranty agreement, which is subject to termination and reinstatement as described herein.

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

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

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

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

The Series 2020 Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approving opinion of Nixon Peabody LLP, New York, New York, as Bond Counsel to the Issuer. Certain legal matters will be passed upon for the Issuer by its counsel, Annette Eaderesto, Esq., Farmingville, New York; for the Institution by its counsel, Katten Muchin Rosenman LLP, New York, New York; and for the Underwriter by its counsel, Hawkins Delafield & Wood LLP, New York, New York. It is expected that the Series 2020 Bonds will be available for delivery in definitive form to DTC in New York, New York on or about October 29, 2020.

**UBS**

Dated: October 22, 2020

**TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION**

**$59,135,000**
**REVENUE BONDS**
**(LONG ISLAND COMMUNITY HOSPITAL PROJECT)**
**SERIES 2020A**

**SERIAL BONDS**

| Due (October 1) | Principal Amount | Interest Rate | Yield | Price | CUSIP Number† |
|---|---|---|---|---|---|
| 2031 | $1,930,000 | 5.00% | 2.560%* | 121.258* | 113168AZ1 |
| 2032 | 2,025,000 | 5.00 | 2.660* | 120.286* | 113168BA5 |
| 2033 | 2,130,000 | 5.00 | 2.740* | 119.516* | 113168BB3 |
| 2034 | 2,235,000 | 5.00 | 2.790* | 119.037* | 113168BC1 |
| 2035 | 2,345,000 | 5.00 | 2.840* | 118.560* | 113168BD9 |

**TERM BONDS**

$13,175,000 3.375% Term Bonds due October 1, 2040 – Yield 3.570%, Price 97.234 CUSIP 113168BE7†
$15,750,000 4.000% Term Bonds due October 1, 2045 – Yield 3.400%*, Price 105.015* CUSIP 113168BF4†
$19,545,000 5.000% Term Bonds due October 1, 2050 – Yield 3.260%*, Price 114.647* CUSIP 113168BG2†

**$16,915,000**
**TAXABLE REVENUE BONDS**
**(LONG ISLAND COMMUNITY HOSPITAL PROJECT)**
**SERIES 2020B**

$7,060,000 4.500% Term Bonds due October 1, 2025 – Yield 4.750%, Price 98.910 CUSIP 113168BH0†
$9,855,000 6.000% Term Bonds due October 1, 2030 – Yield 6.000%, Price 100.000 CUSIP 113168BJ6†

† Copyright 2020. American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Issuer, the Institution or the Underwriter and are included solely for the convenience of the owners of the Series 2020 Bonds. Neither the Issuer, the Institution nor the Underwriter is responsible for the selection or uses of these CUSIP numbers and no representation is made as to their correctness on the Series 2020 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2020 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2020 Bonds.

* Priced to October 1, 2030 call date.

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

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

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

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

This Official Statement contains a general description of the Series 2020 Bonds, the Issuer, the Institution, and the plan of financing, and sets forth certain provisions of the Indenture, the Loan Agreement, the Master Indenture and the Supplemental Indenture. The description and summaries herein do not purport to be complete. Persons interested in purchasing the Series 2020 Bonds should review carefully the Appendices attached hereto as well as copies of such documents, which are held by the Trustee at its principal office.

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 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.

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

References to website 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 websites and the information or links contained therein are not incorporated into, and are not a part of, this Official Statement.

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

## CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

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

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks; uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The Institution 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**

**Relating to:**

**$76,050,000**
**TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION**
**REVENUE BONDS**
**(LONG ISLAND COMMUNITY HOSPITAL PROJECT), SERIES 2020**
**consisting of:**

| **$59,135,000** | **$16,915,000** |
|---|---|
| **Series 2020A** | **Series 2020B Taxable** |

## PART A

## INTRODUCTORY STATEMENT

### Purpose of this Official Statement

This Official Statement, including the front cover page, inside cover page and appendices, provides certain information with respect to the issuance and sale by the Town of Brookhaven Local Development Corporation (the "Issuer") of $59,135,000 Revenue Bonds (Long Island Community Hospital Project), Series 2020A (the "Series 2020A Bonds") and its $16,915,000 Taxable Revenue Bonds, (Long Island Community Hospital Project), Series 2020B (the "Series 2020B Bonds" and collectively with the Series 2020A Bonds, the "Series 2020 Bonds"). The Series 2020 Bonds are to be issued by the Issuer under an Indenture of Trust dated as of October 1, 2020 (the "Indenture") between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"). Certain capitalized terms used herein are defined in Appendix C or D, as applicable.

### The Issuer

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

### The Institution and the Obligated Group

Brookhaven Memorial Hospital Medical Center, Inc. (d/b/a Long Island Community Hospital) (the "Institution"), is a 306-licensed bed acute care hospital licensed under Article 28 of the New York Public Health Law, located in Patchogue, Town of Brookhaven, New York. The Institution is currently the only member of the Obligated Group. See "THE INSTITUTION" herein and Appendix A hereto for a more detailed discussion of the Institution and the Obligated Group.

### Security for the Series 2020 Bonds

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

As security for the Bonds, the Institution will enter into the Supplemental Indenture for Obligation No. 1 (the "2020 Supplement") and will issue Obligation No. 1 thereunder (the "Series 2020 Obligation"). The Series 2020 Obligation will be further secured by a Gross Receipts (as defined in the Master Indenture) pledge under the Master Indenture and the Mortgage on its principal inpatient hospital campus. "Mortgage" means, collectively, the Project Loan Mortgage and Security Agreement and the Building Loan Mortgage and Security Agreement, each dated as of as of October 1, 2020 and each between the Institution and the Master Trustee. The Institution will deliver a mortgage title insurance policy to the Master Trustee in the amount of the Series 2020 Obligation.

Payment of principal of and interest on the Series 2020 Bonds by the Institution are guaranteed by Brookhaven Healthcare Services Corporation d/b/a Long Island Community Hospital Health Care Services Foundation (the "Foundation") pursuant to a Guaranty Agreement dated as of October 1, 2020 (the "Foundation Guaranty") between the Foundation and the Bond Trustee. The Foundation Guaranty is to be suspended upon the consummation of the Stony Brook Lease (as defined herein) under the circumstances described under the caption "SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS" herein.

**Plan of Financing**

The proceeds of the Series 2020A Bonds are to be applied, together with other available funds, for (i) the refinancing of the Issuer's Revenue Bonds, Series 2014A (Brookhaven Memorial Hospital Medical Center Project). and Revenue Bonds, Series 2014B (Brookhaven Memorial Hospital Medical Center Project) (the "Series 2014B Bonds" and together with the Series 2014A Bonds, the "Series 2014 Bonds"), (ii) the refinancing of several capital improvement leases (the "Capital Leases') which financed hospital equipment, (iii) the financing, refinancing or reimbursement of acquisition, construction, renovation, installation, equipping, improvements and upgrades to the hospital campus, (iv) funding in part the Debt Service Reserve Fund as described herein, and (v) paying costs incidental to the issuance of the Series 2020A Bonds. The proceeds of the Series 2020B Bonds are to be applied, together with other available funds for (i) the refinancing of the Town of Brookhaven Industrial Development Agency Civic Facility Revenue Refunding Bonds, Series 2006A (Brookhaven Memorial Hospital Medical Center, Inc. Civic Facility) (the "Series 2006A Bonds", and collectively with the Series 2014 Bonds, the "Prior Bonds"), (ii) the payment of a swap termination in connection with the Series 2006A Bonds, (iii) funding in part the Debt Service Reserve Fund as described herein, and (iv) paying costs incidental to the issuance of the Series 2020B Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS".

## THE ISSUER

**The Town of Brookhaven Local Development Corporation**

The Issuer is a not-for-profit local development corporation formed under the Act and is authorized and empowered under the Act to issue the Series 2020 Bonds for the purposes described in this Official Statement. The Issuer is comprised of seven members. The following are the members of the Issuer:

| Name | Title |
|---|---|
| Frederick C. Braun III[†] | Chairman |
| Felix J. Grucci, Jr.[†] | Vice Chairman |
| Martin Callahan | Treasurer |
| Scott Middleton | Assistant Treasurer |
| Ann-Marie Scheidt | Secretary |
| Gary Pollakusky | Assistant Secretary |
| Frank C. Trotta, Sr. | Member |

Lisa MG Mulligan is the Chief Executive Officer of the Issuer.

THE SERIES 2020 BONDS ARE NEITHER A GENERAL OBLIGATION OF THE ISSUER, NOR A DEBT OR INDEBTEDNESS OF THE TOWN OF BROOKHAVEN OR THE STATE OF NEW YORK AND NEITHER THE TOWN OF BROOKHAVEN NOR THE STATE OF NEW YORK SHALL BE LIABLE THEREON. THE SERIES 2020 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE BY THE ISSUER SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT UNDER AND PURSUANT TO THE INDENTURE. THE ISSUER HAS NOT VERIFIED, REVIEWED OR APPROVED, AND DOES NOT REPRESENT IN ANY WAY, THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION SET FORTH HEREIN OTHER THAN INFORMATION SET FORTH UNDER THIS

[†] Indicates member of the Issuer who is also a member of the Institution's Board of Directors.

HEADING AND THE INFORMATION CONCERNING THE ISSUER UNDER THE HEADINGS "INTRODUCTORY STATEMENT" AND "LITIGATION – THE ISSUER".

## THE INSTITUTION

The Institution is a not-for-profit community hospital in Patchogue, Town of Brookhaven, Suffolk County, New York. The Institution, founded in 1956, currently maintains 306 licensed beds and serves more than 400,000 people living in 28 different communities.

The Institution signed a letter of intent in June 2019 regarding a potential affiliation with Stony Brook University Hospital ("SBUH"), a division of the State University of New York ("SUNY"). If consummated, it is expected that SUNY, acting through SBUH, would operate the Institution's main hospital facility as a lessee under a lease agreement (the "Stony Brook Lease") and an affiliation agreement, which agreements are expected to have a term of 50 years. The closing of the affiliation is subject to completion of due diligence and other conditions precedent set forth in the respective agreements. See Appendix A hereto for a more detailed discussion of the Institution and its potential affiliation with SBUH, including a discussion that the affiliation may be terminated prior to the stated lease term.

## THE SERIES 2020 BONDS

### General Description

The Series 2020 Bonds are issuable only as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") under the book-entry only system maintained by DTC, only through brokers and dealers who are, or act through, DTC Participants. Purchases by Beneficial Owners will be made in book-entry only form in denominations of $5,000, or any integral multiple thereof. Beneficial Owners will not be entitled to receive physical delivery of the Series 2020 Bonds. So long as the Series 2020 Bonds are held in DTC's book-entry only system, DTC (or a successor securities depository) or its nominee will be the registered owner of the Series 2020 Bonds for all purposes of the Indenture, the Series 2020 Bonds and this Official Statement, and payments of principal or redemption price of and interest on the Series 2020 Bonds will be made solely through the facilities of DTC. See "Book-Entry Only System" herein.

Interest on the Series 2020 Bonds is payable on each April 1 and October 1, commencing April 1, 2021. So long as Cede & Co. is the registered owner of the Series 2020 Bonds, payments of principal or redemption price of and interest on the Series 2020 Bonds are required to be made to Beneficial Owners by DTC through its participants.

The regular record date for interest due on the Series 2020 Bonds on any Debt Service Payment Date is the fifteenth day of the preceding month (whether or not a Business Day). Notwithstanding the foregoing, interest which is due and payable on any Debt Service Payment Date, but cannot be paid on such date from available funds under the Indenture, shall thereupon cease to be payable to the registered owners otherwise entitled thereto as of such date. Such defaulted interest will be payable to the Person in whose name such Series 2020 Bond is registered at the close of business on a special record date established by the notice mailed by or on behalf of the Issuer to the Owners of Series 2020 Bonds not less than fifteen (15) days preceding such special record date. Such notices shall be mailed to the Persons in whose name the Series 2020 Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing.

### Redemption Prior to Maturity

#### *Optional Redemption*

Series 2020A. The Series 2020A Bonds maturing after October 1, 2030, are subject to redemption by the Issuer, at the option of the Institution, on or after October 1, 2030, in whole at any time or in part on any Debt Service Payment Date, at a price equal to 100% of the principal amount thereof plus accrued interest to the

Redemption Date. See Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LOAN AGREEMENT".

Series 2020B. The Series 2020B Bonds are subject to optional redemption prior to maturity, at the option of the Issuer, at the direction of the Institution, in whole at any time or in part on any Debt Service Payment Date, at a Make-Whole Redemption Price equal to the greater of:

(1) 100% of the principal amount of the Series 2020B Bonds to be redeemed; or

(2) The sum of the present value of the remaining schedule payments of principal and interest to the maturity date of the Series 2020B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2020B Bonds are to be redeemed, discounted to the date on which the Series 2020B 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 50 basis points, plus, in each case, accrued interest on the Series 2020B Bonds to be redeemed to the redemption date.

"Treasury Rate" shall mean, with respect to any redemption date, 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 (2) Business Days prior to the redemption date (excluding inflation indexed securities) (or, is such Statistical Release is no longer published, any publicly available source of similar market date)) most nearly equal to the period from the redemption date to the maturity date of the Series 2020B Bonds to be redeemed; 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 will be used.

The Institution will retain an independent accounting firm or an independent financial advisor to determine the Make-Whole Redemption Price and perform all actions and make all calculations required to determine the Make-Whole Redemption Price. The Issuer, the Trustee and the Institution may conclusively rely on such accounting form's or financial advisor's calculations in connection with, and determination of, the Make-Whole Redemption Price, and neither the Issuer, the Trustee nor the Institution will have any liability for their reliance. The determination of the Make-Whole Redemption Price by such accounting firm or such financial advisor will be conclusive and binding on the Issuer, the Trustee, the Institution and the owners of the Series 2020B Bonds. See Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LOAN AGREEMENT".

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

***Mandatory Sinking Fund Redemption***

The Series 2020A Bonds are subject to mandatory redemption in part by lot by operation of Sinking Fund Payments on October 1 of each of the years set forth in the tables below in at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. The amounts and due dates of the Sinking Fund Payments are set forth in the following tables:

| Bonds Due October 1, 2040 | Principal Amount Subject to Redemption |
|---|---|
| 2036 | $2,465,000 |
| 2037 | 2,545,000 |
| 2038 | 2,630,000 |
| 2039 | 2,720,000 |
| 2040† | 2,815,000 |

† Maturity

| Bonds Due October 1, 2045 | Principal Amount Subject to Redemption |
|---|---|
| 2041 | $2,910,000 |
| 2042 | 3,025,000 |
| 2043 | 3,145,000 |
| 2044 | 3,270,000 |
| 2045† | 3,400,000 |

† Maturity

| Bonds Due October 1, 2050 | Principal Amount Subject to Redemption |
|---|---|
| 2046 | $3,535,000 |
| 2047 | 3,715,000 |
| 2048 | 3,900,000 |
| 2049 | 4,095,000 |
| 2050† | 4,300,000 |

† Maturity

The Series 2020B Bonds are subject to mandatory redemption in part by lot by operation of Sinking Fund Payments on October 1 of each of the years set forth in the tables below in at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. The amounts and due dates of the Sinking Fund Payments are set forth in the following table:

| Bonds Due October 1, 2025 | Principal Amount Subject to Redemption |
|---|---|
| 2021 | $1,035,000 |
| 2022 | 1,225,000 |
| 2023 | 1,530,000 |
| 2024 | 1,600,000 |
| 2025† | 1,670,000 |

† Maturity

| Bonds Due October 1, 2030 | Principal Amount Subject to Redemption |
|---|---|
| 2026 | $1,750,000 |
| 2027 | 1,855,000 |
| 2028 | 1,965,000 |
| 2029 | 2,080,000 |
| 2030† | 2,205,000 |

† Maturity

***Extraordinary Optional Redemption***

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

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

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

In the event a circumstance of the type described in paragraph (i) or (ii) immediately above shall occur with respect to the Facility or a portion thereof, the principal amount of Series 2020 Bonds to be redeemed shall equal the aggregate for the affected portion of the affected Facility multiplied by the principal amount of Series 2020 Bonds then Outstanding; provided, however, that if the affected facility shall be the last or only facility subject to the Loan Agreement, the Series 2020 Bonds Outstanding shall be redeemed in whole.

***Purchase in Lieu of Redemption***

The Institution has the option to cause any Series 2020A Bonds to be purchased by the Institution or its designee, in lieu of redemption. Such option may be exercised by delivery to the Trustee, within the time period described below under "Notice of Redemption" as though the written request were a written notice of the Institution's election to cause redemption of the Series 2020A Bonds, of a written notice of the Institution specifying that the Series 2020A Bonds shall not be redeemed, but instead shall be subject to purchase pursuant to the terms set forth in the Indenture. Upon delivery of such notice, (i) the Trustee shall thereupon give the owners of the Series 2020A Bonds to be purchased notice of such purchase in the manner described below as though such purchase were a redemption and the purchase of such Series 2020A Bonds shall be mandatory and enforceable against the Bondholders, and (ii) the Series 2020A Bonds shall not be redeemed but shall be purchased by the Institution at a price equal to the Redemption Price specified above, together with interest accrued to the Redemption Date, and if so purchased, the Series 2020A Bonds shall continue to be Outstanding under the Indenture for all purposes and shall continue to be subject to optional redemption as described herein. In the case of the purchase of less than all of the Series 2020A Bonds, the particular Series 2020A 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 Institution shall direct, provided such selection method is described in the written request to the Trustee. The Series 2020A Bonds so purchased by the Hospital or any affiliate shall be delivered to the Trustee for cancellation within fifteen (15) days of the date of purchase unless the Institution delivers to the Trustee and the Issuer an opinion of Bond Counsel to the effect that the failure to surrender such Series 2020A Bonds by such date will not affect the exclusion of the interest on any Bonds then Outstanding from gross income for federal income tax purposes.

***Notice of Redemption***

The Trustee shall call Series 2020 Bonds for optional redemption or extraordinary redemption upon receipt of notice from the Institution directing such redemption, which notice shall be sent to the Trustee at least thirty (30) days prior to the Redemption Date specified in such notice and shall specify (i) the principal amount of Series 2020 Bonds and their maturities so to be called for redemption, (ii) the applicable Redemption Price, and (iii) the

provision or provisions of the Indenture under which such Series 2020 Bonds are to be called for redemption. The Trustee shall call the Series 2020 Bonds for redemption for the applicable Sinking Fund Payment Dates without need for direction from the Institution or Issuer.

When the Series 2020 Bonds are to be redeemed pursuant to the Indenture, the Trustee shall give notice of the redemption of the Series 2020 Bonds in the name of the Issuer stating: (i) the Series 2020 Bonds to be redeemed; (ii) the Redemption Date; (iii) that such Series 2020 Bonds will be redeemed at the Office of the Trustee; (iv) that on the Redemption Date there shall become due and payable upon each Series 2020 Bond to be redeemed the Redemption Price thereof, together with interest accrued to the Redemption Date; and (v) that from and after the Redemption Date interest thereon shall cease to accrue. Any notice of optional redemption may be conditioned on sufficient funds being on deposit with the Trustee to effect such redemption and if sufficient funds are not on deposit, the redemption shall be rescinded and be of no further force and effect.

Notice shall be given by mail at least twenty-five (25) days and not more than sixty (60) days prior to said redemption to the Owner of each Series 2020 Bond to be redeemed at the address shown on the registration books; but failure to give such notice by mail, or any defect therein, shall not affect the validity of any proceeding for the redemption of the Series 2020 Bonds.

***Payment of Redeemed Bonds***

After notice of redemption has been provided in the manner described above, the Series 2020 Bonds or portions thereof called for redemption shall become due and payable on the Redemption Date so designated (except as described in the last sentence of the second paragraph under the subcaption "Notice of Redemption" above). Upon presentation and surrender of such Series 2020 Bonds at the Office of the Trustee, such Series 2020 Bonds shall be paid at the Redemption Price, plus accrued interest to the Redemption Date.

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

In the event of any partial redemption, the particular Series 2020 Bonds or portions thereof (equal to $5,000 or any integral multiple of $5,000 in excess thereof) to be redeemed shall be selected by the Trustee not more than sixty (60) days prior to the Redemption Date from maturities designated in writing by the Institution, and within each maturity by lot or by such other method as the Trustee shall deem fair and appropriate, provided that for so long as the Series 2020 Bonds shall be Book Entry Bonds, the particular Series 2020 Bond or portions thereof to be redeemed within a maturity may be selected by lot by the DTC in such manner as the DTC may determine. If any maturity of the Series 2020 Bonds which is subject to sinking fund redemption is to be redeemed in part (other than through a scheduled mandatory redemption), the Trustee shall credit the principal amount so redeemed against the mandatory Sinking Fund Payments thereon in such order as may be designated by the Institution.

**Additional Bonds and Permitted Debt**

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

See Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LOAN AGREEMENT" under the heading "THE INDENTURE – Additional Bonds" for a description of Additional Bonds

and "Appendix D – FORM OF THE MASTER INDENTURE AND THE SUPPLEMENTAL INDENTURE – Limitations on Indebtedness" for a description of permitted indebtedness and encumbrance provisions.

**Book-Entry Only System**

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2020 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2020 Bonds are to be accomplished by entries made on the books of the Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2020 Bonds, except in the event that use of the book-entry system for the Series 2020 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an

authorized representative of DTC. The deposit of Series 2020 Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2020 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Redemption proceeds, interest and principal payments on the Series 2020 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee on a payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, interest and principal payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2020 Bond certificates will be printed and delivered to DTC.

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

**NONE OF THE ISSUER, THE INSTITUTION OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2020 BONDS IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT, THE**

**PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF, REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2020 BONDS, ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE INDENTURE, THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2020 BONDS, OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.**

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

***Certificated Bonds***

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

## DEBT SERVICE SCHEDULE[1]

The following table sets forth the debt service schedule for the Series 2020 Bonds upon issuance of the Series 2020 Bonds and application of the proceeds thereof, including the principal of the Series 2020 Bonds to be redeemed by mandatory sinking fund redemption, for each twelve (12) month period ending December 31.

| | Series 2020A Bonds | | Series 2020B Bonds | | |
|---|---|---|---|---|---|
| Year | Principal | Interest | Principal | Interest | Total[2] |
| 2021 | - | $ 2,384,089 | $ 1,035,000 | $ 838,300 | $ 4,257,389 |
| 2022 | - | 2,585,156 | 1,225,000 | 862,425 | 4,672,581 |
| 2023 | - | 2,585,156 | 1,530,000 | 807,300 | 4,922,456 |
| 2024 | - | 2,585,156 | 1,600,000 | 738,450 | 4,923,606 |
| 2025 | - | 2,585,156 | 1,670,000 | 666,450 | 4,921,606 |
| 2026 | - | 2,585,156 | 1,750,000 | 591,300 | 4,926,456 |
| 2027 | - | 2,585,156 | 1,855,000 | 486,300 | 4,926,456 |
| 2028 | - | 2,585,156 | 1,965,000 | 375,000 | 4,925,156 |
| 2029 | - | 2,585,156 | 2,080,000 | 257,100 | 4,922,256 |
| 2030 | - | 2,585,156 | 2,205,000 | 132,300 | 4,922,456 |
| 2031 | $ 1,930,000 | 2,585,156 | - | - | 4,515,156 |
| 2032 | 2,025,000 | 2,488,656 | - | - | 4,513,656 |
| 2033 | 2,130,000 | 2,387,406 | - | - | 4,517,406 |
| 2034 | 2,235,000 | 2,280,906 | - | - | 4,515,906 |
| 2035 | 2,345,000 | 2,169,156 | - | - | 4,514,156 |
| 2036 | 2,465,000 | 2,051,906 | - | - | 4,516,906 |
| 2037 | 2,545,000 | 1,968,713 | - | - | 4,513,713 |
| 2038 | 2,630,000 | 1,882,819 | - | - | 4,512,819 |
| 2039 | 2,720,000 | 1,794,056 | - | - | 4,514,056 |
| 2040 | 2,815,000 | 1,702,256 | - | - | 4,517,256 |
| 2041 | 2,910,000 | 1,607,250 | - | - | 4,517,250 |
| 2042 | 3,025,000 | 1,490,850 | - | - | 4,515,850 |
| 2043 | 3,145,000 | 1,369,850 | - | - | 4,514,850 |
| 2044 | 3,270,000 | 1,244,050 | - | - | 4,514,050 |
| 2045 | 3,400,000 | 1,113,250 | - | - | 4,513,250 |
| 2046 | 3,535,000 | 977,250 | - | - | 4,512,250 |
| 2047 | 3,715,000 | 800,500 | - | - | 4,515,500 |
| 2048 | 3,900,000 | 614,750 | - | - | 4,514,750 |
| 2049 | 4,095,000 | 419,750 | - | - | 4,514,750 |
| 2050 | 4,300,000 | 215,000 | - | - | 4,515,000 |
| **Total[1]** | **$59,135,000** | **$56,814,026** | **$16,915,000** | **$ 5,754,925** | **$138,618,951** |

[1] Numbers may not foot due to rounding.

[2] Excludes debt service from approximately $895,000 in outstanding leases and loans which mature in 2022.

## SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS

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

### General

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

### Debt Service Reserve Fund

Pursuant to the Loan Agreement, the Institution agrees that it will deposit or cause to be deposited in the Debt Service Reserve Fund an amount in cash equal to the Debt Service Reserve Fund Requirement. The Debt Service Reserve Fund will initially be funded with a portion of the proceeds of both series of the Series 2020 Bonds as set forth herein under the caption "ESTIMATED SOURCES AND USES OF FUNDS". The Institution agrees that it will replenish any deficiency in accordance with the terms of the Loan Agreement. The Indenture creates a Series 2020A DSRF Account and a Series 2020B DSRF Account within the Debt Service Reserve Fund; however, funds in either account may be used to satisfy a shortfall with respect to either series of the Series 2020 Bonds, as described below.

In the event there is on any debt service payment date, a deficiency in the Bond Fund (a "Payment Deficiency") with respect to the Series 2020A Bonds, the Trustee is required under the Indenture to make up any such deficiency from the account of the Debt Service Reserve Fund for the Series 2020A Bonds, to the extent of the amounts in such account of the Debt Service Reserve Fund, by the withdrawal of monies from such account of the Debt Service Reserve Fund, to the extent available and by the sale or redemption of securities held in such account of the Debt Service Reserve Fund sufficient to make up any deficiency.

In the event there is on any debt service payment date, a Payment Deficiency with respect to the Series 2020B Bonds, the Trustee is required under the Indenture to make up any such deficiency from the account of the Debt Service Reserve Fund for the Series 2020B Bonds, to the extent of the amounts in such account of the Debt Service Reserve Fund, by the withdrawal of monies from such account of the Debt Service Reserve Fund, to the extent available and by the sale or redemption of securities held in such account of the Debt Service Reserve Fund sufficient to make up any deficiency.

Upon the redemption in full or final maturity of the Series 2020B Bonds, the Trustee is to transfer any amounts on deposit in the account of the Debt Service Reserve Fund for the Series 2020B Bonds to the account of the Debt Service Reserve Fund for the Series 2020A Bonds.

"Debt Service Reserve Fund Requirement" is defined in the Indenture, as of any particular date of computation, for the then current or future Bond Year, an amount equal to the lesser of (i) ten percent (10%) of the net proceeds of the Series 2020 Bonds, (ii) the greatest amount required to be paid in any such Bond Year with respect to the payment of principal, sinking fund payment, or interest on the Series 2020 Bonds outstanding during such Bond Year, or (iii) 125% of the average annual debt service on the Series 2020 Bonds outstanding.

**The Master Indenture**

Payment when due on the Series 2020 Bonds, and the payment when due of the payment obligations of the Institution to the Issuer under the Loan Agreement are secured by the Series 2020 Obligation issued pursuant to the Master Indenture and the Supplemental Indenture. The Master Indenture constitutes a joint and several obligation of Institution and future Members of the Obligated Group, if any, to repay all obligations issued under the Master Indenture (each an "Obligation" and collectively, the "Obligations"), including the Series 2020 Obligation. The obligation of current and any future Members of the Obligated Group to make the payments required by the Master Indenture with respect to the Series 2020 Obligation is secured by a security interest in the Gross Receipts of the initial Members and any future Member of the Obligated Group and by the Mortgage (as defined in the Master Indenture). Gross Receipts do not include, among other things, revenue derived from Property that does not constitute Health Care Facilities (*i.e.*, Excluded Property) under the Master Indenture. See "Security Interest in Gross Receipts" below. The issuance of future Obligations is subject to the satisfaction of certain financial covenants set forth in the Master Indenture which bind all Members of the Obligated Group. As security for the Series 2020 Obligation, Institution has granted the Mortgage on the land and buildings that include its primary hospital campus; however, other facilities are not subject to the Mortgage and are excluded from the Mortgaged Property. Also see Appendix A under the caption "FACILITIES" for a description of such facilities.

The Institution and future Members of the Obligated Group, upon compliance with the terms and conditions and for the purposes described in the Master Indenture, may incur additional Indebtedness. Such Indebtedness, if evidenced by an Obligation issued under the Master Indenture, would constitute a joint and several obligation of the Institution and any future Members of the Obligated Group on a parity with the Series 2020 Obligation and all other Obligations outstanding under the Master Indenture with respect to the Gross Receipts and the Mortgaged Property.

In addition to setting forth the conditions under which the Obligated Group may incur indebtedness, the Master Indenture governs the ability to encumber or transfer property and establishes a Debt Service Coverage Ratio Covenant and a covenant with regard to Minimum Operating Funds, among other covenants. For a complete description of the terms and provisions of the Master Indenture, see "Appendix D – FORM OF THE MASTER INDENTURE AND THE SUPPLEMENTAL INDENTURE" for the full text of the Master Indenture, including the 2020 Supplement. See also "Potential Affiliation with Stony Brook University Hospital; Suspension of Certain Master Indenture Provisions" herein.

**Security Interest in Gross Receipts**

As security for its obligations under the Master Indenture, the Institution and future Members of the Obligated Group must pledge and grant to the Master Trustee a security interest in such Member's Gross Receipts. Gross Receipts are defined to include all receipts, revenues, income and other moneys received or receivable by or on behalf of a Member of the Obligated Group, including, without limitation, contributions, donations, and pledges whether in the form of cash, securities or other personal property, and the rights to receive the same whether in the form of accounts, payment intangibles, contract rights, general intangibles, health-care insurance receivables, chattel paper, deposit accounts, instruments, promissory notes and the proceeds thereof, as such terms are presently or hereafter defined in the New York Uniform Commercial Code, and any insurance or condemnation proceeds thereon, whether now existing or hereafter coming into existence and whether now owned or hereafter acquired; provided, however, Gross Receipts shall not include (i) gifts, grants, bequests, donations, and contributions heretofore or hereafter made, designated at the time of the making thereof by the donor or maker as being for a specific purpose contrary to (A) paying debt service on an Obligation or (B) meeting any commitment of a Member of the Obligated Group under any loan agreement, lease agreement, sublease agreement or any similar instrument relating to the loan or other provision of proceeds of related bonds to a Member of the Obligated Group; (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 hereafter defined in the New York Uniform Commercial Code, and any insurance or condemnation proceeds thereon, whether now owned or hereafter acquired, derived from the Excluded Property; and (iii) insurance proceeds relating to assets subject to a capital lease permitted under the Master Indenture or subject to an operating lease as to which any Member of the Obligated Group is the lessee. Excluded Property means any real

property that is not now or hereafter used by any Member of the Obligated Group to provide for the care, maintenance and treatment of patients or to otherwise provide health care and health-related services. Any facility whose primary function or functions is other than providing health care services and which has incidental health care services provided on its premises, constitutes Excluded Property.

The Master Indenture provides that upon the occurrence and during the continuation of an Event of Default thereunder, the Master Trustee may, and upon written request of the holders of not less than 25% in aggregate principal amount of Obligations Outstanding shall, declare all Obligations Outstanding immediately due and payable, whereupon such Obligations shall become and be immediately due and payable. See "FORM OF THE MASTER INDENTURE AND THE SUPPLEMENTAL INDENTURE – Events of Default" and "– Additional Remedies and Enforcement of Remedies" in Appendix D attached hereto.

**Potential Affiliation with Stony Brook University Hospital; Suspension of Certain Master Indenture Provision**

The Institution signed a letter of intent in June 2019 regarding a potential affiliation with Stony Brook University Hospital ("SBUH"), a division of the State University of New York ("SUNY"). If consummated, it is expected that SUNY, acting through SBUH, would operate the Institution's main hospital facility as a lessee under a lease agreement and an affiliation agreement, which agreements are expected to have a term of 50 years. The closing of the affiliation is subject to completion of due diligence and other conditions precedent set forth in the respective agreements. See Appendix A hereto for a more detailed discussion of the Institution and its potential affiliation with SBUH. **It is expected that during the term of the SBUH affiliation and lease agreement, covenants and other provisions of the Master Indenture will be suspended.** See "FORM OF THE MASTER INDENTURE AND THE SUPPLEMENTAL INDENTURE".

**The Mortgage**

The Institution's payment obligations on the Series 2020 Obligation will be secured by the Mortgage granted by the Institution as its principal hospital campus. The Mortgage granted to the Master Trustee will include a security interest in certain fixtures, furnishings and equipment now or hereafter owned by the Institution and affixed or used in connection with the Mortgaged Property. The Master Trustee is permitted to subordinate certain portions of the Mortgaged Property from the lien of the Mortgage under certain conditions and to release certain portions of the Mortgaged Property which does not constitute Health Care Facilities (as defined in the Master Indenture) upon satisfaction of the conditions set forth in the Master Indenture and the Supplemental Indenture. The Institution may grant liens on the Mortgaged Property on a parity with the Mortgage to the Master Trustee under the Master Indenture. See "Appendix D – FORM OF THE MASTER INDENTURE AND THE SUPPLEMENTAL INDENTURE – Master Indenture – Limitation on Creation of Liens" and " - Permitted Release of Mortgaged Property." The Institution will deliver a mortgage title insurance policy to the Master Trustee in the amount of the Series 2020 Obligation.

**Foundation Guaranty**

Payment of principal of and interest on the Series 2020 Bonds by the Institution are guaranteed by Brookhaven Healthcare Services Corporation d/b/a Long Island Community Hospital Health Care Services Foundation (the "Foundation") pursuant to a Guaranty Agreement dated as of October 1, 2020 (the "Foundation Guaranty") between the Foundation and the Bond Trustee. As provided in the Guaranty Agreement, the Foundation has guaranteed:

(a) the full and prompt payment of the principal of the Series 2020 Bonds and the indebtedness represented thereby, the Sinking Fund Installments for, the redemption premium, if any, on the Series 2020 Bonds when and as the same shall become due and payable, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise;

(b) the full and prompt payment of interest on the Series 2020 Bonds when and as the same shall become due and payable;

(c) the full and prompt payment of an amount equal to each and all of the payments under the Loan Agreement and other sums when and as the same shall become due, required to be paid by the Institution under the terms of the Loan Agreement; and

(d) the full and prompt performance and observance by the Institution of all of the obligations, covenants and agreements required to be performed and observed by the Institution under the terms of the Loan Agreement and any other Bond Document to which the Institution is a party

(the payments, obligations, covenants and agreements referred to in clauses (a) through (d) above being collectively referred to herein as the "Guaranteed Obligations").

In the Guaranty Agreement, the Foundation irrevocably and unconditionally agrees that upon any default in any of the Guaranteed Obligations, the Foundation will promptly pay the same or effect the observance of such obligations, covenants and agreements, as the case may be.

The Guaranty Agreement further provides that, if the Stony Brook Lease is consummated, during a period when the Stony Brook Lease is in effect and SBUH is not in default on its payment obligations under the Stony Brook Lease, the provisions of the Guaranty Agreement shall be suspended and not in effect. Upon termination of the Stony Brook Lease, all provisions of the Guaranty Agreement shall return to full effect. See STRATEGY – Stony Brook University Hospital Affiliation" in APPENDIX A hereto for a more detailed discussion of the Institution and its potential affiliation with SBUH.

**Possible Substitution of the Series 2020 Obligation**

The Master Indenture provides without the consent of any Holder, an Obligation may be surrendered and delivered to the Master Trustee for cancellation upon receipt of certain deliverables and meeting of certain requirements. See "Appendix D – FORM OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE SUPPLEMENTAL INDENTURE – Master Indenture – Replacement of Master Indenture Obligations."

**Other Indebtedness**

The Institution and further Members of the Obligated Group may issue additional Obligations under the Master Indenture that are secured on a parity with outstanding Obligations including the Series 2020 Obligation by the pledge of Gross Receipts. See "Appendix D – FORM OF THE MASTER INDENTURE AND THE SUPPLEMENTAL INDENTURES – Master Indenture – Limitations on Creation of Liens" for a description of the conditions under which the Members of the Obligated Group may issue additional Obligations under the Master Indenture.

Under certain conditions set forth in the Master Indenture, in addition to incurring Indebtedness represented by an Obligation, the Members of the Obligated Group may incur debt in the form of Indebtedness incurred by the Members of the Obligated Group individually that is not evidenced or secured by an Obligation issued under the Master Indenture. Such borrowing may be secured by Liens on Property permitted under the Master Indenture, including without limitation Liens on Excluded Property, or, with limitations, accounts receivable. See "Appendix D – FORM OF THE MASTER INDENTURE AND THE SUPPLEMENTAL INDENTURE – Master Indenture – Limitations on Creation of Liens".

The Institution has certain Indebtedness outstanding in addition to that described above. See "Appendix A "FINANCIAL INFORMATION - Outstanding Indebtedness" and see "Appendix B – AUDITED FINANCIAL STATEMENTS."

## ESTIMATED SOURCES AND USES OF FUNDS

The following is an estimate of the sources and uses of funds in connection with the issuance of the Series 2020 Bonds. Totals may not foot due to rounding.

| | Series 2020A Bonds | Series 2020B Bonds | Total |
|---|---|---|---|
| Estimated Sources of Funds: | | | |
| Bonds | $ 59,135,000 | $ 16,915,000 | $ 76,050,000 |
| Net Original Issue Premium (Discount) | 5,385,669 | (76,954) | 5,308,715 |
| Total Sources of Funds | **$ 64,520,669** | **$ 16,838,046** | **$ 81,358,715** |
| Estimated Uses of Funds: | | | |
| Refunding of 2014 Bonds | $ 34,321,485 | $ - | $ 34,321,485 |
| Refunding of 2006 Bonds and Swap Termination | - | 14,787,536 | 14,787,536 |
| Refinancing of Capital Leases | 4,954,826 | 484,752 | 5,439,577 |
| Project Costs | 20,000,000 | - | 20,000,000 |
| Debt Service Reserve Fund | 3,830,717 | 1,095,740 | 4,926,456 |
| Costs of Issuance[1] | 1,413,642 | 470,019 | 1,883,661 |
| Total Uses of Funds | **$ 64,520,669** | **$ 16,838,046** | **$ 81,358,715** |

[1] Includes Underwriter's discount, Trustee, Master Trustee, legal, accounting and other professional fees, Issuer fees, printing and other miscellaneous expenses relating to the issuance and sale of the Series 2020 Bonds.

## PLAN OF FINANCE

The proceeds of the Series 2020A Bonds are to be applied, together with other available funds, for (i) the refinancing of the Issuer's Series 2014 Bonds, (ii) the refinancing of the Capital Leases which financed hospital equipment, (iii) the financing, refinancing or reimbursement of acquisition, construction, renovation, installation, equipping, improvements and upgrades to the hospital campus, (iv) funding in part the Debt Service Reserve Fund as described herein, and (v) paying costs incidental to the issuance of the Series 2020A Bonds. The proceeds of the Series 2020B Bonds are to be applied, together with other available funds for (i) the refinancing of the Town of Brookhaven Industrial Development Agency's Series 2006A Bonds, (ii) the payment of a swap termination payment in connection with the Series 2006A Bonds, (iii) funding in part the Debt Service Reserve Fund as described herein, and (iv) paying costs incidental to the issuance of the Series 2020B Bonds.

The Prior Bonds are to be retired on the date of issuance of the Series 2020 Bonds and all liens in favor of the holders of the Prior Bonds are to be discharged concurrently therewith.

## CERTAIN BONDHOLDERS' RISKS

AN INVESTMENT IN THE SERIES 2020 BONDS INVOLVES A DEGREE OF RISK. A PROSPECTIVE PURCHASER OF THE SERIES 2020 BONDS IS ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO. REFER TO THE SECTION "SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS" AND THIS SECTION FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2020 BONDS. See Part II to this Official Statement under the captions "BONDHOLDERS' RISKS" and "REGULATION OF THE HEALTH CARE INDUSTRY" for a discussion of factors that could adversely affect the Institution's operations, revenues and expenses, the Institution's ability to make payments on the Series 2020 Obligation and the Project.

## LITIGATION

### The Issuer

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

### The Institution

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

## INDEPENDENT ACCOUNTANTS

The consolidated financial statements of the Institution as of December 31, 2019 and 2018 and for the years then ended appearing in Appendix B of this Official Statement have been audited by BDO USA, independent accountants, as stated in their report appearing in Appendix B to this Official Statement.

## LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series 2020 Bonds are subject to the approving opinion of Nixon Peabody LLP, New York, New York, as Bond Counsel to the Issuer, a form of which is attached as Appendix E. A signed copy of such opinion will be available at the time of original delivery of the Series 2020 Bonds. Certain legal matters will be passed upon for the Issuer by its counsel, Annett Eaderesto, Esq., Farmingville, New York; for the Members of the Institution by its counsel, Katten Muchin Rosenman LLP, New York, New York; and for the Underwriter by its counsel, Hawkins Delafield & Wood LLP, New York, New York.

## UNDERWRITING

The Series 2020 Bonds are being purchased by the UBS Financial Services Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Series 2020 Bonds at a purchase price of $80,811,915.30 (representing the aggregate principal amount of the Series 2020 Bonds plus a net original issue premium of $5,308,714.80 less an underwriting discount of $546,799.50. The purchase contract for the Series 2020 Bonds provides that the Underwriter will purchase all of the Series 2020 Bonds if any are purchased. The Institution has agreed to indemnify the Underwriter and the Issuer against losses, claims, damages and liabilities arising out of any incorrect statement or information contained in or information omitted from this Official Statement to the extent set forth in the purchase contract.

The Underwriter may offer to sell Series 2020 Bonds to certain dealers (including dealers depositing the Series 2020 Bonds into investment trusts and others at prices lower than the offering prices stated on the front cover page hereof.

In the ordinary course of its various business activities, the Underwriter and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and may actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own

account and for the accounts of customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Institution (whether directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with (or that are otherwise involved with transactions by) the Institution. The Underwriter and its affiliates also may communicate independent investment recommendations, market advice or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

UBS Financial Services Inc. ("UBS FSI"), the underwriter of the Series 2020 Bonds, has entered into a distribution and service agreement with its affiliate UBS Securities LLC ("UBS Securities") for the distribution of certain municipal securities offerings, including the Series 2020 Bonds. Pursuant to such agreement, UBS FSI will share a portion of its underwriting compensation with respect to the Series 2020 Bonds with UBS Securities. UBS FSI and UBS Securities are each subsidiaries of UBS Group AG.

## RATINGS

S&P Global Ratings ("S&P") assigned the rating of "BBB-" to the Series 2020 Bonds. Explanations of the significance of the rating may be obtained from S&P at 55 Water Street, New York, New York. Such rating reflects only the views of the rating agency, and an explanation of the significance of the rating may be obtained from the rating agency. Generally, rating agencies base their ratings on information and material furnished by the Institution and on investigations, studies and assumptions made by the rating agencies. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2020 Bonds. Neither the Issuer nor the Underwriter have agreed to take any action with respect to any proposed rating change or to bring such rating change, if any, to the attention of the owners of the Series 2020 Bonds.

## TAX MATTERS – SERIES 2020A BONDS

### Federal Income Taxes

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2020A Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2020A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2020A Bonds. Pursuant to the Indenture, the Loan Agreement and the Tax Regulatory Agreement, by and between the Issuer and the Institution (the "Tax Certificate"), the Issuer and the Institution have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2020A Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Issuer and the Institution have made certain representations and certifications in the Indenture, the Loan Agreement and the Tax Certificate. Bond Counsel will also rely on the opinion of Katten Muchin Rosenman LLP as to all matters concerning the status of the Institution as an organization described in Section 501(c)(3) of the Code and exempt from federal income tax under Section 501(a) of the Code and that the intended use of the facilities financed or refinanced with proceeds of Series 2020A Bonds will not constitute an "unrelated trade or business" (within the meaning of Section 513(a) of the Code) of the Institution. Bond Counsel will not independently verify the accuracy of those representations and certifications or that opinion.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the Issuer and the Institution described above, interest on the Series 2020A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code.

**State Taxes**

Bond Counsel is also of the opinion that, under existing law, interest on the Series 2020A Bonds is exempt from personal income taxation imposed by the State of New York or any political subdivision of the State of New York, including The City of New York, assuming compliance with tax covenants and the accuracy of the representations and certifications described herein. Bond Counsel expresses no opinion as to other State of New York or local tax consequences arising with respect to the Series 2020A Bonds nor as to the taxability of the Series 2020A Bonds or the income therefrom under the laws of any state other than the State of New York.

**Original Issue Discount**

Bond Counsel is further of the opinion that the excess of the principal amount of a maturity of the Series 2020A Bonds over its issue price (i.e., the first price at which price a substantial amount of such maturity of the Series 2020A Bonds was sold to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) (each, a "Discount Bond" and collectively the "Discount Bonds") constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2020A Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such issue price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

**Original Issue Premium**

Series 2020A Bonds sold at prices in excess of their principal amounts are "Premium Bonds". An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Series 2020A Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

**Ancillary Tax Matters**

Ownership of the Series 2020A Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the Series 2020A Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Series 2020A Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2020A Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinions attached as Appendix E. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2020A Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

**Changes in Law and Post Issuance Events**

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2020A Bonds for federal or state income tax purposes, and thus on the value or marketability of the Series 2020A Bonds. This could result 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), repeal of the exclusion of the interest on the Series 2020A Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Series 2020A Bonds may occur. Prospective purchasers of the Series 2020A Bonds should consult their own tax advisors regarding the impact of any change in law on the Series 2020A Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2020A Bonds may affect the tax status of interest on the Series 2020A Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Series 2020A Bonds, or the interest thereon, if any action is taken with respect to the Series 2020A Bonds or the proceeds thereof upon the advice or approval of other counsel.

## TAX MATTERS – SERIES 2020B BONDS

**Federal Income Taxes**

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Series 2020B Bonds. The summary is based upon the provisions of the Code, the Treasury Regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. Such authorities may be repealed, revoked, or modified, possibly with retroactive effect, so as to result in United States federal income tax consequences different from those described below. The summary generally addresses Series 2020B Bonds held as capital assets within the meaning of Section 1221 of the Code and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Series 2020B Bonds as a hedge against currency risks or as a position in a "straddle," "hedge," "constructive sale transaction" or "conversion transaction" for tax purposes, or persons whose functional currency is not the United States dollar. It also does not deal with holders other than original purchasers that acquire Series 2020B Bonds at their initial issue price except where otherwise specifically noted. Potential purchasers of the Series 2020B Bonds should consult their own tax advisors in determining the federal, state, local, foreign and other tax consequences to them of the purchase, holding and disposition of the Series 2020B Bonds.

The Issuer has not sought and will not seek any rulings from the Internal Revenue Service with respect to any matter discussed herein. No assurance can be given that the Internal Revenue Service would not assert, or that a court would not sustain, a position contrary to any of the tax characterizations and tax consequences set forth below.

**U.S. Holders**

As used herein, the term "U.S. Holder" means a beneficial owner of Series 2020B Bonds that is (a) an individual citizen or resident of the United States for federal income tax purposes, (b) a corporation, including an entity treated as a corporation for federal income tax purposes, created or organized in or under the laws of the United States or any State thereof (including the District of Columbia), (c) an estate whose income is subject to

federal income taxation regardless of its source, or (d) a trust if a court within the United States can exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. Notwithstanding clause (d) of the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as United States persons prior to that date that elect to continue to be treated as United States persons also will be U.S. Holders. In addition, if a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) holds Series 2020B Bonds, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. If a U.S. Holder is a partner in a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) that holds Series 2020B Bonds, the U.S. Holder is urged to consult its own tax advisor regarding the specific tax consequences of the purchase, ownership and dispositions of the Series 2020B Bonds.

**Taxation of Interest Generally**

Interest on the Series 2020B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code and so will be fully subject to federal income taxation. Purchasers will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such Series 2020B Bonds. In general, interest paid on the Series 2020B Bonds and recovery of any accrued original issue discount and market discount will be treated as ordinary income to a bondholder, and after adjustment for the foregoing, principal payments will be treated as a return of capital to the extent of the U.S. Holder's adjusted tax basis in the Series 2020B Bonds and capital gain to the extent of any excess received over such basis.

**Recognition of Income Generally**

Section 451(b) of the Code provides that purchasers using an accrual method of accounting for U.S. federal income tax purposes may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such purchaser. In this regard, the IRS issued proposed regulations which provide that, with the exception of certain fees, the rule in section 451(b) will generally not apply to the timing rules for original issue discount and market discount, or to the timing rules for de minimis original issue discount and market discount. Prospective purchasers of the Series 2020B Bonds should consult their own tax advisors regarding the potential applicability of these rules and their impact on the timing of the recognition of income related to the Series 2020B Bonds under the Code.

**Original Issue Discount**

The following summary is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of Series 2020B Bonds issued with original issue discount ("Discount Bonds"). A Bond will be treated as having been issued with an original issue discount if the excess of its "stated redemption price at maturity" (defined below) over its issue price (defined as the initial offering price to the public at which a substantial amount of the Series 2020B Bonds of the same maturity have first been sold to the public, excluding bond houses and brokers) equals or exceeds one quarter of one percent of such Series 2020B Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity (or, in the case of an installment obligation, its weighted average maturity).

A Series 2020B Bond's "stated redemption price at maturity" is the total of all payments provided by the Series 2020B Bond that are not payments of "qualified stated interest." Generally, the term "qualified stated interest" includes stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate or certain floating rates.

In general, the amount of original issue discount includible in income by the initial holder of a Discount Bond is the sum of the "daily portions" of original issue discount with respect to such Discount Bond for each day during the taxable year in which such holder held such Series 2020B Bond. The daily portion of original issue discount on any Discount Bond is determined by allocating to each day in any "accrual period" a ratable portion of the original issue discount allocable to that accrual period.

An accrual period may be of any length, and may vary in length over the term of a Discount Bond, provided that each accrual period is not longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. The amount of original issue discount allocable to each accrual period is equal to the difference between (i) the product of the Discount Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Discount Bond at the beginning of any accrual period is the sum of the issue price of the Discount Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Discount Bond that were not qualified stated interest payments. Under these rules, holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Holders utilizing the accrual method of accounting may generally, upon election, include in gross income all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) on a Series 2020B Bond by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions.

Holders that use an accrual method of accounting may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such holder as discussed under "Recognition of Income Generally*"* above. Prospective purchasers of the Series 2020B Bonds should consult their own tax advisors regarding the potential applicability of this rule and its impact on the timing of the recognition of income related to the Series 2020B Bonds under the Code.

**Market Discount**

A holder who purchases a Series 2020B Bond at a price which includes market discount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) in excess of a prescribed de minimis amount will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such holder will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Series 2020B Bond as ordinary income to the extent of any remaining accrued market discount or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such holder on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

A holder of a Series 2020B Bond who acquires such Series 2020B Bond at a market discount also may be required to defer, until the maturity date of such Bond or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the holder paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Series 2020B Bond in excess of the aggregate amount of interest (including original issue discount) includable in such holder's gross income for the taxable year with respect to such Series 2020B Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2020B Bond for the days during the taxable year on which the holder held the Series 2020B Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 2020B Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the bondholder elects to include such market discount in income currently as described above.

Holders that use an accrual method of accounting may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such holder as discussed under "Recognition of Income Generally" above. Prospective purchasers of the Series 2020B Bonds should consult their own tax advisors regarding the potential applicability of this rule and its impact on the timing of the recognition of income related to the Series 2020B Bonds under the Code.

**Bond Premium**

A holder of a Series 2020B Bond who purchases such Series 2020B Bond at a cost greater than its remaining redemption amount will have amortizable bond premium. If the holder elects to amortize this premium under Section 171 of the Code (which election will apply to all Series 2020B Bonds held by the holder on the first day of the taxable year to which the election applies and to all Series 2020B Bonds thereafter acquired by the holder), such a holder must amortize the premium using constant yield principles based on the holder's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Purchasers of Series 2020B Bonds who acquire such Series 2020B Bonds at a premium should consult with their own tax advisors with respect to federal, state and local tax consequences of owning such Series 2020B Bonds.

**Surtax on Unearned Income**

Section 1411 of the Code generally imposes a tax of 3.8% on the "net investment income" of certain individuals, trusts and estates. Among other items, net investment income generally includes gross income from interest and net gain attributable to the disposition of certain property, less certain deductions. U.S. Holders should consult their own tax advisors regarding the possible implications of this provision in their particular circumstances.

**Sale or Redemption of Series 2020B Bonds**

A bondholder's adjusted tax basis for a Series 2020B Bond is the price such holder pays for the Series 2020B Bond plus the amount of original issue discount and market discount previously included in income and reduced on account of any payments received on such Series 2020B Bond other than "qualified stated interest" and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Series 2020B Bond, measured by the difference between the amount realized and the bondholder's tax basis as so adjusted, will generally give rise to capital gain or loss if the Series 2020B Bond is held as a capital asset (except in the case of Series 2020B Bonds acquired at a market discount, in which case a portion of the gain will be characterized as interest and therefore ordinary income).

If the terms of a Series 2020B Bond are materially modified, in certain circumstances, a new debt obligation would be deemed "reissued", or created and exchanged for the prior obligation in a taxable transaction. Among the modifications which may be treated as material are those related to the redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. In addition, the defeasance of a Series 2020B Bond under the defeasance provisions of the Indenture could result in a deemed sale or exchange of such Series 2020B Bond.

EACH POTENTIAL HOLDER OF SERIES 2020B BONDS SHOULD CONSULT ITS OWN TAX ADVISOR CONCERNING (1) THE TREATMENT OF GAIN OR LOSS ON SALE, REDEMPTION OR DEFEASANCE OF THE SERIES 2020B BONDS, AND (2) THE CIRCUMSTANCES IN WHICH SERIES 2020B BONDS WOULD BE DEEMED REISSUED AND THE LIKELY EFFECTS, IF ANY, OF SUCH REISSUANCE.

**Non-U.S. Holders**

The following is a general discussion of certain United States federal income tax consequences resulting from the beneficial ownership of Series 2020B Bonds by a person other than a U.S. Holder, a former United States citizen or resident, or a partnership or entity treated as a partnership for United States federal income tax purposes (a "Non-U.S. Holder").

Subject to the discussion of backup withholding and the Foreign Account Tax Compliance Act ("FATCA"), payments of principal by the Issuer or any of its agents (acting in its capacity as agent) to any Non-U.S. Holder will not be subject to federal withholding tax. In the case of payments of interest to any Non-U.S. Holder, however, federal withholding tax will apply unless the Non-U.S. Holder (1) does not own (actually or constructively) 10 percent or more of the voting equity interests of the Issuer, (2) is not a controlled foreign corporation for United States tax purposes that is related to the Issuer (directly or indirectly) through stock ownership, and (3) is not a bank receiving interest in the manner described in Section 881(c)(3)(A) of the Code. In addition, either (1) the Non-U.S. Holder must certify on the applicable IRS Form W-8 (series) (or successor form) to the Issuer, its agents or paying agents or a broker under penalties of perjury that it is not a U.S. person and must provide its name and address, or (2) a securities clearing organization, bank or other financial institution, that holds customers' securities in the ordinary course of its trade or business and that also holds the Series 2020B Bonds must certify to the Issuer or its agent under penalties of perjury that such statement on the applicable IRS Form W-8 (series) (or successor form) has been received from the Non-U.S. Holder by it or by another financial institution and must furnish the interest payor with a copy.

Interest payments may also be exempt from federal withholding tax depending on the terms of an existing Federal Income Tax Treaty, if any, in force between the U.S. and the resident country of the Non-U.S. Holder. The U.S. has entered into an income tax treaty with a limited number of countries. In addition, the terms of each treaty differ in their treatment of interest and original issue discount payments. Non-U.S. Holders are urged to consult their own tax advisor regarding the specific tax consequences of the receipt of interest payments, including original issue discount. A Non-U.S. Holder that does not qualify for exemption from withholding as described above must provide the Issuer or its agent with documentation as to his, her, or its identity to avoid the U.S. backup withholding tax on the amount allocable to a Non-U.S. Holder. The documentation may require that the Non-U.S. Holder provide a U.S. tax identification number.

If a Non-U.S. Holder is engaged in a trade or business in the United States and interest on a Series 2020B Bond held by such holder is effectively connected with the conduct of such trade or business, the Non-U.S. Holder, although exempt from the withholding tax discussed above (provided that such holder timely furnishes the required certification to claim such exemption), may be subject to United States federal income tax on such interest in the same manner as if it were a U.S. Holder. In addition, if the Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (subject to a reduced rate under an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments. For purposes of the branch profits tax, interest on a Series 2020B Bond will be included in the earnings and profits of the holder if the interest is effectively connected with the conduct by the holder of a trade or business in the United States. Such a holder must provide the payor with a properly executed IRS Form W-8ECI (or successor form) to claim an exemption from United States federal withholding tax.

Generally, any capital gain realized on the sale, exchange, retirement or other disposition of a Series 2020B Bond by a Non-U.S. Holder will not be subject to United States federal income or withholding taxes if (1) the gain is not effectively connected with a United States trade or business of the Non-U.S. Holder, and (2) in the case of an individual, the Non-U.S. Holder is not present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition, and certain other conditions are met.

For newly issued or reissued obligations, such as the Series 2020B Bonds, FATCA imposes U.S. withholding tax on interest payments and, for dispositions after December 31, 2018, gross proceeds of the sale of the Series 2020B Bonds paid to certain foreign financial institutions (which is broadly defined for this purpose to generally include non-U.S. investment funds) and certain other non-U.S. entities if certain disclosure and due diligence requirements related to U.S. accounts or ownership are not satisfied, unless an exemption applies. An intergovernmental agreement between the United States and an applicable non-U.S. country may modify these requirements. In any event, bondholders or beneficial owners of the Series 2020B Bonds shall have no recourse against the Issuer, nor will the Issuer be obligated to pay any additional amounts to "gross up" payments to such persons, as a result of any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or government charges with respect to payments in respect of the Series 2020B Bonds. However, it should be noted that on December 13, 2018, the IRS issued Proposed Treasury Regulation Section 1.1473-1(a)(1) which proposes to remove gross proceeds from the definition of "withholdable payment" for this purpose.

Non-U.S. Holders should consult their own tax advisors with respect to the possible applicability of federal withholding and other taxes upon income realized in respect of the Series 2020B Bonds.

**Information Reporting and Backup Withholding**

For each calendar year in which the Series 2020B Bonds are outstanding, the Issuer, its agents or paying agents or a broker is required to provide the IRS with certain information, including a holder's name, address and taxpayer identification number (either the holder's Social Security number or its employer identification number, as the case may be), the aggregate amount of principal and interest paid to that holder during the calendar year and the amount of tax withheld, if any. This obligation, however, does not apply with respect to certain U.S. Holders, including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts and annuities.

If a U.S. Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or under-reports its tax liability, the Issuer, its agents or paying agents or a broker may be required to make "backup" withholding of tax on each payment of interest or principal on the Series 2020B Bonds. This backup withholding is not an additional tax and may be credited against the U.S. Holder's federal income tax liability, provided that the U.S. Holder furnishes the required information to the IRS.

Under current Treasury Regulations, backup withholding and information reporting will not apply to payments of interest made by the Issuer, its agents (in their capacity as such) or paying agents or a broker to a Non-U.S. Holder if such holder has provided the required certification that it is not a U.S. person (as set forth in the second paragraph under "Non-U.S. Holders" above), or has otherwise established an exemption (provided that neither the Issuer nor its agent has actual knowledge that the holder is a U.S. person or that the conditions of an exemption are not in fact satisfied).

Payments of the proceeds from the sale of a Series 2020B Bond to or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting (but not backup withholding) may apply to those payments if the broker is one of the following: (i) a U.S. person; (ii) a controlled foreign corporation for U.S. tax purposes; (iii) a foreign person 50-percent or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment was effectively connected with a United States trade or business; or (iv) a foreign partnership with certain connections to the United States.

Payment of the proceeds from a sale of a Series 2020B Bond to or through the United States office of a broker is subject to information reporting and backup withholding unless the holder or beneficial owner certifies as to its taxpayer identification number or otherwise establishes an exemption from information reporting and backup withholding.

The preceding federal income tax discussion is included for general information only and may not be applicable depending upon a holder's particular situation. Holders should consult their tax advisors with respect to the tax consequences to them of the purchase, ownership and disposition of the Series 2020B Bonds, including the tax consequences under federal, state, local, foreign and other tax laws and the possible effects of changes in those tax laws.

**State Taxes**

Interest on the Series 2020B Bonds is not exempt from personal income taxes of the State of New York and its political subdivisions, including The City of New York. Bond Counsel expresses no opinion as to other state or local tax law consequences arising with respect to the Series 2020B Bonds nor as to the taxability of the Series 2020B Bonds or the income derived therefrom under the laws of any jurisdiction other than the State of New York.

**Changes in Law and Post Issuance Events**

Legislative or administrative actions and court decisions, at either the federal or state level, could have an impact on the inclusion in gross income of interest on the Series 2020B Bonds for federal or state income tax purposes, and thus on the value or marketability of the Series 2020B Bonds. This could result 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 otherwise. It is not possible to predict whether any such legislative or administrative actions or court decisions will occur or have an adverse impact on the federal or state income tax treatment of holders of the Series 2020B Bonds. Prospective purchasers of the Series 2020B Bonds should consult their own tax advisors regarding the impact of any change in law or proposed change in law on the Series 2020B Bonds.

IN ALL EVENTS, ALL INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SERIES 2020B BONDS.

## CONSIDERATIONS FOR ERISA AND OTHER U.S. BENEFIT PLAN INVESTORS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain fiduciary obligations and prohibited transaction restrictions on employee pension and welfare benefit plans subject to Title I of ERISA ("ERISA Plans"). Section 4975 of the Code imposes essentially the same prohibited transaction restrictions on tax-qualified retirement plans described in Section 401(a) and 403(a) of the Code, which are exempt from tax under Section 501(a) of the Code, other than governmental and church plans as defined herein ("Qualified Retirement Plans"), and on Individual Retirement Accounts ("IRAs") described in Section 408(b) of the Code (collectively, "Tax-Favored Plans"). Certain employee benefit plans such as governmental plans (as defined in Section 3(32) of ERISA) ("Governmental Plans"), and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA) ("Church Plans"), are not subject to ERISA requirements. Additionally, such Governmental and Church Plans are not subject to the requirements of Section 4975 of the Code but may be subject to applicable federal, state or local law ("Similar Laws") which is, to a material extent, similar to the foregoing provisions of ERISA or the Code. Accordingly, assets of such plans may be invested in the Series 2020 Bonds without regard to the ERISA and Code considerations described below, subject to the provisions of Similar Laws.

In addition to the imposition of general fiduciary obligations, including those of investment prudence and diversification and the requirement that a plan's investment be made in accordance with the documents governing the plan, Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax-Favored Plans and entities whose underlying assets include plan assets by reason of ERISA Plans or Tax-Favored Plans investing in such entities (collectively, "Benefit Plans") and persons who have certain specified relationships to the Benefit Plans ("Parties In Interest" or "Disqualified Persons"), unless a statutory or administrative exemption is available. The definitions of "Party in Interest" and "Disqualified Person" are expansive. While other entities may be encompassed by these definitions, they include, most notably: (1) fiduciary with respect to a plan; (2) a person providing services to a plan; (3) an employer or employee organization any of whose employees or members are covered by the plan; and (4) the owner of an IRA. Certain Parties in Interest (or Disqualified Persons) that participate in a prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Code) unless a statutory or administrative exemption is available. Without an exemption an IRA owner may disqualify his or her IRA.

Certain transactions involving the purchase, holding or transfer of the Series 2020 Bonds might be deemed to constitute prohibited transactions under ERISA and Section 4975 of the Code if assets of the Issuer were deemed to be assets of a Benefit Plan. Under final regulations issued by the United States Department of Labor (the "Plan Assets Regulation"), the assets of the Issuer would be treated as plan assets of a Benefit Plan for the purposes of ERISA and Section 4975 only of the Code if the Benefit Plan acquires an "equity interest" in the Issuer and none of the exceptions contained in the Plan Assets Regulation is applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there is little guidance on this matter, it appears that the Series 2020 Bonds should be treated as debt without substantial equity features for purposes of the

Plan Assets Regulation. This determination is based upon the traditional debt features of the Series 2020 Bonds, including the reasonable expectation of purchasers of Series 2020 Bonds that the Series 2020 Bonds will be repaid when due, traditional default remedies, as well as the absence of conversion rights, warrants and other typical equity features.

However, without regard to whether the Series 2020 Bonds are treated as an equity interest for such purposes, though, the acquisition or holding of Series 2020 Bonds by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Issuer or the Issuing and Paying Agent, or any of their respective affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan.

Most notably, ERISA and the Code generally prohibit the lending of money or other extension of credit between an ERISA Plan or Tax-Favored Plan and a Party in Interest or a Disqualified Person, and the acquisition of any of the Series 2020 Bonds by a Benefit Plan would involve the lending of money or extension of credit by the Benefit Plan. In such a case, however, certain exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a Series 2020 Bond. Included among these exemptions are: Prohibited Transaction Class Exemption ("PTCE") 96-23, regarding transactions effected by certain "in-house asset managers"; PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 95-60, regarding transactions effected by "insurance company general accounts"; PTCE 91-38, regarding investments by bank collective investment funds; and PTCE 84-14, regarding transactions effected by "qualified professional asset managers." Further, the statutory exemption in Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provides for an exemption for transactions involving "adequate consideration" with persons who are Parties in Interest or Disqualified Persons solely by reason of their (or their affiliate's) status as a service provider to the Benefit Plan involved and none of whom is a fiduciary with respect to the Benefit Plan assets involved (or an affiliate of such a fiduciary). There can be no assurance that any class or other exemption will be available with respect to any particular transaction involving the Series 2020 Bonds, or that, if available, the exemption would cover all possible prohibited transactions.

By acquiring a Series 2020 Bond (or interest therein), each purchaser and transferee (and if the purchaser or transferee is a plan, its fiduciary) is deemed to represent and warrant that either (i) it is not acquiring the Series 2020 Bond (or interest therein) with the assets of a Benefit Plan, Governmental plan or Church plan; or (ii) the acquisition and holding of the Series 2020 Bond (or interest therein) will not give rise to a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or Similar Laws. A purchaser or transferee who acquires Series 2020 Bonds with assets of a Benefit Plan represents that such purchaser or transferee has considered the fiduciary requirements of ERISA, the Code or Similar Laws and has consulted with counsel with regard to the purchase or transfer.

Because the Issuer, the Trustee, Underwriters or any of their respective affiliates may receive certain benefits in connection with the sale of the Series 2020 Bonds, the purchase of the Series 2020 Bonds using plan assets of a Benefit Plan over which any of such parties has investment authority or provides investment advice for a direct or indirect fee may be deemed to be a violation of the prohibited transaction rules of ERISA or Section 4975 of the Code or Similar Laws for which no exemption may be available. Accordingly, any investor considering a purchase of Series 2020 Bonds using plan assets of a Benefit Plan should consult with its counsel if the Issuer, the Trustee or the Underwriters or any of their respective affiliates has investment authority or provides investment advice for a direct or indirect fee with respect to such assets or is an employer maintaining or contributing to the Benefit Plan.

Any ERISA Plan fiduciary considering whether to purchase the Series 2020 Bonds on behalf of an ERISA Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment and the availability of any of the exemptions referred to above. Persons responsible for investing the assets of Tax-Favored Plans that are not ERISA Plans should seek similar counsel with respect to the prohibited transaction provisions of the Code and the applicability of Similar Laws.

## CONTINUING DISCLOSURE

Because the Series 2020 Bonds are limited obligations of the Issuer, payable solely from amounts received from the Institution, financial or operating data concerning the Issuer is not material to an evaluation of the offering of the Series 2020 Bonds or to any decision to purchase, hold or sell the Series 2020 Bonds. Accordingly, the Issuer is not providing any such information. Pursuant to a Continuing Disclosure Agreement relating to the Series 2020 Bonds (the "Continuing Disclosure Agreement"), between the Institution 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 Institution is obligated to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system audited financial statements of the Institution and certain operating data of the Institution as described below.

The Institution has covenanted to provide (a) certain financial information and operating data relating to the Institution by not later than 150 days after the end of the Institution's fiscal year (which fiscal year currently ends on December 31), commencing with the report for the fiscal year ending December 31, 2020 (the "Annual Report"), (b) certain financial information relating to the Institution by not later than 60 days after the end of the first three fiscal quarters of the Institution's fiscal year, and not less than 90 days after the end of the fourth fiscal quarter of the Institution's fiscal year, commencing in the fiscal quarter ending December 31, 2020 and (c) notices of the occurrence of certain enumerated events. The Institution will file, or cause to be filed, the Annual Report and quarterly information with the MSRB through the EMMA system for municipal securities disclosures. Any notice of an event required to be disclosed as a significant event under Rule 15c2-12 is also required to be filed by the Institution with the MSRB through its EMMA system. The specific nature of the information to be contained in the Annual Report, the quarterly reports and the notices of material events is described in Appendix F – FORM OF CONTINUING DISCLOSURE AGREEMENT. These covenants have been made in order to assist the Underwriter in complying with the Rule. The Institution is not currently subject to any undertakings in connection with the Rule.

## MISCELLANEOUS

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

The agreement of the Issuer with the holders of Series 2020 Bonds is fully set forth in the Indenture, and neither any advertisement of the Series 2020 Bonds nor this Official Statement, is to be construed as constituting an agreement with the purchasers of the Series 2020 Bonds.

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

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

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

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

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

**TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION**

By: */s/ Lisa MG Mulligan*
Name: Lisa MG Mulligan
Title: Chief Executive Officer

**BROOKHAVEN MEMORIAN HOSPITAL MEDICAL CENTER, INC. D/B/A LONG ISLAND COMMUNITY HOSPITAL**

By: */s/ Brenda Farrell*
Name: Brenda Farrell
Title: Vice President and Chief Financial Officer

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## PART B

## BONDHOLDERS' RISKS

*Some of the identifiable risks which should be considered when making an investment decision regarding Series 2020 Bonds are discussed below. The discussion herein of risks to the Owners (including the Beneficial Owners) of the Series 2020 Bonds is not intended as dispositive, comprehensive or definitive, but rather is intended to summarize certain matters which could affect payment on the Series 2020 Bonds. The risks discussed below should be read in conjunction with APPENDIX A 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 Trustee. The operations and financial condition 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 Obligated Group.*

### General

As set forth under the heading "SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS," the Series 2020 Bonds will constitute limited obligations of the Issuer issued pursuant to the Indenture and secured by (i) certain funds and accounts established under the Indenture; (ii) any and all other Property (as defined in the Indenture) by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred, by the Issuer or by anyone on its behalf or with its written consent or by the Institution in favor of the Trustee; (iii) the Series 2020 Obligation issued under the Master Indenture; (iv) a Gross Receipts pledge pursuant to the Master Indenture; (v) the Mortgage; and (vi) the Foundation Guaranty. The revenues and expenses of the Obligated Group are subject to, among other things, the capabilities of its 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 the Obligated Group's 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 Series 2020 Bonds and the 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 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, congressional efforts continue to repeal provisions of the ACA. 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 financial condition or operations of the Members of the Obligated Group. In addition to statutory changes or judicial action, regulatory changes and executive actions implemented by the Trump administration could have a material adverse impact on the financial condition or operations of the Members of the Obligated Group. Accordingly, it is possible that the significant risk areas summarized under this caption "CERTAIN 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 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**

The Institution, as the sole Member of the Obligated Group, is a nonprofit (not-for-profit) corporation and each is exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). As nonprofit tax-exempt organization, the Institution is subject to federal, state and local laws, regulations, rulings and court decisions relating to its organization and operation, including its operations for charitable purposes. At the same time, the Obligated Group conducts large-scale complex business transactions and is a major employer in its market. 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 Institution, 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 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 Institution or future Members of the Obligated Group. The challenges and examinations, and any resulting legislation, regulations, judgments, or penalties, could have a material adverse effect on the Institution or future Members of 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 the Code's 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 organizations described under Section 501(c)(3) of the Code 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. It is possible 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 – 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, requires 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 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 and 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 not-for-profit corporations, including the Institution, 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.

***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**

***Maintenance of Tax-Exempt Status.*** Loss of tax-exempt status by a Member of the Obligated Group could result in loss of tax exemption of interest on certain bonds issued to make loans to the Obligated Group 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 the Institution.

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 Institution conducts large-scale and diverse operations involving private parties, there can be no assurances that certain of its transactions would not be challenged by the IRS. The Institution 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 Institution is 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. 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 Obligated Group is, 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. If

the IRS were to find that the Institution or any future Member of the Obligated Group has participated in activities in violation of certain regulations or rulings, the tax-exempt status of such entity could be in jeopardy. Loss of tax-exempt status by the Institution or any future 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 Institution and future Members 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 low-income patients, the real property tax-exempt status of the health care providers has been questioned. The real property of the Obligated Group is currently treated as exempt from real property taxation. Although the real property tax exemptions 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 Obligated Group.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of not-for-profit 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.

***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 a tax-exempt organization, the Institution is 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 the Institution or any future Member of the Obligated Group, or assessment of significant tax liability would have a materially adverse impact on the financial condition or operations of the Institution or future Members of the Obligated Group.

**Realization of Value on the Mortgaged Property**

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

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

Furthermore, in order to operate the Mortgaged Property, as a health care facility, a purchaser of the Mortgaged Property at a foreclosure sale would under present law have to obtain a certificate of need from the New York State Department of Health and a license for the health care components of the facilities located on the Mortgaged Property. The Institution is not granting a lien on equipment or furnishings at the Mortgaged Property. Therefore, the ability to operate the Mortgaged Property as a health care facilities might be affected accordingly.

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

**Security and Enforceability**

***Enforceability of the Master Indenture and Obligations.*** The Institution, as sole Member of the Obligated Group, has covenanted in the Master Indenture to make payments when due under the Master Indenture and on the Obligations issued under the Master Indenture. Obligations are joint and several obligations of each Member of the Obligated Group, if additional Obligated Group Members are admitted. The enforceability of the joint and several obligations of each Obligated Group Member is uncertain. As a consequence, the property of any future Members of the Obligated Group that are not the beneficiaries of the proceeds of the Series 2020 Bonds may not be available to make such payments.

Such joint and several obligation may not be enforceable against future Obligated Group Members for a variety of reasons, including: (i) to the extent payments are requested to be made from assets of such Obligated Group Member 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; (ii) if the purpose of the debt is not consistent with the charitable purposes of such Obligated Group Member, or if the debt was incurred by or issued for the benefit of an entity other than a not-for-profit corporation which is exempt from federal income taxes under Sections 501(a) and 501(c)(3) of the Code and is not a "private foundation" as defined in Section 509(a) of the Code; (iii) to the extent payments would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by such Obligated Group Member; and (iv) if and to the extent payments are requested to be made pursuant to any loan violating applicable usury laws.

If the obligation of a particular Obligated Group Member to make payment on an Obligation is not enforceable, and payment is not made on such Obligation when due in full, then an Event of Default will arise under the Master Indenture.

Future Members of the Obligated Group may not be required to make payments on or provide amounts for the payment of an Obligation, including the Obligation relating to the Series 2020 Bonds, issued by or for the benefit of another entity if and to the extent that any such payment or transfer would render such Obligated Group Member insolvent or would conflict with or not be permitted by or would be subject to recovery for the benefit of other creditors of such Obligated Group Member under applicable fraudulent conveyance, bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights. There is no clear precedent in the law as to whether payments on Obligations (including the Series 2020 Obligation) by the Institution may be voided by a trustee in bankruptcy in the event of a bankruptcy of a future Obligated Group Member, or by third party creditors in an action brought pursuant to state fraudulent conveyances statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under state fraudulent conveyance statutes, a creditor of a related guarantor, may avoid any obligation incurred by a related guarantor if, among other bases therefor, (1) the guarantor has not received fair consideration or reasonably equivalent value in exchange for the guaranty, and (2) the guaranty renders the guarantor insolvent, as defined in the United States Bankruptcy Code or state fraudulent conveyances statutes, or the guarantor is undercapitalized. Under such principles, the obligation of future Members of the Obligated Group to make payments on Obligations (including the Series 2020 Obligation) that secures Related Bonds (including the Series 2020 Bonds) not issued for the direct benefit of such Obligated Group Member may be considered a guaranty.

Application by courts of the tests of "insolvency," "reasonably equivalent value" and "fair consideration" has resulted in a conflicting body of case law. If judicial action were brought to compel future Members of the Obligated Group to make a payment on an Obligation (including the Series 2020 Obligation), a court might not enforce such payment in the event it is determined that sufficient consideration for the Member's obligation was not

received, or that the incurrence of such obligation has rendered or will render the Member insolvent, or the Member is or will thereby become undercapitalized.

In addition, state courts have common law authority and authority under state statutes to terminate the existence of a not-for-profit corporation or undertake supervision of its affairs on various grounds, including a finding that such corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out such purposes. Such 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.

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

***Amendments to Master Indenture.*** Certain amendments to the Master Indenture may be made without the consent of the owners of the Obligations. Certain other amendments to the Master Indenture may be made with the consent of the owners of not less than 51% of the aggregate principal amount of the outstanding Obligations. Amendments to the Master Indenture may be obtained with the consent of the owners of Obligations other than the Series 2020 Obligation. The Master Trustee is considered the Holder of the Series 2020 Obligation. Certain amendments to the Indenture may be made with the consent of the owners of not less than a majority of the outstanding principal amount of the Series 2020 Bonds. Such amendments may adversely affect the security of owners of the Series 2020 Bonds.

***Enforceability of Remedies.*** The remedies available to the Trustee, the Master Trustee, and the beneficial owners of the Series 2020 Bonds upon an event of default under the Indenture and the Master Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including, specifically, the United States Bankruptcy Code, the remedies provided in the Indenture and the Master Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2020 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors' generally and laws relating to fraudulent conveyances.

***Enforceability of Lien on Gross Receipts.*** The Master Indenture and the Obligations provide that the Members of the Obligated Group will make the payments required to be made under the Indenture as the same become due. The obligation of the Institution and future Members of the Obligated Group to make such payments is payable from and secured solely by a lien granted to the Master Trustee by each Member of the Obligated Group on its Gross Receipts. Gross Receipts paid by the Institution and future Members of the Obligated Group to other parties in the ordinary course of business might no longer be subject to the lien of the Master Indenture and might therefore be unavailable to the Master Trustee. Further, enforcement by the Master Trustee or the Trustee of any right to receive directly payments under the Medicare and Medicaid programs may be subject to restrictions under federal and state statutes and regulations concerning the assignability of such payments. In the event of bankruptcy of the Institution or future Members of the Obligated Group, pursuant to the Bankruptcy Code, any receivable coming into existence and any Gross Receipts received on or after the date that is 90 days (or, in some circumstances, one year) prior to the commencement of the case in bankruptcy court might not be subject to the lien of the Master Indenture, and under certain circumstances a bankruptcy court or a court of equity may have power to direct the use of Gross Receipts to meet other expenses of the Institution or future Members of the Obligated Group before paying debt service. The value of the security interest in Gross Receipts could also be diluted by the issuance of additional Obligations.

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

perfected pursuant to law. Any Gross Receipts thereafter received shall upon receipt by the Obligated Group be transferred to the Master Trustee without such Gross Receipts being commingled with other funds, in the form received (with necessary endorsements) up to an amount equal to the amount of the missed payment. The value of the security interest in the Gross Receipts could be diluted by the incurrence of Additional Bonds secured equally and ratably with the Series 2020 Bonds as to the security interest in the Gross Receipts.

***Bankruptcy.*** In the event the Institution or any future Member of the Obligated Group files for protection from creditors under the United States Bankruptcy Code, the rights and remedies of the Owners of the Series 2020 Bonds would be subject to various provisions of the United States Bankruptcy Code. If the Institution or any future Member of the Obligated Group were to commence a proceeding in bankruptcy, payments made by that Obligated Group Member during the 90-day period immediately preceding such commencement (or, under certain circumstances, during the preceding one-year period) may be voided 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 liquidation of such Obligated Group Member. Security interests and other liens, if any, granted by such Obligated Group Member to the Trustee or the Master Trustee and perfected during such preference period may also be voided as preferential transfers to the extent such security interest or other lien secures obligations that arose prior to the date of such grant or perfection.

A bankruptcy filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against such Obligated Group Member 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 Trustee and the Master Trustee. If the bankruptcy court so ordered, the property of such Obligated Group Member could be used for the financial rehabilitation of such Obligated Group Member despite any security interest of the Trustee or the Master Trustee therein. The rights of the Trustee and the Master Trustee to enforce their respective interests and other liens could be delayed during the pendency of the rehabilitation proceeding.

The Obligated Group Member could also 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 conditions are 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. Any such plan could adversely affect the beneficial owners of the Series 2020 Bonds.

Under the United States Bankruptcy Code, a bankruptcy court could appoint a patient advocate, the cost of which would be an administrative expense of the estate and certain reimbursements from federal agencies could be discontinued.

In addition, the bankruptcy of a health plan or physician group that is a party to a significant managed care arrangement with an Obligated Group Member, or that of any significant contract payor obligated to the any Obligated Group Member, could have material adverse effects on any Member of the Obligated Group.

**Market Risks**

The Institution, as sole Member of the Obligated Group, 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 Institution's financial results over recent years. Any diminution of liquidity of the Institution's investments could also have a material adverse impact on the financial condition or operations of the Institution.

***Market for the Series 2020 Bonds.*** Subject to prevailing market conditions, the Underwriter intends, but is not obligated, to make a market in the Series 2020 Bonds. There is presently no secondary market for the Series 2020 Bonds, and no assurance can be given that a secondary market will develop. Consequently, investors may not be able to resell the Series 2020 Bonds purchased should they need or wish to do so.

***Ratings.*** There can be no assurance that the ratings assigned to the Series 2020 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 Series 2020 Bonds. See the information under the heading "RATINGS" herein.

**Patient Service Revenues**

Net patient service revenues realized by the Institution, as sole Member of the Obligated Group, is derived from a variety of sources and will vary among the individual facilities owned and operated by the Institution 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 Institution 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 Institution in amounts that may not reflect the direct and indirect costs of the Institution providing services to patients.

The financial performance of the Institution 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 Institution'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 Institution to contract with a sufficient number of such payors on advantageous terms would have a material adverse impact on the financial condition or operations of the Obligated Group. Further, while the Institution expects to control health care service utilization and increase quality, the Institution 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 Institution 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 Institution. 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 Institution is derived from government reimbursement programs including, in particular, the Medicare and Medicaid programs. *See* APPENDIX A hereto, under the heading "UTILIZATION" for a breakdown of payment sources including Medicare. As a result, the Obligated Group is 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 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 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." Federal deficit reduction efforts have slowed the growth of federal Medicare and Medicaid spending, as discussed below.

**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 Institution's cost structure sufficiently quickly enough to align with potentially decreased revenues from a value-based care model, or that the Institution will otherwise adapt to value-based care incentives sufficiently quickly 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.

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.

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 the Institution 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, though the CARES Act (as defined herein) has suspended the Medicare sequestration from May 1, 2020 to December 1, 2020. There is a substantial risk that Congress could act to extend or increase these across-the-board reductions. The proposed 2021 federal budget calls for a $920 billion reduction in Medicaid spending and a $756 billion reduction in Medicare and other healthcare assistance program spending over the next decade. This includes a reduction in Medicare coverage for beneficiary bad debts and a reduction in the payment rates for hospital-owned physician practices and hospital outpatient departments. 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 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 Obligated Group, which could be material.

**General Economic Factors and Credit Market Disruptions**

The United States economy is unpredictable. Previous disruptions of the credit and financial markets, including the ongoing coronavirus ("*COVID-19*") pandemic, 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.

**Impact of COVID-19**

The current economic climate has, and will continue to have, a direct impact on the Institution. See "INTRODUCTION – COVID-19 Response" in APPENDIX A hereto. The rapid spread of COVID-19 has significantly and negatively affected the global, national, state and local economies. In addition to this current market disruption, in general, patient service revenues and inpatient volumes have not increased as historic trends would otherwise indicate and health care providers have also experienced increases in self-pay admissions; increased levels of bad debt and uncompensated care; and reduced availability and affordability of health insurance.

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and on March 13, 2020, President Trump declared a national emergency. Social distancing measures to slow the spread of COVID-19 were implemented across the region. Nonessential workers are required to stay home, and travel restrictions were implemented in New York and other states to slow the spread of the disease. The Institution implemented emergency preparedness and response protocols related to the outbreak of COVID-19 resulting in various operational challenges. See "INTRODUCTION – COVID-19 Response" in APPENDIX A hereto. On March 18, 2020, CMS issued guidance that all elective surgeries and procedures should be postponed nationwide to mitigate the burden on health systems due to increasing COVID-19 incidence and make necessary equipment, supplies (including personal protective equipment), and personnel available to treat patients presenting COVID-19 symptoms. Similarly, on March 23, 2020, Governor Cuomo issued Executive Order 202.10, directing hospitals to cancel all elective surgeries and procedures to increase the beds available to COVID-19 patients. Currently, a substantial portion of the population is subject to voluntary or involuntary quarantine, leading to general and substantial reductions in economic activity. While most health care providers are essential businesses and are available to operate at this time, many providers have cancelled or delayed non-urgent appointments and procedures. Although restrictions on elective procedures have been lifted in many areas, further restrictions on elective procedures may be reintroduced. The aforementioned measures have assisted in responding to the COVID-19 outbreak, although it has caused economic slowdown which have had, and are likely to continue to have, a material adverse impact on economic conditions throughout much of the world, including the United States and the State of New York. Management cannot predict the likelihood or the severity of the ultimate impact on the Institution's operations or financial condition, though such impact could be material and adverse. Management is monitoring developments with respect to the COVID-19 pandemic and intends to follow recommendations of the CDC and other applicable federal, state and local regulatory agencies. See "INTRODUCTION – COVID-19 Response" in APPENDIX A hereto.

Effects of a weaker economy on hospitals and restrictions required as a result of COVID-19 have and continue to result in, among other things, lower patient volumes; unfavorable changes in payor mix; financial pressures and decreasing membership at health care insurers; and increased difficulty attracting philanthropy. See "INTRODUCTION – COVID-19 Response" in APPENDIX A hereto. State budgets, including the State of New York, are also under increased stress, resulting in increased review and possible reductions in their Medicaid programs. The COVID-19 pandemic and the adverse global economic consequences thereof may further exacerbate state budgetary pressures by reducing state tax collections. Any such state financial pressures could result in further delays and/or decreases in Medicaid reimbursement.

The ongoing COVID-19 pandemic, and any other future healthcare pandemic or related crisis, could result in a spike in demand for health care services or otherwise impair operations or the generation of revenues from the facilities operated by the Obligated Group. The treatment of a highly contagious disease at a facility operated by the Obligated Group could also result in a temporary shutdown or diversion of patients. In addition, unaffected individuals may decide to defer elective procedures or otherwise avoid medical treatment, resulting in reduced patient volumes and operating revenues at the Obligated Group's outpatient facilities. Management is not able to predict the potential impact of such a disruption on the financial condition of the Obligated Group.

Stock markets in the U.S. and globally have recently seen significant volatility attributed to COVID-19 concerns. The continued spread of COVID-19 or any other similar outbreaks in the future may materially adversely impact global, national, state and local economies and, accordingly, may materially adversely impact the financial condition of the Obligated Group.

A variety of federal, state and local government efforts have been initiated in response to the COVID-19 outbreak. On March 27, 2020, the approximately $2 trillion Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted into law to provide stimulus to individuals and businesses impacted by the COVID-19 outbreak. The CARES Act and subsequent government action, such as the enactment on April 24, 2020 of the Paycheck Protection Program and Health Care Enhancement Act, include several provisions important to health care providers, including provisions for certain emergency funds, making available $175 billion to reimburse eligible health care providers for health care-related expenses or lost revenues not otherwise reimbursed that are directly attributable to COVID-19. Eligible providers include Medicare or Medicaid enrolled suppliers and providers, for-profit entities and nonprofit entities in the United States that provide diagnoses, testing or care for individuals with possible or actual cases of COVID-19. The CARES Act also provides for other provisions designed to boost Medicare and Medicaid reimbursement for COVID-19 related services, including, among other items, payments for inpatient hospital admissions relating to COVID-19, accelerated payment to providers, and the suspension of certain policies that reduced payments to providers, including a temporary elimination of the Medicare sequester. Additionally, the CARES Act expands the ability of providers to offer telehealth by changing certain restrictions on reimbursement for those services. While management intends to take advantage of such relevant CARES Act programs and policies, the timing, adequacy and other ultimate effects of such relief on the Institution cannot be predicted at this time. CARES Act funding and other emergency government support is likely to lead to significant auditing, oversight, and enforcement by the government concerning such funding. Further, it is not possible to predict the scope or effect of any future legislative or regulatory actions enacted in response to the COVID-19 outbreak on the Institution's operations and financial condition.

On September 19, 2020, HHS issued a notice ("*Notice*") concerning how health care providers that received more than $10,000 in CARES Act and other provider relief fund payments must report their expenditures. All CARES Act funds must be expended by June 30, 2021. The Notice also specified the formula for calculating a health care provider's lost revenues attributable to coronavirus. Providers are required to report healthcare related expenses attributable to COVID-19 that have not been reimbursed by another source, which may include general and administrative or healthcare related operating expenses. Funds may also be applied to lost revenues, represented as a negative change in year-over-year net patient care operating income. The reporting system will be available in early 2021 and HHS is expected to release additional guidance regarding reporting and audit obligations, which guidance could differ significantly from that provided in the Notice. The precise impact of any violation of the provisions described in the Notice or in subsequent guidance cannot be predicted at this time, but could be negative if any such sanction is imposed. The formula for calculating lost revenues set forth in the Notice could have a potentially significant impact on whether a health care provider must repay a portion of its CARES Act funds.

**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 Series 2020 Bonds (and outstanding bonds of the Obligated Group) and/or availability of borrowed funds for the Obligated Group, particularly for capital expenditures, as well as the operations, financial position and cash flows of the Obligated Group.

**Licensing, Certification and Accreditation Requirements**

The health care facilities of the Institution, as sole Member 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 Institution or any other future Obligated Group Members 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 as a whole.

**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 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 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 Obligated Group could be required to seek indirect hire of such professionals through an increased use of third-party staffing, at higher cost.

Some states impose mandatory nurse-to-patient staffing ratios for certain health care facilities. Such regulation may exacerbate the effects of any existing nursing shortages.

**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 Institution currently maintains actuarially determined self-insurance reserves and carries excess 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 Obligated Group is not able to predict the cost or availability of any such insurance in the future. See APPENDIX A hereto, under the heading "OTHER INFORMATION – Insurance."

**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.

The occurrences of natural disasters, including floods, volcanoes and tsunamis, 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.

**Construction Risks**

Construction projects are subject to a variety of risks, including but not limited to delays in issuance of required building permits or other necessary approvals or permits, including environmental approvals, strikes, shortages of qualified contractors or materials and labor, and adverse weather conditions. Such events could delay occupancy of major construction projects. Cost overruns may occur due to change orders, delays in construction schedules, scarcity of building materials and labor, tariffs on construction materials, and other factors. Cost overruns could cause project costs to exceed estimates and require more funds than originally allocated or require additional borrowing of funds to complete projects. See "PLAN OF FINANCE" in APPENDIX A hereto.

**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 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.

**Physician Relationships**

The success of the businesses conducted by the Institution depends in significant part on the number, quality, specialties, and admitting and scheduling practices of admitting physicians. Accordingly, it is essential to the ongoing business of the Obligated Group 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 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 "OTHER INFORMATION – Labor Relations" in APPENDIX A hereto.

**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 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 Obligated Group may also be required to make additional deposits in connection with pension fund liabilities.

**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 Institution, such class actions can involve multi-million dollar claims, judgments and/or

settlements. A major class action decided or settled adversely to the Obligated Group could have a material adverse effect.

**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, such as the Institution. 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 Institution, as sole Member of the Obligated Group and as a health care provider, is 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 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 Obligated Group is 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.

**Cybersecurity**

Despite the implementation of network security measures by the Obligated Group, its 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 Obligated Group to provide health care services. Any breach or cyber-attack that comprises patient data could result in negative press and substantial fines or penalties for violation of HIPAA (defined below) or similar state privacy laws. 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, the Obligated Group may be subject to an investigation or inquiry by a governmental agency charged with the enforcement of antitrust laws, or may be subject to administrative or judicial action by a federal or state agency or a private party. 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 Obligated Group 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 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 Institution may be subject to liability for hazardous substances that may have migrated off its 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. Ongoing construction may exacerbate these risks. See "– Construction Risks" above. 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 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 the Obligated Group, would have a material adverse effect on the results of operations or financial condition of the Obligated Group.

**Affiliations, Merger, Acquisition and Divestiture**

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

**Additions to and Withdrawals from the Obligated Group**

Upon satisfaction of certain conditions in the Master Indenture, other entities may become Obligated Group Members and the present Obligated Group Members may withdraw from the Obligated Group. If and when new Obligated Group Members are added or current Obligated Group Members withdraw, 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 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. See APPENDIX D – "FORM OF THE MASTER INDENTURE AND THE SUPPLEMENTAL INDENTURE" hereto.

**Other Bondholders' Risks**

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

1. A national or localized outbreak of a highly contagious or epidemic disease, including but not limited to the ongoing coronavirus (COVID-19) pandemic.

2. Corporations 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 Obligated Group is subject to all of the risks listed above, and such risks, alone or in combination, could have material adverse consequences to the financial condition or operations of the Obligated Group.

3. 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 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.

4. Reduced demand for the services of the Institution, as sole Member of the Obligated Group, which might result from decreases in population in its respective service areas.

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

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

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

8. 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.

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

## REGULATION OF THE HEALTH CARE INDUSTRY

### General Health Care Industry Factors

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 low-income 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 impact on the financial condition or operations 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 Obligated Group, see APPENDIX A 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 low-income 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 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 Institution'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 impact on the financial condition or operations of the Members of the Obligated Group.

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 impact on the financial condition or operations of 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, Congressional leaders 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." On December 18, 2019, the U.S. Court of Appeals for the Fifth Circuit affirmed the District Court's decision that the Individual Mandate Tax Penalty is unconstitutional but remanded the case to the District Court to further examine whether the Individual Mandate Tax Penalty is severable from the remainder of the ACA and to provide additional analysis of the provisions of the ACA as they currently exist. While the trial court proceeding is pending, the parties supporting the Affordable Care Act have asked the Supreme Court to review the case, and on March 3, 2020, the Supreme Court announced it would consider the appeal during the court's next term, which begins in October 2020. A decision will not come until next term after the 2020 election cycle. 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 impact on the financial condition or operations of the Obligated Group.

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 health care 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 had 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, and it 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 alter 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.

***Section 340B Drug Pricing Program.*** Hospitals that serve a high percentage of low income patients are eligible for reduced pricing on certain covered outpatient drugs through the 340B program ("*340B Program*"). CMS's calendar year 2018 final OPPS rule, substantially reduced Medicare Part B reimbursement for 340B Program drugs paid to hospitals and ASCs. 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. The calendar year 2020 OPPS final rule maintains the 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%. In the 2020 OPPS final rule, CMS stated that it will consider stakeholder comments as it examines new policies and possible remedies. 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 impact on the financial condition or operations of the Obligated Group.

***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.

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.

***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 to 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 impact on the financial condition and operations of hospitals and other health care providers, including the Obligated Group.

***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.

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

While generally considered to be beneficial for both patients and providers because it reduces the number of uninsured children, it is difficult to assess the fiscal impact of SCHIP payments on the Obligated Group. Moreover, each state must periodically submit its SCHIP plan to CMS for review to determine if it meets the federal requirements. If a state does not meet the federal requirements, it may lose its federal funding for its program. From time to time Congress and/or the President seek to expand or contract SCHIP. Federal funding for SCHIP expired on September 30, 2017, and has not yet been reauthorized by Congress. The Finance Committee of the U.S. Senate has proposed an SCHIP reauthorization bill that would extend SCHIP for five years; the bill has not yet been acted upon by the full U.S. Senate. The loss of federal approval for a state's SCHIP program or a reduction in the amounts available under SCHIP could have an adverse impact on the financial condition of the Obligated Group.

***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 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 impact on the financial condition or operations of 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 the Institution or future Members of the Obligated Group could have a materially adverse impact on the financial condition or operations of the Obligated Group.

***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 November 2019. 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 $59,552 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 $1.79 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 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 $23,331 per claim, plus three times the amount of damages sustained by the government. As a result, violation or alleged violation of the FCA frequently results in settlements that require multi-million dollar payments and costly corporate integrity agreements.

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

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). In Escobar, the United States Supreme Court affirmed the theory of government's use of an "implied certification" theory in FCA cases and ruled 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. The holding has 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 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 the Institution or any future 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 the State of 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). These restrictions, like the federal restrictions, may be vague with respect to coverage and effect. Generally, state referral laws have less onerous penalties, but, as a practical matter, could be materially adverse to subject facilities in certain circumstances.

***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 a 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 impact on the financial condition or operations of the Obligated Group.

**Additional State Regulation**

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.

***OMIG Compliance Guidelines.*** Since October 2009, hospitals in New York have been required by statute and regulation to have an effective compliance program. The compliance program must include, among other things, a chief compliance officer, written policies and the conduct of audits after the identification of risk areas. It is expected that The New York State Office of the Medicaid Inspector General ("*OMIG"*) will conduct audits of compliance programs and assess their effectiveness. Under New York law, each year the S must certify that it has a compliance program in place and that it has been effective, and management of the Institution has advised that it will so certify this year.

***Exclusions from Medicare or Medicaid Participation.*** The OMIG also has the authority to exclude individuals and entities from participation in Medicaid. Providers are excluded for reasons that may include program-related convictions, patient abuse or neglect convictions, and licensing board disciplinary actions. Exclusion of an Obligated Group Member from governmental program participation could have a material, adverse effect on the Obligated Group.

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

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

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

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

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

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

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

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

***New York State Executive Order 38.*** On January 18, 2012, Governor Andrew Cuomo signed Executive Order 38 (the "*Executive* Order") limiting spending for administrative costs and executive compensation at state-funded service providers. The Obligated Group's receipt of State Medicaid funding may be subject to the limitations contained in the Executive Order. The Executive Order limits reimbursement with State funds for executive compensation to $199,000 annually per executive and requires that 85% of State-authorized payments be used for direct care or services, rather than administrative costs. The Executive Order and final regulations became effective July 1, 2013.

The order has been subject to multiple legal challenges; most recently, the New York Court of Appeals held in 2018 that, while certain caps on executive compensation from any funding source was promulgated in excess of DOH authority, DOH's caps on the use of state funds for executive compensation and for administrative expenses were permissible.

***Medicaid Partnership Plan 1115 Waiver Amendment.*** In 2014, the New York State's Section 1115 Partnership Plan was amended to allow the State to reinvest over a five-year period up to $8 billion of the $17.1 billion in federal savings generated by State Medicaid reforms. Up to $6.42 billion of this amount is to be applied to the Delivery System Reform Incentive Payment ("DSRIP") Program, which has a goal of reducing avoidable Medicaid hospitalizations by 25% by 2020. The current 1115 waiver was set to expire March 31, 2020. In November 2019, New York State submitted a four-year, $8 billion Waiver amendment seeking a one-year extension to the current DSRIP initiative and a three-year renewal through March 31, 2024. If approved, the extension would have provided new funding to further support clinical transformation efforts focused to the Medicaid populations associated to 25 Performing Provider Systems ("PPS"). New funding under the renewal would have also allowed continued investments in programs focused on: improving quality outcomes, enhancing workforce development, addressing social determinants of health, increasing community-based clinical network development and promoting the shift to value-based care through the creation of new Value Management Organizations. The proposed Waiver amendment was subject to review and modification by CMS and required federal approval before it could be implemented. In February 2020, Governor Cuomo reported that the federal government is not allowing the waiver to continue, which would prevent the use of $625 million in unused moneys. The full impact cannot be determined at this time.

***State Budget and the New York Medicaid Redesign Team.*** In January 2011, Governor Andrew M. Cuomo issued Executive Order No. 5 creating the Medicaid Redesign Team and setting in motion a process of substantial reform of New York's Medicaid program. State budgets in subsequent years included additional recommendations, such as expanding managed care plan services and integrating physical and behavior health services. The 2019-2020

budget in particular, included reductions in payment for long-term care services and funding for efforts to reduce health care utilization.

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

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

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

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 DOH State Funds Medicaid spending will be limited. In addition, many of the cost-saving initiatives are dependent upon timely federal approvals, appropriate amendments to the existing systems and processes and a collaborative working relationship with health care industry stakeholders.

***Cost Increases.*** In recent years, substantial cutbacks in personnel and other cost-cutting measures have been instituted at hospitals throughout the State. Generally, these cutbacks have been instituted to address the disparity between rising medical costs and State-regulated reimbursement formulas, including those for Medicaid, Blue Cross and Blue Shield, and other third-party payors. Rising health care costs resulted from, among other factors, health care costs exceeding inflation, increased minimum wage, staff shortages, increased pharmaceutical and medical device costs, and the highly technical nature of the industry. The Obligated Group has been affected by the impact of such rising costs, and there can be no assurance that the Obligated Group would not be similarly affected by the impact of additional unreimbursed costs in the future.

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**PART C**

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**APPENDIX A**

**INFORMATION CONCERNING**
**BROOKHAVEN MEMORIAL HOSPITAL MEDICAL CENTER, INC. D/B/A**
**LONG ISLAND COMMUNITY HOSPITAL AND THE OBLIGATED GROUP**

**TABLE OF CONTENTS**

# INTRODUCTION

## Overview

Brookhaven Memorial Hospital Medical Center, Inc. d/b/a Long Island Community Hospital (the "Hospital") is a not-for-profit community hospital in Patchogue, Town of Brookhaven, Suffolk County, New York providing inpatient, outpatient and emergency care services primarily for residents of Suffolk County. The Hospital is recognized as an organization described in Section 501(c)(3) of the Code and exempt from federal income taxation under Section 501(a) of the Code. The Hospital was founded in 1956 and has grown from a 100-bed hospital founded to meet the needs of the Village of Patchogue, to a hospital with an operating license for 306 beds that serves more than 400,000 people living in 28 different communities, offering primary and secondary acute care inpatient medical and surgical services, a range of outpatient diagnostic and therapeutic services.

As used hereinafter and unless otherwise indicated by the context, all capitalized terms used herein and not otherwise defined have the respective meanings set forth in the forepart of the Official Statement, all utilization and financial data for any year refer to the fiscal year ended December 31 and the source of such data is records of the Hospital.

## COVID-19 Response

The Hospital, as with all healthcare providers across the United States, has been challenged by the outbreak of the global pandemic Coronavirus Disease 2019 ("COVID-19"), a respiratory disease. In March 2020, COVID-19 was declared a state of emergency by the Governor of the State of New York as well as a national emergency by the President of the United States. This pandemic has been an unprecedented healthcare challenge, impacting the healthcare industry in numerous ways. A COVID-19 Task Force Leadership Team was immediately created to coordinate and assign processes including patient care, supplies (most importantly personal protective equipment), pharmaceuticals, staff and financial tracking.

The task force is comprised of several groups focusing on planning, communication, operations, clinical care, finance, human resources and logistics. Since February 2020, the Hospital performed over 6,300 COVID-19 tests and had over 850 COVID-19 related admissions. The Hospital relies on best practices developed during the pandemic to remain prepared for a possible resurgence of COVID-19 in the region.

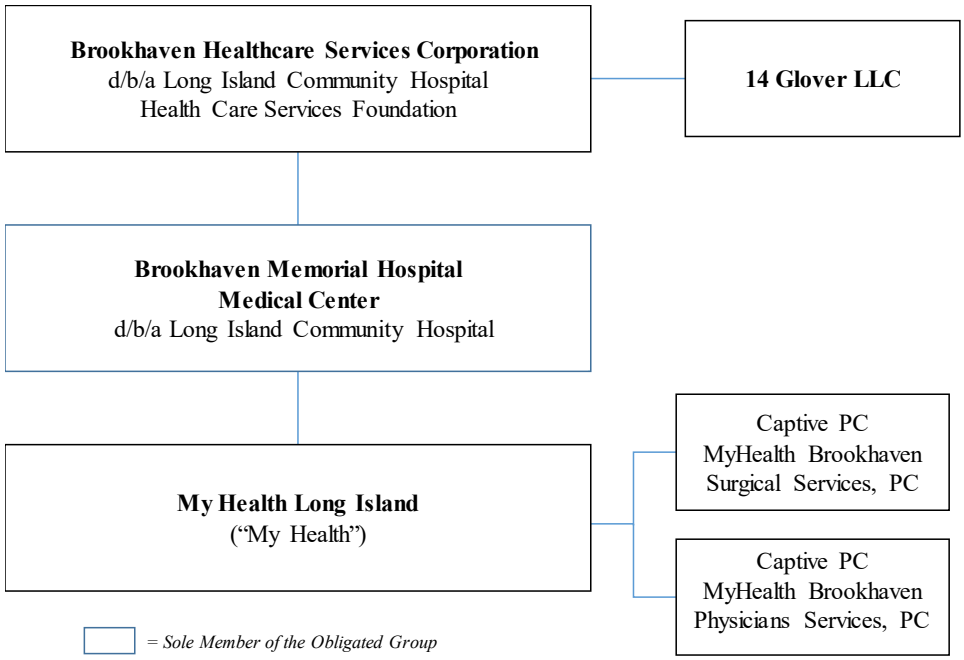
Some of the most significant impacts of the outbreak include the cancellation of non-emergency and elective procedures as well as the closing of many outpatient services through May 31, 2020. The financial effect on the Hospital has been significant with decreased volumes in all areas of service, affecting the Hospital's total operating revenue, which falls below budget. The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") Provider Relief Fund was created for the distribution of funds to hospitals and healthcare providers on the front lines of the coronavirus response. The Hospital received a $6.8 million CARES Act grant in April, 2020 and subsequently, in July, 2020, received an additional CARES Act grant of $37.6 million, for a total of $44.4 million. As of March 31, 2020, the value of the Hospital's unrestricted cash and investment portfolio (which includes the Foundation (as defined herein)) was $51.9 million, as of June 30, 2020, the value of the unrestricted cash and investment portfolio was $61.3 million and as of August 31, 2020, the Hospital's unrestricted cash and investments was valued at $98.6 million. See "FINANCIAL INFORMATION - Management's Discussion of Financial Performance - 8 Months Ended August 31, 2020 Operating Results and Financial Position Summary" and 6 Months Ended June 30, 2020 vs. the 6 Months Ended June 30, 2019" for more information on the financial impact of COVID-19.

It is difficult to fully predict the continued and overall financial impact COVID-19 will have on the Hospital, however, it is expected to be mitigated by efforts to reduce expenses on a daily basis as it continues to track the volume, acuity and financial class mix of its patient population.

## Corporate Structure

The following corporate organizational chart identifies the Hospital, its parent and subsidiaries, as currently constituted. The entities in the chart below are sometimes referred to herein collectively as "Long Island Community

Health." The shaded entity, Brookhaven Memorial Hospital Medical Center, is the sole member of the Obligated Group described herein.




*Long Island Community Health Services Corporation*

Brookhaven Healthcare Services Corporation d/b/a Long Island Community Hospital Health Care Services Foundation (the "Foundation"), the sole member and parent company of the Hospital, was established in 1984 to seek philanthropic support on the behalf of the Hospital and other not-for-profit organizations and to grant funds to the Hospital and other not-for-profit organizations under the direction of the Foundation's Board of Directors. The Foundation is recognized as an organization described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and exempt from federal income taxation under Section 501(a) of the Code. All of the members of the Board of Directors of the Hospital are on the Board of Directors of the Foundation, and the Foundation is the sole corporate member of the Hospital. The Foundation is not a member of the Obligated Group described herein; however, as described herein, the Foundation has issued a guaranty for the benefit of the holders of the Series 2020 Bonds (the "Foundation Guaranty"). The Foundation Guaranty provides that it will be released for the life of the Stony Brook University Hospital ("SBUH") affiliation transaction described herein. It is currently anticipated that the Foundation will not be a party to the SBUH affiliation transaction.

*Other Affiliates*

The MyHealth Long Island ("MyHealth") physician practice groups were formed in 2007 and cover the south shore of Long Island. Brookhaven Physician Services d/b/a MyHealth Long Island was formed to operate as a family practice and consists of four primary care practices and one residency practice located adjacent to the main Hospital facility. The primary care and residency practices have been recognized by the National Committee of Quality Assurance as Patient Centered Medical Homes ("PCMH"). Brookhaven Surgical Services d/b/a MyHealth Long Island was formed to provide various surgical services to the community and currently has two locations specializing in colorectal and breast health. The breast health services is recognized by the National Accreditation Program for Breast Centers ("NAPBC"). The MyHealth practice groups are not members of the Obligated Group described herein.

Bellport Primary Care Center ("BPCC") is an Article 28 Facility located in Bellport, New York and is included within the Operating Certificate of the Hospital. BPCC provides primary care services to the community treating patients ages seven and up, has a family medicine provider on site and is recognized as a PCMH by the

National Committee of Quality Assurance with its focus being on open availability, vaccination programs and caring for underserved populations.

In November 2016, the Hospital purchased the John J. Foley building located in Yaphank, New York, and in January 2017 the Hospital's Board of Directors approved transfer of the building to a newly created for-profit, limited liability company named 14 Glover, LLC, whose sole corporate member is the Foundation.

None of the MyHealth physician practice groups, BPCC and 14 Glover, LLC are members of the Obligated Group described herein.

**Mission**

The Hospital's mission is to provide the highest level of quality care to the community and to exceed the expectations of patients and their family members.

**Vision**

The Hospital describes its "Vision" as its desire to be the community's "healthcare provider of choice." The Hospital's stated vision statement is to achieve this objective by virtue of the following principles:

- To be renowned for compassionate care, exceptional service, and medical excellence.
- For its clinical teams to deliver extraordinary care.
- To continue to be committed to the Community.
- To be the leading destination for Community patients and hospital employees alike.

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## GOVERNANCE AND MANAGEMENT

### Hospital Board of Directors

The Hospital is governed by a Board of Directors, presently consisting of 21, who are listed below, together with their occupations. The remaining board members are community members and are elected to a three-year term with a three-term limit. Each term expires in December of the indicated year.

| *Name* | *Occupation* | *Term Began* | *Term Expires* |
|---|---|---|---|
| Thomas Cullen (Past Chairman) | Business Owner | 1993 | 2021 |
| Sharon Norton Remmer (Past Chairwoman) | Engineer | 1995 | 2021 |
| Robert W. Schwarz (Past Chairman) | Certified Public Accountant | 1995 | 2021 |
| Jeffrey Mayer | Business Owner | 1998 | 2021 |
| Lisa Rose (Past Chairwoman) | Business Owner | 2002 | 2021 |
| Clyde Parker | Retail Businessman | 2015 | 2021 |
| Gary Brown | Automobile Dealership Owner | 1997 | 2022 |
| Edward Kormylo, DPM | Physician | 2006 | 2022 |
| James Maiorino | Corporate Banker | 2008 | 2022 |
| John Sullivan | Technology | 2011 | 2022 |
| Michelle Knapp | Businesswoman/Foundation Officer | 2013 | 2022 |
| Robert Roche, MD | Physician | 2019 | 2022 |
| Felix Grucci Jr.* | Businessman/Former Congressman | 2005 | 2022 |
| Steve Taitz | Attorney | 2005 | 2022 |
| Eric Russo | Attorney | 1998 | 2023 |
| Ernest Patrick Smith (Chairman) | Certified Public Accountant | 2009 | 2022 |
| Mark Mulholland (Past Chairman) | Attorney | 2008 | 2022 |
| Peter Moloney | Funeral Home Owner | 2012 | 2022 |
| Walter Ladick (Past Chairman) | Retired/Financial | 1985 | 2021 |
| Frederick Braun (Past Chairman)* | Retired/Banker | 1981 | 2021 |
| Charles Rothberg, MD (sits on Board in capacity as Medical Staff President) | Physician | 2019 | 2020 |

*Designates a member of the Issuer

The Hospital's Board of Directors has a number of standing committees, which include, among others: Membership and Nominating Committee, Governance and Education Committee, Development Committee, Strategic Planning Committee, all of which have no set schedule for meetings. The Finance Committee meets monthly and Audit and Compliance Committee meets quarterly. The Performance Improvement Committee meets a minimum of ten times annually.

### Executive Management

The Hospital is managed by a senior executive team organized to carry out the required duties and responsibilities set by its Board of Directors. The senior executive team is experienced in health system managements and is comprised of the following individuals. All titles listed below reflect executive positions with the Hospital except as otherwise indicated.

**Richard T. Margulis, President and Chief Executive Officer -** Mr. Margulis is President and Chief Executive Officer of the Hospital. Prior to assuming the role of President and Chief Executive Officer in April 2013, Mr. Margulis was the Hospital's Executive Vice President/Chief Operating Officer. He joined the Hospital in 1982. Mr. Margulis began his career as a radiologic technologist and while working full time, earned his undergraduate degree in Healthcare Administration from St. Joseph's College and his Master in Business Administration from Dowling College. Mr. Margulis is a lecturer for healthcare and business courses for the Professional and Graduate Studies program at St. Joseph's College.

**Brenda Farrell, Vice President & Chief Financial Officer -** Brenda J. Farrell was named the Chief Financial Officer of The Hospital in July 2012. Immediately prior to that appointment, she served the Hospital as the

Vice President of Finance from December 2007 until her promotion in July 2012, and has more than 30 years of experience in the healthcare industry. A graduate of Long Island University, C.W. Post where she earned her Bachelor of Science in Accounting from the School of Professional Accountancy, Ms. Farrell also holds an MBA from Long Island University, C.W. Post.

**Dr. Wehbeh Wehbeh, Vice President & Chief Quality Medical Officer –** Wehbeh Wehbeh, MD, MBA, FACP was named Vice President & Chief Quality Medical Officer at the Hospital in December of 2016. Prior to his appointment he served as Chief Medical Officer at NYC Health + Hospitals/Coney Island. Dr. Wehbeh earned his B.S. and his M.S. at the American University of Beirut, and his Doctor of Medicine at St. Joseph University, Beirut. He later earned his Master in Business Administration from Johns Hopkins University, Carey Business School.

**Dr. Debra Grimm, Vice President & Chief Nursing Officer -** Debra Grimm, DNP, MS, RN, was appointed as Vice President and Chief Nursing Officer at the Hospital in September 2018 and has over 32 years of experience in nursing, tertiary care, hospital operations and nursing education in an academic medical center. A graduate of Quinnipiac University with a Doctor of Nursing Practice, Nursing Leadership, Dr. Grimm also earned a Master of Science in Health Policy and Bachelor of Science Degree in Nursing from Stony Brook University, an Associate Degree in Nursing from Suffolk County Community College and also attended Certificate programs at Molloy College and the Wharton School of Business.

**Matthew Peddie, Vice President & Chief Operations Officer -** Matthew B. Peddie was named Vice President and Chief Operations Officer at the Hospital in September 2020, following four years serving as Vice President and Chief Information Officer (he will continue to act as Chief Information Officer until a replacement is hired). Prior to joining the Hospital, Mr. Peddie served as Corporate Assistant Vice President for Information Technology Service Management at RWJ Barnabas Health. A graduate of Rutgers University with a major in Public Health Administration, Mr. Peddie also holds a Masters of Business Administration from Saint Peter's College and is a Certified Professional in Health Information Management and Systems ("CPHIMS").

**Cynthia Ruf, Vice President Of Branding & Stakeholder Relationships -** Cynthia Ruf was named Vice President of Branding & Stakeholder Relationships for the Hospital in May of 2016. Prior to joining the Hospital, Cynthia was Corporate Director of Marketing at Northwell Health (formerly North Shore-LIJ). Ms. Ruf is a graduate of American University with a Bachelor of Arts degree in both Political Science and Communications.

**Rachel Schnabl, Vice President & Chief Development Officer -** Rachel E. Schnabl, LMSW, was named Vice President and Chief Development Officer at the Hospital in March of 2016. Prior to joining the Hospital, Ms. Schnabl held the position of Director of Advancement and External Affairs for Stony Brook University School of Dental Medicine. A graduate of Marist College with a Bachelor of Science in Social Work, she later earned a Masters of Social Work from Stony Brook University.

**Patricia White, Vice President, Human Resources** - Patricia White was appointed as Vice President of Human Resources at the Hospital in October of 2016 and has thirty years of extensive experience in healthcare human resources and operational leadership in various hospital systems throughout the country, both on the East and West Coast. She has worked in several states with varying regulatory requirements including Pennsylvania, New Jersey, Maryland, Washington, California and New York. She is a graduate of Grove City College in Pennsylvania with a Bachelor of Arts degree in both History and Business.

## STRATEGY

The Hospital's strategy is focused on four core pillars:

1. quality improvement and outcomes;
2. expanding clinical service lines for the community;
3. brand and image; and
4. fiscal stability.

**Quality and Safety Performance**

The Hospital has served the region as a community hospital for more than 60 years. Through teamwork, open discussions of concerns about safety and quality, and the encouragement of and reward for internal and external reporting of safety and quality issues, the Hospital identifies priorities for performance improvement that are to be implemented by focus on the following five systems:

1. Using data;
2. Planning;
3. Communicating;
4. Changing performance; and
5. Staffing.

The five key systems are interrelated and function together. The effective performance of these systems results in a culture in which safety and quality are priorities. The Hospital demonstrates this through a proactive, non-punitive culture that is monitored and sustained by related reporting systems and improvement initiatives.

In keeping with that commitment, the Hospital has instituted a series of hospital-wide programs designed to improve both the quality of care and patient safety. These initiatives are driving an increase in quality accreditations. Highlights of an analysis of the reporting metrics through the second quarter of 2020 include:

- Significant reduction in central line-associated bloodstream infections in the ICUs;
- 22% reduction in central lines hospital-wide;
- 63% reduction in catheter-associated urinary tract infections in the ICUs;
- 6% reduction in catheter use in the ICUs; and
- 25% reduction in catheter use on units outside the ICU.

**Stony Brook University Hospital Affiliation**

At present, Stony Brook University Hospital ("SBUH"), a division of the State University of New York ("SUNY"), is a key clinical medical partner to the Hospital and serves as the Hospital's tertiary care center for Trauma, Vascular and Bariatric. This partnership brings SBUH surgeons to the Hospital and enables the Hospital to deliver advanced care to the Hospital's patients. In addition, the Hospital serves as a rotation site for SUNY Stony Brook residents in general surgery. SBUH is at the center of a hub and spoke system model for Suffolk County. Community hospitals in the SBUH system send tertiary care patients to SBUH for high acuity treatments, such as open heart and kidney transplants, while keeping the patients close to home in Suffolk County. In addition, SBUH integrates health related initiatives including education, research and patient care. SBUH has five Health Science schools including dental medicine, health technology and management, medicine, nursing and social welfare and is the only Level 1 Trauma Center in Suffolk County.

In November 2018, the Hospital announced plans to pursue a potential affiliation with SBUH. The Hospital's strategy is dedicated to providing comprehensive clinical services to its community. As such, the Hospital believes the affiliation with SBUH will provide enhanced access to specialty and tertiary services for the community. The parties signed a letter of intent in June 2019. If consummated, it is expected that SUNY, acting through SBUH, would operate the Hospital's main hospital facility as a lessee pursuant to a lease agreement (the "Lease Agreement") and an affiliation agreement (the "Affiliation Agreement"), which agreements are expected to each have a term of 50 years. The terms of both the Lease Agreement and the Affiliation Agreement are currently under discussion and not yet final. It is anticipated that, pursuant to the Lease Agreement, SBUH will agree to make lease payments to the Hospital at least equal to, and to be applied toward, debt service on the Series 2020 Bonds. In addition to the leasing by the Hospital of its main hospital facility to SBUH, it is expected that the Affiliation Agreement would require that the Hospital transfer all of its tangible personal property and cash (subject to certain exclusions) and assign all material

contracts and employees, in all cases, subject to certain reserves. In addition, it is anticipated that during the term of the Affiliation Agreement, certain of the operating and financial covenants of LICH under the Master Indenture will be suspended. The Affiliation Agreement is expected to be subject to termination by SBUH and/or the Hospital under certain circumstances, including rights of termination subject to the failure of SBUH to make payments under the Lease Agreement, failure of the Hospital to achieve certain financial conditions or others upon mutually agreeable terms. In the event of a termination, it is expected that the covenants under the Master Indenture that had been suspended for the term of the Affiliation Agreement will be reinstated. See "FORM OF THE MASTER TRUST INDENTURE AND SUPPLEMENTAL INDENTURE FOR OBLIGATION NO. 1" attached as Appendix C-1 of this Official Statement for more information on the suspension of certain covenants under the Master Indenture during the term of the Affiliation Agreement.

The closing of the affiliation is subject to finalization of the terms of each of the Lease Agreement and the Affiliation Agreement, approval by the New Yok State Department of Health ("NYSDOH"), completion of due diligence and other conditions precedent set forth in the respective agreements. There is no assurance the affiliation transaction will be consummated or of the timing associated therewith. The terms of such documents are not subject to any notice to or consent of the Bondholders. In addition, there is no assurance the affiliation will be in effect for the full term of the Series 2020 Bonds as it is subject to termination. In the event of termination, no assurance can be given as to the financial condition of the Hospital or its then current operations.

## HISTORIC HIGHLIGHTS

### Awards and Achievements

The Hospital has achieved the following recognitions.

***Level III Trauma Center since July, 2018.*** The Hospital has met the requirements of the American College of Surgeon's Committee on Trauma ("ACS-COT") and has been verified as an Adult Level III Trauma Center, recognized by the New York State Department of Health Bureau of Emergency Medical Services and Trauma Systems. This verification, which followed a comprehensive on-site review by a team of ASC-COT experts, certifies the Hospital's overall readiness to care for trauma patients from pre-hospitalization through rehabilitation.

***American Heart Association's "Get with the Guidelines" Gold Plus Honor Roll Elite Award for Stroke.*** In 2011, and continuing through 2017, the Hospital was awarded the American Heart Association | American Stroke Association ("AHA|ASA") Get with the Guidelines – Stroke Gold Plus Honor Roll award. In 2018 and 2019, the Hospital's AHA|ASA awards included the highest designation of Honor Roll Elite Plus. The Gold Plus designation is only awarded to those hospitals who have reached an aggressive goal of treating patients with 85 percent or higher compliance to core standard levels of care as outlined by the AHA|ASA. In addition, those hospitals have demonstrated 75% compliance to seven out of ten stroke quality measures. The Honor Roll Elite Plus designation is only given to those who administer intravenous ("IV") tissue plasminogen activator ("tPA") therapy within 60 minutes to 75% of patients presenting with acute ischemic stroke and within 45 minutes to 50 percent of those patients.

***2020 Get With the Guidelines-Stroke Gold Plus, Target: Stroke Elite & Target:*** Type 2 Diabetes Honor Roll since July 2020. Awarded by the American Heart Association ("AHA") for outstanding accomplishments and continued commitment to improve the quality of care for patients.

***Lifeline STEMI Center Receiving Silver Award for 2020 since July 2020.*** Awarded by the American Heart Association for outstanding accomplishments and continued commitment to improve the quality of care for patients.

***Lung Cancer Screening Center of Excellence since November, 2019.*** The Hospital has been named a Screening Center of Excellence by the Lung Cancer Alliance ("LCA") for its ongoing commitment to responsible lung cancer screening. Low dose computerized tomography ("CT") screening for lung cancer carried out safely, efficiently and equitably saves tens of thousands of lives a year. Designated Screening Centers of Excellence are committed to provide clear information based on current evidence on who is a candidate for lung cancer screening, and to comply with comprehensive standards based on best practices developed by professional bodies such as the American College of Radiology ("ACR"), the National Comprehensive Cancer Network ("NCCN") and the

International Early Lung Cancer Action Program ("I-ELCAP") for controlling screening quality, radiation dose and diagnostic procedures within an experienced, multi-disciplinary clinical setting. The Hospital has been designated a Lung Cancer Screening Center by the ACR. The ACR Lung Cancer Screening Center designation recognizes facilities that have committed to practice safe, effective diagnostic care for individuals at the highest risk for lung cancer. To receive this distinction, facilities must be accredited by the ACR in computed tomography in the chest module, as well as undergo a rigorous assessment of their lung cancer screening protocol and infrastructure. The program must also have procedures in place for follow-up patient care, such as counseling and smoking cessation programs.

***5-Diamond Patient Safety Award for Outpatient and Hospital Hemodialysis Care Services since June, 2019.*** The Hospital's outpatient and inpatient dialysis care services have received the 5-Diamond Patient Safety award. The 5-Diamond Patient Safety program is an initiative launched by CMS to help dialysis facilities increase awareness of, promote, and build a culture of patient safety. To earn the 5-Star designation, the entire staff must complete all 17 modules of an educational program. The certification is endorsed by the American Nephrology Nurses' Association ("ANNA"), the Renal Physicians Association ("RPA"), the National Renal Administrators Association ("NRAA"), the American Association of Kidney Patients ("AAKP"), Fresenius Medical Care ("FMC") and U.S. Renal Care.

***Bariatric Accreditation as a Comprehensive Center since October, 2017.*** The Hospital has achieved accreditation as a Comprehensive Center accreditation by the American College of Surgeons Metabolic and Bariatric Surgery Accreditation and Quality Improvement Program ("MBSAQIP") in partnership with the American Society for Metabolic and Bariatric Surgery ("ASMBS"). A MBSAQIP accreditation for the Hospital acknowledges the Hospital's commitment to providing and supporting quality improvement and patient safety efforts for metabolic and bariatric surgery patients. Further, the Bariatric care service has been awarded Blue Distinction Specialty Care designation by Blue Cross Blue Shield. This distinction recognizes select doctors, hospitals and other healthcare facilities for safe and effective care provide to their patients across a number of specially procedures, including joint replacement, cardiac care, bariatric weight loss surgery and transplants. Each must meet a specific set of rigorous standards to receive the designation. Recipients must also have a proven history of delivering exceptional quality, expertise and better overall patient results.

***Breast Cancer Recognitions since August, 2011.*** The Breast Health Imaging service has been designated by the American College of Radiology ("ACR") as a Breast Imaging Center of Excellence, by virtue of combining technology with expert interpretation to offer patients care for detecting breast cancer. The Hospital's Breast Cancer Center is recognized by the American College of Surgeons, National Accreditation Program for Breast Centers and is accredited as a Breast Cancer Center of Excellence.

***Diabetes Self-Management Education Program Recognized by the American Diabetes Association since April, 2011.*** The Self-Management Education & Support ("DSMES") received Education Recognition by the American Diabetes Association ("ADA"). ADA accredited DSMES are guided by evidence-based national standards of care so that program participants receive the education and support that empowers them to make informed self-management decisions. This is the third consecutive receipt of the award.

***2018 SHP Best Superior Performer Patient Satisfaction Award in 2018.*** The Hospital's Hospice has earned the Strategic Healthcare Programs ("SHP") Best Superior Performer patient satisfaction award for the 2018, placing it hospice care service in the top 20% in the national data base. The Consumer Assessment of Healthcare Providers and Systems ("CAHPS") is an annual survey which is used for rating a patient's health care experiences. These surveys focus on healthcare quality and aspects of the healthcare experience that patients may find important.

***ACR accredited in Nuclear Medicine since April 2020.*** The Hospital is accredited by American College of Radiology ("ACR") for Nuclear Medicine. ACR accreditation is the gold standard in ensuring that patients receive quality radiological care and diagnostic treatment. Before receiving accreditation, imaging centers must voluntarily undergo a thorough and rigorous inspection. The ACR relies on an impartial, third-party peer review process to rate facilities in each of the following four areas, which impact the overall quality of patient imaging: While the main goal of ACR accreditation is to ensure patients get high-quality medical imaging they need to protect their health, the review process also serves to encourage imaging facilities to continue striving for excellence.

***Meaningful Use Health Information Technology/Promoting Interoperability since June 2012.*** The Hospital meets Meaningful Use requirements set by the Centers for Medicare & Medicaid Services ("CMS") and the Office of the National Coordinator ("ONC") for Health IT. The use of certified Electronic Health Record ("EHR") technology ensures that the Hospital's technology connects in a manner that provides for the electronic exchange of health information across multiple EHR platforms including:

***National Committee for Quality Assurance since December, 2016.*** The Hospital's Bellport Primary Care Center and Brookhaven Family Medicine are both recognized by the National Committee for Quality Assurance as a Patient-Centered Medical Home. At a Patient-Centered Medical Home ("PCMH"), care is coordinated through a patient's primary care physician and is designed to ensure patients receive the necessary care when and where needed.

## FACILITIES

### Hospital Facilities

The main campus of the Hospital sits on 35.8 acres of real estate and is approximately 357,653 total square feet. The building has had 10 building additions to the premises since its opening in 1956.

The Hospital's main facility consists of: 306 beds, including 24 ICU beds; 11 operating rooms; 3 endoscopy rooms; 11 radiology imaging rooms; 3 cardiac catheterization labs with a non-invasive cardiology suite; a 7 station hemodialysis suite; as well as a 64 patient emergency department with 2 Level 3 trauma rooms. The rest of the facility houses the remaining clinical and non-clinical functions of the Hospital.

The Knapp Cardiac Care Center and Surgical Suites (the "Knapp Center") opened in February 2017. The Knapp Center provides a full range of cardiac care, including both invasive and non–invasive treatments and rehabilitation services for patients with cardiac health problems. The building also has four operating rooms used for both inpatient as well as outpatient procedures.

There are 2 other buildings on site, consisting of a main boiler plant that is approximately 8,000 total square feet and a sewage treatment facility that is approximately 6,500 total square feet. There are a total of 6 emergency power backup generators onsite.

The main inpatient Hospital facility will be the only property subject to a mortgage securing the Hospital's obligations with respect to the Series 2020 Bonds.

## PLAN OF FINANCE

The proceeds of the Series 2020 Bonds will be used in part for the following:(i) refinancing of the Town of Brookhaven Industrial Development Agency's outstanding Civic Facility Revenue Refunding Bonds, 2006 Series A Bonds, the proceeds of which were used for construction, renovation, equipping and expansion of the Hospitals main campus, and termination of associated swap transactions; (ii) refinancing of the Town of Brookhaven Local Development Corporation's outstanding Revenue Bonds, Series 2014A and its Revenue Bonds, Series 2014B whose proceeds were used for the acquisition, development, construction, renovation, installation, equipping, improvement and upgrade of the Hospital and the Hospital's campus facilities located on the main campus, including the Knapp Cardiac Center, a three-story approximately 60,000 square foot addition to the existing main hospital; (iii) refinancing of multiple capital equipment leases, the proceeds of which were used to purchase various critical pieces of hospital equipment; (iv) financing, refinancing or reimbursement of the acquisition, construction, renovation, installation, equipping, improvements, or upgrade costs on the Hospital's main campus including but not limited to interior renovations, including renovations to the Hospital's main campus; and the acquisition and installation of certain equipment; (v) funding a debt service reserve fund; and (vi) paying all or a portion of the costs incidental to the issuance of the Series 2020 Bonds. See "ESTIMATED SOURCES AND USES" in the Forepart of this Official Statement.

## MEDICAL SERVICES

The Hospital offers inpatient care in its medical/surgical, coronary care, pediatric, psychiatric, and intensive care nursing units. The department of medicine includes subspecialties in cardiology, critical care, endocrinology, gastroenterology, hematology and medical oncology, infectious disease, nephrology, rheumatology and pulmonary medicine.

The Hospital is licensed for 306 beds. The following table illustrates the number of available beds by type.

| Bed Type | Available/Staffed Beds |
|---|---|
| Acute Care Beds | 107 |
| Telemetry Beds | 107 |
| Psychiatric Beds | 20 |
| Medical Stepdown Beds | 12 |
| Surgical Intensive Care Beds | 10 |
| Pediatric Beds | 10 |
| Observation Beds | 10 |
| Stroke Beds | 8 |
| Medical Intensive Care | 7 |
| Coronary Care Unit Beds | 7 |
| Surgical Stepdown Beds | 4 |
| Cardio Pulmonary Beds | 4 |
| **Total** | **306** |

Outpatient services include an emergency department, diagnostic radiology, interventional radiology, computed tomography ("CT"), magnetic resonance imaging ("MRI") and positron emission tomography ("PET"), cardiac and pulmonary rehabilitation, diagnostic cardiology including nuclear stress testing, ambulatory surgery, a wound treatment center that includes hyperbaric oxygen therapy, and a sleep disorders center.

The Hospital's Emergency Department ("ED") treats over 65,000 patients annually. Patients originate from the South Shore to the East End communities of Long Island. The ED team provides around the clock, emergency medical care for patients seven days a week. The ED is staffed with emergency medicine residency-trained and board-certified physicians, physician assistants, emergency medicine registered nurses and other medical teams to handle the comprehensive emergency needs of our patients. Support staff includes nursing assistants, unit secretaries, case management staff, volunteers and others important to all care.

The Hospital is a Level III Trauma Center. This designation, by the American College of Surgeons, enables the Hospital to treat trauma patients from mid-Suffolk to Montauk Point. Through a clinical affiliation with Stony Brook Medicine, which assists in the management of our trauma program, the Hospital has Stony Brook Medicine trauma surgeons who see patients and perform trauma surgery at the Hospital. The Hospital is also a New York State-Certified Stroke Center recognized by the American Heart Association and American Stroke Association. Additionally, the Emergency Department staff members are trained to handle disasters, as well as patients contaminated with hazardous materials.

The ED facility includes: Trauma/Resuscitation, Main Treatment Area, Express Care, Access Center and Emergency Department Admitting Unit ("EDAU"). Triage staff does an initial evaluation to determine level of severity and need for further evaluation. For less urgent or more routine injuries or illness, patients may be treated and released from our Express Care area located adjacent to the Emergency Department.

The Emergency Department contains a decontamination suite with a private entrance. This suite includes private shower facilities, private isolation and a containment zone. The Hospital also has the capability to provide a private shelter on a mobile unit to expand capabilities, if necessary.

Outpatient elective surgery takes place in the Surgical Pavilion and include operative and non-operative orthopedic care, including sports medicine and concussion, arthroscopic knee and shoulder surgery, hand and upper

extremity surgery, fracture and trauma care, ligament and tendon injuries, arthritis of all joints and joint replacement surgery of the hip, knee and upper extremities.

## OVERVIEW OF CARE SERVICES

The Hospital offers a wide array of services typical of a community hospital geared towards its community and service area, as set forth above. Several of the more notable services are summarized below.

### Bariatric Care

The Bariatric and Wellness Program is a multidisciplinary program for the treatment of clinically-severe obesity. The Hospital's approach involves both medical and surgical options, depending on a patient's needs and level of obesity. For patients who are eligible for surgery, options include laparoscopic (minimally invasive) gastric bypass, sleeve gastrectomy and adjustable gastric band. The Hospital also offers a medical weight loss program for patients who are not eligible or not interested in surgery. The program includes nutritional and behavioral modification, together with one-on-one education provided by board-certified surgeons, registered dietitians and medical assistants to support patients.

### Behavior Health

The behavioral health services team conducts a comprehensive psychiatric and physical evaluation. Teams works with patients, their family and other healthcare professionals to develop a treatment plan that best meets the needs of each individual patient. The Access Center is a community resource available 24/7 that also provides information and referrals for mental health, substance use services, as well as linkage to community services.

The Inpatient Psychiatric Unit is a 20-bed adult acute care unit for the diagnosis and treatment of mental illness and co-occurring conditions. The unit provides psychiatric crisis stabilization, assessment, medication evaluation and treatment, and discharge planning services.

### Cardiovascular Care

The Knapp Cardiac Care Center offers cardiac catheterization diagnostic and interventional cardiology services in the Cardiac Catheterization Laboratory. The Non-invasive Cardiology Laboratory uses advanced technology to diagnose and monitor heart disease and other abnormalities. The lab is an Intersocietal Commission for the Accreditation of Echocardiography Laboratory ("ICAEL") and is accredited by the American College of Radiology ("ACR"). Services include echocardiography, transesophageal echocardiography ("TEE") and stress testing (exercise and pharmacologic) with nuclear imaging.

Cardiac patients receive care in the Non-Invasive Cardiology Laboratory. Diagnostic testing includes echocardiogram, stress tests, multi-gated acquisition ("MUGA") scans, myocardial perfusion imaging and TEE.

Through a clinical relationship with Stony Brook Medicine, the Hospital provides patients with local access to vascular care through a team of Stony Brook Medicine's vascular and endovascular surgeons.

### Cardiac Catheterization Lab

The Heart and Vascular Institute at Winthrop-University Hospital brings their cardiac team to the Hospital. Cardiac catheterization diagnostic and interventional cardiology services are offered in the Cardiac Catheterization Laboratory. If a blockage is found, doctors can perform a percutaneous coronary intervention ("PCI"), commonly known as coronary angioplasty or angioplasty (balloon angioplasty with or without a stent placement).

Electrophysiologists diagnose and treat abnormal heart rhythms. Similar to cardiac catheterizations, electrophysiology studies involve the insertion of a flexible catheter into the heart for imaging of the heart and treatment of the rhythm disorder.

**Chemical Dependency**

The Hospital's Outpatient Chemical Dependency Program provides assessment, education, individual and group counseling, along with medication assisted treatment for adults in need of chemical dependency treatment. Family and community agency involvement is paramount to successful outcomes, and the Hospital's program also provides Certified Peer Recovery Advocate services, which seeks to help patients and their families work toward a healthy recovery.

**Home Care**

The Hospital's Certified Home Health Agency provides a full range of coordinated healthcare and social services to patients and their families in their homes in Suffolk County. Home Care makes it possible for patients to continue their recuperation at home with the availability of services provided by skilled professionals. It is also available to individuals who have not been recently hospitalized if they still meet the eligibility criteria.

**Hospice**

A program for those with a limited life expectancy in a home setting or a contracted skilled nursing facility. Hospice services are coordinated by an interdisciplinary team of physicians, nurses, home health aides and pastoral care counselors.

**Nuclear Medicine**

Nuclear Medicine is a medical specialty that uses radiopharmaceuticals together with special imaging technology to produce images used to diagnose disease in a safe and painless way. Nuclear medicine can be used to detect and evaluate a number of disorders including tumors, irregular or inadequate blood flow, and the functioning of organs like the thyroid, heart, lungs, gallbladder, liver and kidneys. Nuclear diagnostic procedures help doctors gather specific medical information about a patient that might otherwise be unavailable, require surgery or possibly require invasive and expensive diagnostic tests.

**Primary Care - Bellport**

Bellport Primary Care Center is recognized by the National Committee for Quality Assurance ("NCQA") as a Patient-Centered Medical Home. The team at Bellport provides a patient centered approach and coordinates all aspects of patients' medical care, from age seven and up.

**Primary Care – MyHealth**

At MyHealth Long Island, East Patchogue, the Hospital provides physical and behavioral health care for the community through a range of services. Recognized by the National Committee for Quality Assurance ("NCQA") and designated as a Patient-Centered Medical Home, it treats adults and children seven years and older with a focus on patient- and family-centered care.

MyHealth Long Island, East Patchogue is also the home base for the Hospital's Graduate Medical Education program, where resident physicians, in the residency training program, care for patients under supervision and guidance of experienced attending physicians. MyHealth Long Island, East Patchogue at Long Island Community Hospital is located at 100 Hospital Rd.

**Women's Health**

Women's specialized services are located at the Women's Imaging Center. Breast Health Services, and primary care practices are co-located at this facility to ensure convenience for patients, and collaboration among

physicians. Breast Care Services are recognized by the National Accreditation Program for Breast Centers and offer comprehensive care for women who have been diagnosed with breast cancer or another breast health condition.

## MEDICAL EDUCATION

The Hospital is fully accredited as a graduate medical education sponsoring institution from the Accreditation Council of Graduate Medical Education ("ACGME"), the only community hospital on Long Island to achieve this status, offering a training program for resident physicians in internal medicine. The Hospital sponsors a fully ACGME accredited internal medicine residency program with 30 residents.

The Hospital has recently received full accreditation as a graduate medical education sponsoring institution. The program includes 30 residents in training in internal medicine and aims to graduate 10 residents each year. Physician Assistant students from SUNY Stony Brook School of Medicine rotate through the program and contribute to the learning environment. Residents for the program focus their training in primary care, hospital medicine, and subspecialty care.

## MEDICAL STAFF

The medical staff is organized into ten (10) departments: anesthesiology, dentistry, emergency services, family practice, internal medicine, pathology, pediatrics, psychiatry, radiology and surgery. Each department has a chief of department who has been recommended for appointment by the Hospital's Medical Board subject to approval by the Board of Directors. Departments are divided into divisions by sub specialty.

Physicians who provide leadership to a division hold the title of chief. The president of the medical staff is elected to a two-year term by the medical staff. The current President of the medical staff is Charles Rothberg, M.D., a board-certified ophthalmologist. He was elected President of the Medical Staff in 2019.

The active Medical Staff designations include Attending, Associate Attending and Provisional. Other categories of the Medical Staff are Consulting, Adjunct, Emergency Department Staff, Hospital Staff, and Health Center Staff, Courtesy and Emeritus Staff.

As of April 30, 2020, the Hospital's medical staff was comprised of 661 members who are active and serving as either specialty or surgery medical staff members. Less than 10% of the medical staff is employed by the Hospital. More than two-thirds of the Hospital's medical staff are Board Certified.

Physicians in private practices throughout the community are members of the Medical Staff and collaborate with fellow colleagues throughout the Department of Medicine, as well as by partnering with surgical subspecialty colleagues.

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The following is a summary of active medical staff members by specialty as of April 30, 2020.

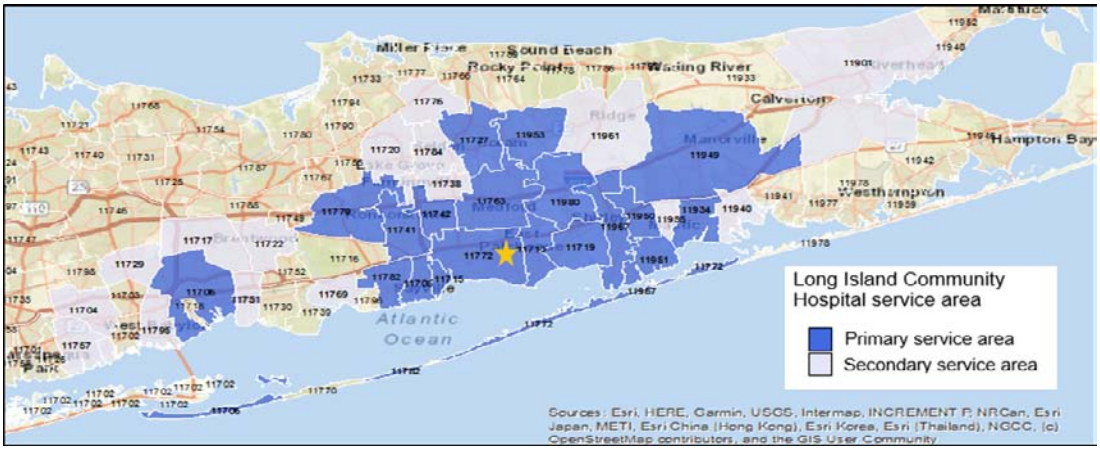
**Summary of Active Medical Staff Members by Specialty**

| Specialty | Active | Active Board Certified |
|---|---|---|
| Anesthesia | 26 | 16 |
| Cardiology | 48 | 48 |
| Critical Care Medicine | 24 | 23 |
| Dentist | 3 | 1 |
| Emergency Medicine | 56 | 49 |
| Family Practice | 55 | 45 |
| Gastroenterology | 8 | 7 |
| Hematology/Oncology | 22 | 21 |
| Hospitalist | 26 | 21 |
| Infectious Disease | 5 | 3 |
| Internal Medicine | 34 | 42 |
| Nephrology | 5 | 4 |
| Neurology | 18 | 17 |
| Oncology | 6 | 6 |
| Pain Management | 5 | 3 |
| Pathology | 9 | 7 |
| Psychiatry | 17 | 20 |
| Pulmonary Disease | 7 | 7 |
| Radiology | 106 | 99 |
| Sub Total | 480 | 340 |
| **Surgery** | | |
| Bariatric Surgery | 7 | 5 |
| Colorectal Surgery | 4 | 4 |
| General Surgery | 15 | 10 |
| Neurosurgery | 11 | 10 |
| Thoracic/Vascular Surgery | 30 | 18 |
| Ophthalmology | 3 | 3 |
| Orthopedics | 30 | 22 |
| Plastic Surgery | 19 | 15 |
| Podiatry | 24 | 19 |
| Trauma | 26 | 15 |
| Urology | 10 | 8 |
| Wound Care | 2 | 1 |
| Sub Total | 181 | 130 |
| **Total** | **661** | **470** |

## PRIMARY SERVICE AREA MARKET SHARE

The Hospital serves towns and villages in Suffolk County, the fourth most populated county in New York State, with an estimated population of 1.5 million people. The Hospital's primary and secondary service area census is approximately 400,000 persons. It includes Brookhaven (one of the fastest growing towns in New York), and expands from west to east from Sayville to Moriches and north to Coram and Selden. Currently the highest number of hospital visits originate from the town of Patchogue, which is ethnically diverse and has an individual median income that, on average is 25 percent less than other Suffolk County residents. Census data as of May 2020 notes an unemployment rate for the 28 communities of 12.4% with several areas over 12% including Brookhaven, West Sayville, and Mastic Beach.

**Service Area Map**

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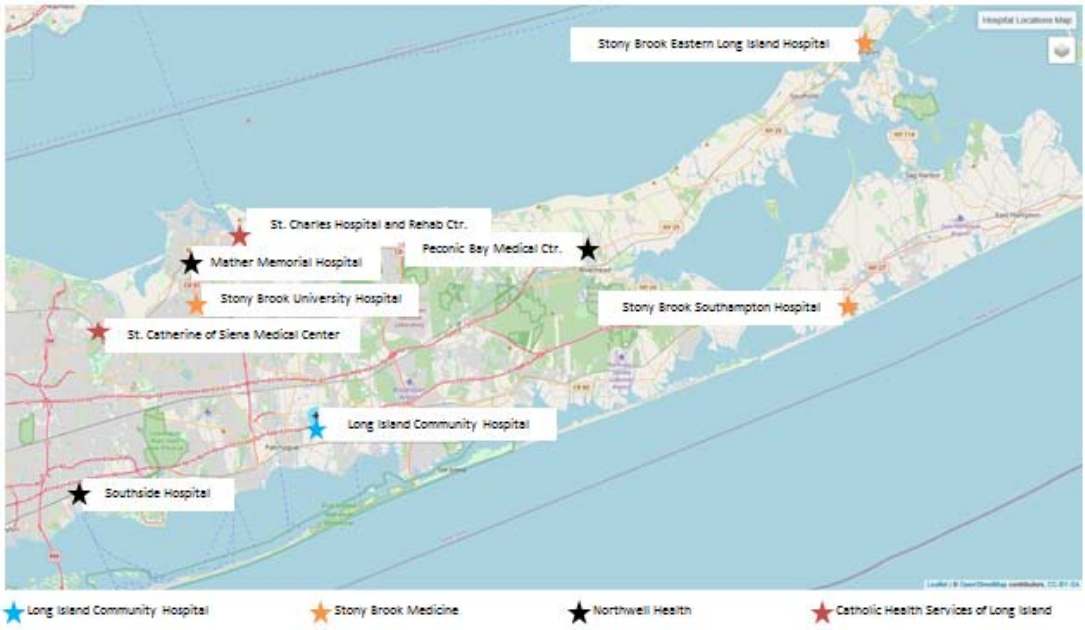
**Competition**

The Hospital operates in a competitive Suffolk County healthcare market amongst eight other hospitals, the locations of which are illustrated in the following map:




The following table shows the location, number of licensed beds, and distance from the Hospital for each hospital:

| Hospital Name | System | Location | Licensed Beds and Bassinets | Distance from Long Island Community Hospital |
|---|---|---|---|---|
| Stony Brook University Hospital | Stony Brook University Hospital | Stony Brook | 603 | 15 miles north |
| Eastern Long Island Hospital | Stony Brook University Hospital | Greenport | 90 | 46 miles northeast |
| Southampton Hospital | Stony Brook University Hospital | Southampton | 125 | 34 miles east |
| St. Catherine of Siena Medical Center | Catholic Health Services of Long Island | Smithtown | 240 | 22 miles northwest |
| St. Charles Hospital & Rehab Center | Catholic Health Services of Long Island | Port Jefferson | 243 | 17 miles north |
| Peconic Bay Medical Ctr. | Northwell | Riverhead | 186 | 22 miles northeast |
| Mather Memorial Hospital | Northwell | Port Jefferson | 248 | 16 miles north |
| Southside Hospital | Northwell | Bay Shore | 341 | 16 miles west |

The following table shows the market distribution among the Hospital's competitor hospitals in its primary service area as of 2018:

| 2018 Primary Market Distribution | | |
|---|---|---|
| | **Discharges** | **Percentage of Market Share*** |
| Stony Brook University Hospital | 10,732 | 23.07% |
| Long Island Community Hospital | 10,140 | 21.95 |
| Southside Hospital | 5,887 | 12.66 |
| John T. Mather Memorial Hospital | 3,469 | 7.46 |
| St. Catherine of Siena Medical Center | 1,733 | 3.73 |
| Peconic Bay Medical Center | 1,564 | 3.36 |
| Eastern Long Island Hospital | 357 | 0.77 |
| Southampton Hospital | 145 | 0.31 |

Source: 2018 SPARCS data, outpatients, all diagnosis, within primary service area.
*Totals do not add to 100% due to outmigration from the primary service area.

**Community Outreach**

The Long Island Health Collaborative ("LIHC") LIHC is a coalition funded by the NYSDOH through the Population Health Improvement Program ("PHIP") grant. The LIHC is overseen by the Nassau-Suffolk Hospital Council. The LIHC provided oversight and management of the Community Health Needs Assessment processes, including data collection and analysis.

In 2013, hospitals and county departments of health for both Nassau County and Suffolk County on Long Island convened to work collaboratively on the community health needs assessment. Over time, this collaboration grew into an expansive membership of academic partners, community-based organizations, physicians, health plans, schools and libraries, local municipalities and other community partners who held a vested interest in improving community health and supporting the NYSDOH's Prevention Agenda. Designated the LIHC, this multi-disciplinary entity now meets bi-monthly to work collectively toward improving health outcomes for Long Islanders. Since 2015, the LIHC has received its funding from PIP grants. A primary responsibility of the LIHC is data collection and analysis, which is manifested in the supervision of the Community Health Needs Assessment process for the Long Island region.

In 2019, members of the LIHC reviewed extensive data sets selected from both primary and secondary data sources to identify and confirm the Prevention Agenda priorities for the 2019-2021 Community Health Needs Assessment cycle. Data analysis efforts were coordinated through the LIHC, which served as the centralized data return and analysis hub. As indicated by the data results, the community partners selected "Prevent Chronic Disease" and "Promote Well-Being and Prevent Mental and Substance Abuse Disorders" as primary objectives for the current community needs assessment.

Priorities selected in 2019 remain unchanged from the 2016 selection; however, for 2019, a specific priority regarding mental health and substance use was selected, as opposed to placing an overarching emphasis on these two issues as was done in the previous cycle. This is in response to the opioid crisis in both counties.

The Hospital participates in the LIHC activities. This includes review of all data collected and analyzed by the LIHC, with Suffolk County Department of Health input and consultation offered when appropriate. The Hospital also relies upon the LIHC to disseminate information about the importance of proper nutrition and physical activity

among the general public in an effort to assist Suffolk County residents in better managing their chronic diseases and/or preventing the onset of chronic diseases. Finally, the Hospital participates in the LIHC's bi-monthly stakeholder meetings and avails itself of LIHC's extensive network.

Community Outreach has long been a mainstay for the Hospital. The Hospital's outreach program participates in community health fairs, with senior and community centers, as well as civic associations throughout the region. The Hospital is also an active member of eight Chambers of Commerce in the community. Membership with these chambers affords the Hospital the opportunity to learn of the needs of the workforce and business leaders in the community. LIHC has a strong presence in the civic and service clubs (e.g. Kiwanis, Rotary Club, Lions,) houses of worship, the YMCA and Boys and Girls Club, local government health and social service programs, the social service agencies, senior living communities and public libraries. The engagement of the broader community, for assessment processes, is achieved through the LIHC's and its partners' ongoing distribution of the Long Island and Eastern Queens Community Health Needs Assessment.

**Other Programs**

Annually, the Hospital offers several free wellness events for the community. The Hospital collaborates with the Patchogue YMCA to provide the community an interactive health education experience. In order to educate and inform the community about healthy lifestyle choices, the Hospital utilizes educational games and creative stations including CPR and automated external defibrillator ("AED") demonstrations. Also included are physical activities for adults and children including bounce houses and obstacle courses along with Zumba instruction, all promoting movement to improve health. In addition, the Hospital collaborates with the Boys & Girls Club of Bellport Area and provides a Day of Dance event focused on moving to improve heart health through dance. Collaborating with community dance studios they provided dance instruction along our hospital chef who led cooking demonstrations; enabling the attendees to taste and learn how to prepare new heart healthy recipes.

## UTILIZATION

The following summary is historical statistical information of the Hospital for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020.

| | December 31, | | | 6 Months Ended June 30, | |
|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| Discharges* | 12,238 | 12,206 | 11,035 | 5,702 | 4,528 |
| Patient days* | 77,271 | 76,725 | 70,029 | 36,299 | 31,715 |
| Observation visits | 1,620 | 1,755 | 3,234 | 1,578 | 1,323 |
| ED Visits (Treat/Release) | 51,762 | 48,702 | 43,966 | 21,848 | 15,144 |
| Inpatient surgeries | 2,232 | 1,819 | 1,762 | 905 | 672 |
| Outpatient surgeries | 4,133 | 4,864 | 4,991 | 2,555 | 1,576 |
| Outpatient volume | 69,749 | 69,147 | 67,404 | 33,524 | 27,963 |
| Occupancy (Available Beds) | 82.4% | 81.6% | 75.3% | 78.4% | 67.8% |
| Medicare case mix index | 1.60 | 1.61 | 1.64 | 1.67 | 1.82 |
| Primary Care Visits (Bellport) | 4,402 | 2,607 | 2,915 | 1,328 | 1,288 |

*Includes Hospital and Psychiatric
Source: Hospital records

**Management's Discussion of Recent Utilization**

***Utilization for the 6 Months Ended June 30, 2020 vs. the 6 Months Ended June 30, 2019***

For the six months ended June 30, 2019 to 2020, discharges decreased by 1,174 cases or 20.6%, with a corresponding decrease in patient days of 4,584 or 12.6%. Management attributes this decrease to a reduction in medical admissions generated from the emergency room. Emergency room volume decreased by 6,704 visits or 30.7%. Management attributes the decrease of all outpatient services due to the governmental mandated policies related to the Covid-19 pandemic. Inpatient surgeries decreased by 233 cases or 25.7%. Management attributes this to the drop in inpatient discharges and days as mentioned above. Outpatient surgeries decreased by 979 cases or 38.3%. Management attributes the decrease in outpatient surgical services due to the Covid-19 pandemic as stated above. The Hospital's occupancy rate decreased from 78.4% to 67.8% due to a decrease in the number of inpatient days which decreased for the reasons stated above. Medicare case mix increased from 1.67 to 1.82 primarily due to an increase in the complexity of inpatient medical cases.

***Utilization for the Fiscal Year Ended December 31, 2019 vs. 2018***

For the twelve months ended December 31, 2018 to 2019, discharges decreased by 1,171 cases or 9.6%, with a corresponding decrease in patient days of 6,696 or 8.7%. Management attributes this decrease to (i) a reduction in medical admissions generated from the emergency room and (ii) an increase in the Observation visits (see below). Emergency room volume decreased by 4,736 visits or 9.7%. Management attributes the emergency room volume decrease to be an industry wide decrease in emergency room utilization resulting from the proliferation of free standing urgent care centers and health plan design changes that have increased the consumer out-of-pocket cost for emergency room visits. Observation stays increased by 1,479 or 84.3%. Management attributes this to better management of inpatient admitting criteria and lessening the number of admission denials. Inpatient surgeries decreased by 57 cases or 3%. Management attributes this to the drop in inpatient discharges and days as mentioned above. Outpatient surgeries increased by 127 cases or 2.6%. Management attributes the growth in outpatient surgical services to an increase in utilization by voluntary and employed physicians. The Hospital's occupancy rate decreased from 81.6% to 75.3% due to a decrease in the number of inpatient days which decreased for the reasons stated above. Medicare case mix increased from 1.61 to 1.64 primarily due to an increase in the complexity of inpatient medical cases. Bellport Primary Care visits increased by 308 visits or 11.8%. Management attributes this to their increased marketing campaign and better community awareness.

***Utilization for the Fiscal Year Ended December 31, 2018 vs. 2017***

From 2017 to 2018, discharges decreased slightly by 32 cases or 0.3%, with a corresponding decrease in patient days of 546 or 0.7%. Observation visits increased by 135 or 8.3%. Management attributes this increase to payor-imposed changes in utilization review guidelines used in determining a patient's status and the resulting movement from the inpatient site of service to observation status. Emergency room visits decreased by 3,060 visits or 5.9%. As with 2019, management attributes this decrease to an industry wide decrease in emergency room utilization resulting from the proliferation of free standing urgent care centers and health plan design changes that have increased the consumer out-of-pocket cost for an emergency room visit. Inpatient surgeries decreased by 413 cases or 18.5%. Management attributes this decrease to the continuing change in the site of service from inpatient to outpatient. Overall outpatient surgeries increased by 731 cases or 17.7%. Management attributes this increase to the shift mentioned above from inpatient to outpatient. Occupancy rates decreased slightly from 82.4% to 81.6%, a decrease of .9% which management feels is negligible. Medicare case mix increased slightly from 1.60 to 1.61, primarily due to the complexity of the inpatient surgeries being performed as well as the movement of some of the lower acuity surgical cases to outpatient.

## FINANCIAL INFORMATION

**Summary of Operating Performance**

The following table sets forth a summary of operating results and financial condition of the Hospital and the Foundation for each of the fiscal years ended December 31, 2017, 2018 and 2019 and for the six months ended June

30, 2019 and June 30, 2020. The fiscal year information is derived from the consolidated audited financial statements of the Hospital and the Foundation, which for the years ended December 31, 2018 and 2019 is included in Appendix B hereto**.** The information for the period ended June 30, 2020 should not necessarily be considered indicative for the results for the full fiscal year ending December 31, 2020.

| | | | | Unaudited 6 Months Ended June 30, | |
|---|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2019** | **2020** |
| **Changes in Net Assets Without Donor Restrictions** | | | | | |
| Net patient service revenue | $278,062,152 | $278,284,840 | $272,196,189 | $141,728,779 | $115,976,357 |
| Less: provision for uncollectible, net | (8,044,089) | (5,946,546) | -- | -- | -- |
| | 270,018,063 | 272,338,294 | 272,196,189 | $141,728,779 | $115,976,357 |
| Other revenues | 3,591,924 | 3,898,782 | 3,282,023 | 1,588,809 | 17,995,840[(1)] |
| Net assets released from restriction for operations | 546,408 | 544,706 | 846,686 | -- | -- |
| Investment Income(net) | 1,314,230 | 1,565,164 | 2,067,695 | 688,979 | 559,024 |
| **Total Revenues, Gains and Other Support Without Donor Restrictions** | $275,470,625 | $278,346,946 | $278,392,593 | $144,006,567 | $134,531,221 |
| **Expenses** | | | | | |
| Salaries | $133,316,245 | $128,874,339 | $127,957,402 | $65,930,533 | $65,407,764 |
| Payroll taxes and employee benefits | 49,591,728 | 46,813,495 | 48,862,809 | 24,838,193 | 24,983,781 |
| Supplies and other | 79,701,178 | 79,976,536 | 77,523,173 | 40,071,833 | 35,317,105 |
| Insurance | 3,321,484 | 3,913,771 | 3,470,632 | 1,871,014 | 1,921,884 |
| Depreciation, amortization and rent | 13,977,386 | 14,766,060 | 14,513,400 | 7,913,541 | 7,415,605 |
| Interest | 2,489,612 | 2,413,148 | 2,468,131 | 1,122,348 | 1,416,017 |
| Bad debt expense | -- | -- | 1,915,280 | 1,652,459 | 1,572,526 |
| **Total Expenses** | $282,397,633 | $276,757,349 | $276,710,827 | $143,399,921 | $138,034,682 |
| **Excess(Deficiency) of Revenues, Gains and Other Support without Donor Restrictions over Expenses** | $(6,927,008) | $1,589,597 | $1,681,766 | $606,646 | $(3,503,461) |
| **Other Changes** | | | | | |
| Change in Valuation SWAP | $376,577 | $486,784 | $(363,192) | $(387,947) | $(643,351) |
| Change in unfunded benefit obligation | 1,349,515 | (510,711) | 1,027,114 | -- | -- |
| Net change in unrealized (loss) gain on investments | 1,956,599 | (1,559,717) | 2,098,342 | 1,519,136 | (949,834) |
| Gain on Sale of Property | -- | 2,675,389 | -- | -- | -- |
| Net assets released from restrictions for capital expenditures | 7,121,246 | 671,748 | 359,473 | 327,218 | 57,796 |
| **Increase (Decrease) in Net Assets Without Donor Restrictions** | $3,876,929 | $3,353,090 | $4,803,503 | $2,065,053 | $(5,038,850) |

[(1)] $14.7 million of this amount constitutes funds received in connection with the CARES Act.

**Balance Sheet**

The following table sets forth the balance sheet of the Hospital and the Foundation as of December 31, 2017, 2018 and 2019.

| *December 31,* | 2017 | 2018 | 2019 | Unaudited as of June 30, 2020 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current** | | | | |
| Cash and cash equivalents | $18,467,447 | $21,296,313 | $35,171,146 | $42,637,481 |
| Investments, at fair value | 11,928,202 | 12,791,347 | 16,955,497 | 18,704,722 |
| Reserved Cash | -- | -- | -- | 47,266,699[(1)] |
| Patient accounts receivable, net | 39,611,153 | 36,806,378 | 32,063,704 | 19,313,535 |
| Other receivables | 3,217,409 | 2,717,013 | 1,370,096 | 9,564,877 |
| Inventories | 4,680,569 | 4,772,120 | 5,387,457 | 5,499,897 |
| Prepaid expenses and other current assets | 1,613,688 | 2,272,235 | 1,857,105 | 1,493,938 |
| Due from third-party payors | 3,069,872 | 4,357,207 | 1,431,329 | -- |
| Assets limited or restricted as to use | 533,163 | 355,941 | 449,270 | 509,420 |
| **Total Current Assets** | $83,121,503 | $85,368,554 | $94,685,604 | $144,990,569 |
| **Assets Limited or Restricted as to Use,** net of current portion | 9,825,845 | 6,084,490 | 5,643,609 | 3,862,750 |
| **Investment in GSB Endoscopy** | -- | 2,000,000 | 2,000,000 | 2,000,000 |
| **Deferred Asset-Asbestos Abatement, Net** | 102,525 | 91,134 | 79,743 | 79,743 |
| **Other Assets** | 301,655 | 284,987 | 268,319 | 259,985 |
| **Property, Plant and Equipment, Net** | 154,864,994 | 150,072,575 | 153,942,686 | 151,261,284 |
| **Total Assets** | $248,216,522 | $243,901,740 | $256,619,961 | $302,454,330 |

(1) Includes funds received in connection with Medicare Advance payments

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| *December 31,* | 2017 | 2018 | 2019 | Unaudited as of June 30, 2020 |
|---|---|---|---|---|
| **Liabilities and Net Assets** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable and accrued expenses | $39,300,636 | $36,496,437 | $38,033,296 | $38,430,339 |
| Accrued salaries and benefits | 13,220,783 | 12,833,166 | 11,502,795 | 11,465,779 |
| Current portion of bonds payable | 1,999,645 | 2,090,886 | 2,180,663 | 2,211,449 |
| Current portion of notes payable | 49,059 | 97,669 | 102,906 | 205,638 |
| Current installments of obligations under capital equipment leases | 1,000,394 | 1,329,760 | 1,817,000 | 2,030,361 |
| Current portion of accrued pension costs | 10,258,417 | 6,322,080 | 6,783,278 | 6,783,278 |
| Current portion of estimated malpractice liability | 1,750,000 | 2,000,000 | 3,000,000 | 730,562 |
| Current portion of swap liability | 346,893 | 247,230 | 330,298 | 400,012 |
| Due to third-party payors | 1,768,324 | 1,626,276 | 3,728,118 | 50,976,051[1] |
| **Total Current Liabilities** | $69,694,151 | $63,043,504 | $67,478,354 | $113,233,469 |
| **Bonds Payable,** net of discount, current portion and deferred financing fees | 44,435,804 | 42,416,144 | 40,303,165 | 40,486,473 |
| **Notes Payable,** net of current portion | 210,017 | 326,491 | 223,408 | 169,700 |
| **Obligations Under Capital Leases,** net of current portion | 2,816,587 | 3,134,343 | 9,224,470 | 9,479,136 |
| **Estimated Malpractice Liability,** net of current portion | 20,868,684 | 21,050,031 | 20,094,649 | 20,969,812 |
| **Accrued Pension Costs,** net of current portion | 1,330,784 | 3,053,527 | 3,361,958 | 7,027,822 |
| **Interest Rate Swap,** less current portion | 1,760,441 | 1,373,320 | 1,653,444 | 2,227,082 |
| **Other Liabilities** | 1,940,655 | 1,814,959 | 1,758,642 | 1,417,926 |
| **Total Liabilities** | $143,057,123 | $136,212,319 | $144,098,090 | $81,777,951 |
| **Commitments and Contingencies** | | | | |
| **Net Assets** | | | | |
| Without donor restrictions | 98,129,539 | 101,482,629 | 106,286,132 | 101,247,355 |
| With donor restrictions | 7,029,860 | 6,206,792 | 6,235,739 | 6,195,555 |
| **Total Net Assets** | 105,159,399 | 107,689,421 | 112,521,871 | 107,442,910 |
| **Total Liabilities and Net Assets** | $248,216,522 | $243,901,740 | $256,619,961 | $302,454,330 |

(1) Includes funds received in connection with Medicare Advance payments.

**Management's Discussion of Financial Performance**

***8 Months Ended August 31, 2020 Operating Results and Financial Position Summary***

For the eight months ended August 31, 2020, Excess of Revenues, Gains and Other Support without Donor Restrictions over Expenses was $104,515 with total revenue of $188.6 million and total expenses of $188.5 million. Unrestricted cash and investments were $98.6 million with days cash on hand at 139.2 days. The increase in unrestricted cash and investments from $51.9 million as of June 30, 2020 to $98.6 million as of August 31, 2020 is primarily due to $37.6 million in CARES Act funding received in July 2020, in addition to, primarily, investment returns. July and August results trended higher outpatient volumes while also reflecting higher surgical volumes and lower levels of emergency department visits. Results for the eight months ended August 31, 2020 are not necessarily reflective of results for the fiscal year ending December 31, 2020.

***6 Months Ended June 30, 2020 vs. the 6 Months Ended June 30, 2019***

COVID-19 had a significant negative impact on operating statistics and net patient service revenue for the six-month period ended June 30, 2020 in comparison to the six-month period ended June 30, 2019. Total net patient services revenue decreased 18%, or $25.8 million, for the six-month period ended June 30, 2020 as compared to the six-month period ended June 30, 2019. The COVID-19 outbreak resulted in the cancellation of non-emergency and elective procedures effective March 23, 2020 as well as the closing of many outpatient services. This New York State-mandated policy remained in effect through May 19, 2020. The financial effect on the Hospital has been significant with decreased volumes in all areas of service, resulting in the Hospital's total operating revenue falling below budget.

The revenue loss was partially offset by the receipt of CARES Act funding of $44.4 million through July, of which $14.7 million was recognized in Other Revenues for the six-month period ended June 30, 2020. The balance of $29.7 million is included in the Third Party payables and will be recognized through the remaining months of 2020.

Total expenses decreased $5.4 million as of the six months period ended June 30, 2020 compared to the six month period ended June 30, 2019. Of that total decrease, $4.8 million is related to Supplies & Other expenses due to decreased volumes in all non-COVID-19 areas of service. As revenues decrease, the Hospital is monitoring expenses very closely and is adjusting expenses where it can due to the decreased volumes.

As a result, the Excess of Revenues, Gains and Other Support without Donor Restrictions over Expenses for the Hospital decreased from an excess of $607,000 for the six-month period ended June 30, 2019 to a deficiency of $3.5 million for the six month period ended June 30, 2020. The change in Net Assets without Donor Restrictions decreased from $2.1 million for the six-month period ended June 30, 2019 to $(5.0) million for the six-month period ended June 30, 2020, which includes an aggregate additional $1.6 million reduction related to unrealized losses on investments and a change in swap valuation for the six-month period ended June 30, 2020.

The Hospital continues to explore any and all potential State and Federal program funding options such as FEMA Grants, NYS Grants and all Federal programs.

In April and May 2020 the Hospital received $47.2 million in Advance Medicare payments. These payments were recorded as Reserved Cash and a liability to Third Parties, with the expectation that repayment would be required in the future. At that time, the repayment is expected to be made through reductions in the due to Third party account. There will be no impact to Revenue or Profit and Loss when the Medicare Accelerated Payments are paid back.

The Hospital's unrestricted cash and investment position increased from $52.1 million as of December 31, 2019 to $61.3 million as of June 30, 2020 due to $6.8 million of CARES Act Funding plus investment returns.

***Fiscal Year Ended December 31, 2019 vs. Fiscal Year Ended December 31, 2018***

Excess of Revenues, Gains and Other Support without Donor Restrictions over Expenses for the Hospital increased from $1.6 million for the fiscal year ended December 31, 2018 to $1.7 million for the fiscal year ended

December 31, 2019. While the Net patient service revenue and Total expenses remained consistent, Other Revenues decreased by $617,000 from 2018 to 2019 and Investment Income (net) increased by $500,000. The change in Net Assets without Donor Restrictions increased by $1.4 million, from $3.4 million for the fiscal year ended December 31, 2018 to $4.8 million for the fiscal year ended December 31, 2019. This increase includes a net change in the investment portfolio's unrealized gain on investments of $3.6 million from December 2018 to December 2019 along with an increase in the unfunded benefit obligations of $1.5 million. In 2018, the Hospital recorded a Gain on Sale of Property in the amount of $2.7 million.

Total cash and cash equivalents and investments at fair market value were $34.1 million as of December 31, 2018 and increased to $52.1 million as of December 31, 2019, due to optimization of accounts payable, accounts receivable and investment gains.

***Fiscal Year Ended December 31, 2018 vs. Fiscal Year Ended December 31, 2017***

Excess (Deficiency) of Revenues, Gains and Other Support without Donor Restrictions over Expenses for the Hospital increased from a loss of $6.9 million for the fiscal year ended December 31, 2017 to a gain of $1.6 million for the fiscal year ended December 31, 2018. Net patient service revenue less provision for uncollectible accounts increased by $2.3 million from 2017 to 2018. Other revenues and Investment Income (net) increased by $558,000 from 2017 to 2018. Total expenses decreased from $282.4 million in fiscal year ended December 2017 to $277.0 million in fiscal year ended December 31, 2018 largely attributed to a decrease in salary, payroll taxes and employee benefits. Total full time equivalents decreased from 1,763, in 2017 to 1,680 in 2018. The change in Net Assets without Donor Restrictions decreased by $524,000 from $3.9 million for the fiscal year ended December 31, 2017 to $3.4 million for the fiscal year ended December 31, 2018. In 2018, the Hospital recorded a Gain on Sale of Property in the amount of $2.7 million.

Total cash and cash equivalents and investments at fair market value increased from $30.4 million as of December 31, 2017 to $34.1 million as of December 31, 2018.

**Historical and Pro Forma Capitalization Ratio**

The following table sets forth calculations related to the Hospital's and the Foundation's historical capitalization ratios as of December 31, 2017, 2018 and 2019 and pro forma for 2019 giving effect to the issuance of the Series 2020 Bonds and the application of the proceeds thereof. The calculations represent the ratio of the Hospital and the Foundation using the calculation of net assets without donor restrictions to determine capitalization.

| | Historical | | | Pro Forma |
|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2019** |
| Long-term debt, net of current portion | $44,435,804 | $42,416,144 | $40,303,165 | $76,050,000 |
| Capital lease, net of current portion | 3,026,604 | 3,460,834 | 9,447,878 | 894,402 |
| | **$47,462,408** | **$45,876,978** | **$49,751,043** | **$76,944,402** |
| Unrestricted net assets | 98,129,539 | 101,482,629 | 106,286,132 | 106,286,132 |
| Total capitalization | $145,591,947 | $147,359,607 | $156,037,175 | $183,230,534 |
| Long-term debt as a percent of capitalization | 32.60% | 31.13% | 31.88% | 41.99% |

**Historical and Pro Forma Debt Service Coverage Ratio**

The following table sets forth the Hospital's and the Foundation's historical debt service coverage ratios for the fiscal years ending December 31, 2017, 2018 and 2019 and pro forma for 2019 giving effect to the issuance of the Series 2020 Bonds and the application of the proceeds thereof.

| | Historical | | | Pro Forma |
|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2019** |
| Total Revenue over Expenses | $(6,927,008) | $1,589,597 | $1,681,766 | $1,681,766 |
| Add: Depreciation, Amortization, Rent | 13,977,386 | 14,766,060 | 14,513,400 | 14,513,400 |
| Less: Rent | (2,391,154) | (2,833,125) | (2,833,414) | (2,833,414) |
| Add: Interest Expense | 2,489,612 | 2,413,148 | 2,468,131 | 2,468,131 |
| Total income available for debt service | $7,148,836 | $15,935,680 | $15,829,883 | $15,829,883 |
| Maximum annual debt service requirement | $5,538,710 | $5,931,463 | $6,568,700 | $4,926,456 |
| Historical and pro forma debt service coverage ratio | 1.29 | 2.69 | 2.41 | 3.21 |

**Liquidity**

The following table sets forth days cash on hand of the Hospital and the Foundation as of December 31, 2017, 2018, and 2019 and for the 6 month period ended June 30, 2020.

| | December 31, | | | Unaudited 6 Months Ended |
|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **6/30/20** |
| Total Cash and Investments | $30,395,649 | $34,087,660 | $52,126,643 | $61,342,203 |
| Total operating Expenses | 282,397,633 | 276,757,349 | 276,710,827 | 138,034,682 |
| Less: Depreciation | (11,569,568) | (11,916,264) | (11,557,923) | (7,415,605) |
| Less: Bad Debt Expense | -- | -- | (1,915,280) | (1,572,526) |
| Adjusted Operating Expenses | $270,828,065 | $264,841,085 | $263,237,624 | $129,046,551 |
| Days Cash on Hand | 41 | 47 | 72 | 87 |

**Investment Policies**

The Foundation has an investment policy which assists the Board of Directors, Finance Committee and staff in effectively managing, monitoring and evaluating the investments. The investment guidelines take into consideration long-term objectives, short term liquidity, risk tolerance and the time. Performance expectations include an average annual real total return equal to or greater than 6% and to maintain a "moderate-aggressive" risk profile. The Foundation's asset allocation as of December 31, 2019 is 4% cash, 26% fixed income and 70% equity. The investment portfolio is administered by JP Morgan. Hospital cash and investments is invested in highly liquid cash and cash equivalents.

**Outstanding Indebtedness**

For information concerning the Hospital's outstanding indebtedness as of December 31, 2019, see notes 8 and 9 to the audited consolidated financial statements included in Appendix B to this Offering Memorandum. For a description of outstanding indebtedness planned to be refunded with proceeds of the Series 2020 Bonds see "PLAN OF FINANCE" herein.

## SOURCES OF NET PATIENT SERVICE REVENUE

The Hospital receives payments for services to patients from Medicare and Medicaid, commercial carriers, and patients. See "BONDOWNERS' RISKS" in the forepart of this Official Statement for a discussion of certain Medicare, Medicaid, and commercial insurance payment issues.

The following table sets forth the Hospital's patient services net revenue by major payor source for the years ended December 31, 2017 through 2019.

| Payor | 2017 | 2018 | 2019 |
|---|---|---|---|
| Medicare | 35.8% | 36.1% | 36.3% |
| Medicare HMO | 9.2 | 10.6 | 9.9 |
| Medicaid | 5.9 | 5.6 | 5.4 |
| Medicaid HMO | 11.0 | 9.8 | 9.1 |
| Managed Care | 32.8 | 33.3 | 32.5 |
| Commercial | 5.0 | 4.4 | 6.6 |
| Self-Pay | 0.3 | 0.2 | 0.2 |
| Total | 100.0% | 100.0% | 100.0% |

The Hospital has agreements with the federal Medicare program ("Medicare"), the State Medicaid program ("Medicaid"), and certain indemnity and managed care programs that determine payments for services rendered to patients covered by these programs. See "BONDHOLDERS' RISKS - Patient Service Revenues" in the Forepart of this Official Statement.

## OTHER INFORMATION

### Employees and Benefit Programs

The Hospital provides an array of benefit options for its employees. In 2002, the Hospital froze its defined benefit pension plan and introduced an employer 401(k) plan with match and discretionary contributions for its employees. Effective with the freeze, no further benefits accrue to plan participants.

Effective January 1, 2003, the Hospital established a defined contribution pension plan (the "Plan"). LICH's 401(k) Retirement Plan allows eligible employees of LICH to save for retirement needs in a convenient and tax-advantageous manner. Through payroll deductions employees can contribute a percentage of their before-tax salary, up to the Internal Revenue Service annual maximum limit. LICH provides a discretionary match for those employees who choose to contribute to the 401(k) plan. The employer match will be a discretionary percentage of a participant's eligible compensation or a discretionary dollar amount, the percent or dollar amount to be determined by the employer on a uniform basis for all participants. If employees do not participate in the salary reduction agreement, employer matching contributions will not be made.

Medical benefits and pharmacy benefits are provided through Long Island Community's sponsored self-insurance plan. The Plan has four tiers of coverage with different contribution amounts required from the employees, and the Plan is administered by a national carrier who serves as the Third Party Administrator. Approximately 900 employees and an additional 1,400 dependents are covered under the medical benefit plan.

Other benefits offered to employees include dental, optical, life, disability, tuition reimbursement and Flexible Spending Accounts.

As of June 30, 2020, the Hospital employed approximately 2,200 people or approximately 1,560 FTEs. Included in the FTE count are approximately 500 registered nurses ("RNs"). The Hospital's total overall turnover rate for 2018 was 6.9%. The RN vacancy rate for 2018 was 3.3%, and the RN turnover rate for 2018 was 8.9%.

Management believes that communication with the staff is critical, and information is communicated through management staff meetings back to the departments via department staff meetings; through newsletters, memos,

emails, Its Who We Care Connect (a web based site for employees), as well as through "Town Hall" meetings to provide forum for information dissemination and to provide caregivers with an opportunity to ask questions in an open and non-threatening environment.

**Labor Relations**

Long Island Community Hospital has four collective bargaining agreements. Over the course of the several past years the Hospital has become increasingly unionized. The Hospital has worked with the Local 202 United Teamsters Union and the Federation of Nurse and Health Professional for over two decades. However, in the most recent years the Hospital has been unionized by 1199 for the service workers and the skilled labor force. Lastly in 2020 the Engineering department was unionized by Local 30. The collective bargaining agreements all have dates that range from now until December 31, 2022. There have been no work stoppages, strikes or other work actions initiated by the unions within the last twenty-plus years. The Hospital is not aware of any other union organizing activities being conducted at this time. Management does not anticipate that the potential affiliation with SBUH will impact the existing labor contracts at the Hospital.

**Insurance**

*Property Insurance*

The Hospital carries a policy for real and personal property and business interruption including extra expense with an all risk limit of $448,512,412. The basic deductible is $50,000 per occurrence with certain higher deductibles for flood.

*Directors & Officers Liability*

The Hospital carries a $5,000,000 separate limit of liability for each Directors and Officers, Employment Practices Liability and Fiduciary Liability coverage with a $15,000,000 aggregate limit of liability. Directors and Officers and Employment Practices Liability both have a retention of $100,000.

*General Liability*

The Hospital carries a $1,000,000 per occurrence limit with $100,000 self-insured retention. The basic deductible is $1,000.

*Malpractice Insurance*

The Hospital is self-insured for professional liability with a retention of $2,000,000 per occurrence and $4,500,000 in the aggregate.

**Accreditations and Memberships**

The Hospital is fully accredited with the Centers for Medicare and Medicaid Services ("CMS") by the Det Norske Veritas ("DNV") organization. DNV is one of several organizations that is authorized by The Centers for Medicare and Medicaid Services ("CMS") to perform surveys to assess a hospital's compliance with regulations. Authorized by CMS in 2008, DNV has accredited nearly 500 hospitals of all sizes and in every region of the United States. DNV is the first and only accreditation program to integrate the CMS Conditions of Participation with the ISO 9001 Quality Management Program, promoting a strong management system that supports safety and the strategic direction of the organization. While other accreditation organizations like The Joint Commission visit their hospitals every three years, DNV survey teams visits and certifies the Hospital annually. The Hospital's current DNV accreditation is effective through October, 2022.

**Fundraising**

Long Island Community Hospital Services Corporation d/b/a Long Island Community Hospital Health Care Services Foundation seeks philanthropic support for the Hospital. Special events held annually include a Gala, Golf Tournament and Spring Event. Unrestricted and restricted donations for the past several years have averaged $1 million annually.

Gross Fund Raising Revenue, including Capital Campaigns and Special Events, totaled $21,597,496 in 2006, $1,459,572 in 2010, $1,838,860 in 2015, $1,531,200 in 2016, $2,037,627 in 2017, $1,269,522 in 2018 and $935,511 in 2019.

**Information Systems**

The Hospital has created a cybersecurity program through investment in resources and technology. An outsourced Chief Information Security Officer has been contracted to provide subject matter expertise, insight and guidance on its security program and initiatives. The Hospital's Governance, Risk and Compliance ("GRC") Committee plays a key part in cyber-security by providing a structured approach to aligning strategy while effectively managing risk and meeting compliance. The Hospital has implemented many technologies and procedures that protect from cyber threats and vulnerabilities designed to detect, respond and recover if an incident were to occur. In addition, the Hospital utilizes several information solutions for its clinical, non-clinical, and patient accounting and general accounting applications. The Hospital employs many other clinical and non-clinical systems, across various departments. The Hospital is also a participant of the local Regional Health Information Organization ("RHIO"), Healthix, where patient information can be made securely available, should a patient visit another local healthcare facility.

**Litigation**

The Hospital is involved in various legal matters arising in the normal course of activities. The ultimate outcome of such legal matters is not determinable at this time.

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**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS**

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# Brookhaven Health Care Services Corporation and Subsidiaries

**(d/b/a Long Island Community Hospital Health Care Services Foundation, f/k/a BMH Foundation)**

Consolidated Financial Statements
and Supplementary Information
Years Ended December 31, 2019 and 2018

# Brookhaven Health Care Services Corporation and Subsidiaries

**(d/b/a Long Island Community Hospital Health Care Services Foundation, f/k/a BMH Foundation)**

Consolidated Financial Statements and Supplementary Information

Years Ended December 31, 2019 and 2018

# Brookhaven Health Care Services Corporation and Subsidiaries
## (d/b/a Long Island Community Hospital Health Care Services Foundation, f/k/a BMH Foundation)

### Contents

BDO

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622 Third Ave, Suite 3100
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## Independent Auditor's Report

The Board of Directors
Brookhaven Health Care Services Corporation
and Subsidiaries (d/b/a Long Island Community Hospital
Health Care Services Foundation, f/k/a BMH Foundation)
Patchogue, New York

We have audited the accompanying consolidated financial statements of Brookhaven Health Care Services Corporation and Subsidiaries (d/b/a Long Island Community Hospital Health Care Services Foundation, f/k/a BMH Foundation) (LI Comm. Hosp.—BHCS Foundation), which are comprised of the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations (without donor restrictions), 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 Consolidated 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.

BDO

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Brookhaven Health Care Services Corporation and Subsidiaries (d/b/a Long Island Community Hospital Health Care Services Foundation, f/k/a as BMH Foundation) as of December 31, 2019 and 2018, and the results of their operations without donor restrictions, changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*Emphasis of Matter*

As more fully described in Note 16 to the consolidated financial statements, LI Comm. Hosp.– BHCS Foundation may be materially impacted by the outbreak of a novel coronavirus (COVID-19), which was declared a global pandemic by the World Health Organization in March 2020.

*Other Matter*

The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, 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 consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements, and to 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 to other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BDO USA, LLP

April 20, 2020

# Brookhaven Health Care Services Corporation and Subsidiaries
## (d/b/a Long Island Community Hospital Health Care Services Foundation, f/k/a BMH Foundation)

### Consolidated Balance Sheets

| *December 31,* | 2019 | 2018 |
|---|---|---|
| **Assets** | | |
| **Current** | | |
| Cash and cash equivalents | $ 35,171,146 | $ 21,296,313 |
| Investments, at fair value (Note 5) | 16,955,497 | 12,791,347 |
| Patient accounts receivable, net (Note 4) | 32,063,704 | 36,806,378 |
| Other receivables | 1,370,096 | 2,717,013 |
| Inventories | 5,387,457 | 4,772,120 |
| Prepaid expenses and other current assets | 1,857,105 | 2,272,235 |
| Due from third-party payors | 1,431,329 | 4,357,207 |
| Assets limited or restricted as to use (Notes 5, 14 and 15) | 449,270 | 355,941 |
| **Total Current Assets** | 94,685,604 | 85,368,554 |
| **Assets Limited or Restricted as to Use,** net of current portion (Notes 5, 14 and 15) | 5,643,609 | 6,084,490 |
| **Investment in GSB Endoscopy** (Note 12) | 2,000,000 | 2,000,000 |
| **Deferred Asset-Asbestos Abatement, Net** | 79,743 | 91,134 |
| **Other Assets** | 268,319 | 284,987 |
| **Property, Plant and Equipment, Net** (Note 6) | 153,942,686 | 150,072,575 |
| **Total Assets** | $ 256,619,961 | $ 243,901,740 |

*See accompanying notes to financial statements.*

# Brookhaven Health Care Services Corporation and Subsidiaries
## (d/b/a Long Island Community Hospital Health Care Services Foundation, f/k/a BMH Foundation)

### Consolidated Balance Sheets

| *December 31,* | 2019 | 2018 |
|---|---|---|
| **Liabilities and Net Assets** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued expenses | $ 38,033,296 | $ 36,496,437 |
| Accrued salaries and benefits | 11,502,795 | 12,833,166 |
| Current portion of bonds payable (Note 7) | 2,180,663 | 2,090,886 |
| Current portion of notes payable (Note 7) | 102,906 | 97,669 |
| Current installments of obligations under capital equipment leases (Notes 6 and 7) | 1,817,000 | 1,329,760 |
| Current portion of accrued pension costs (Note 9) | 6,783,278 | 6,322,080 |
| Current portion of estimated malpractice liability (Note 13) | 3,000,000 | 2,000,000 |
| Current portion of swap liability (Notes 5 and 7) | 330,298 | 247,230 |
| Due to third-party payors | 3,728,118 | 1,626,276 |
| **Total Current Liabilities** | 67,478,354 | 63,043,504 |
| **Bonds Payable,** net of discount, current portion and deferred financing fees (Note 7) | 40,303,165 | 42,416,144 |
| **Notes Payable,** net of current portion (Note 7) | 223,408 | 326,491 |
| **Obligations Under Capital Leases,** net of current portion (Notes 6 and 7) | 9,224,470 | 3,134,343 |
| **Estimated Malpractice Liability,** net of current portion (Note 13) | 20,094,649 | 21,050,031 |
| **Accrued Pension Costs,** net of current portion (Note 8) | 3,361,958 | 3,053,527 |
| **Interest Rate Swap,** less current portion (Notes 5 and 7) | 1,653,444 | 1,373,320 |
| **Other Liabilities** | 1,758,642 | 1,814,959 |
| **Total Liabilities** | 144,098,090 | 136,212,319 |
| **Commitments and Contingencies** (Notes 5, 6, 7, 8, 9, 13 and 16) | | |
| **Net Assets** | | |
| Without donor restrictions | 106,286,132 | 101,482,629 |
| With donor restrictions (Note 14) | 6,235,739 | 6,206,792 |
| **Total Net Assets** | 112,521,871 | 107,689,421 |
| **Total Liabilities and Net Assets** | $ 256,619,961 | $ 243,901,740 |

*See accompanying notes to consolidated financial statements.*

# Brookhaven Health Care Services Corporation and Subsidiaries
## (d/b/a Long Island Community Hospital Health Care Services Foundation, f/k/a BMH Foundation)

## Consolidated Statements of Operations (Without Donor Restrictions)

| *Year ended December 31,* | 2019 | 2018 |
|---|---|---|
| **Changes in Net Assets Without Donor Restrictions** | | |
| **Revenue, Gains and Other Support** | | |
| Net patient service revenue | $ 272,196,189 | $ 278,284,840 |
| Less: provision for uncollectibles, net | - | (5,946,546) |
| | 272,196,189 | 272,338,294 |
| Other revenue | 3,282,023 | 3,898,782 |
| Net assets released from restrictions for operations | 846,686 | 544,706 |
| Investment income, net | 2,067,695 | 1,565,164 |
| **Total Revenue, Gains and Other Support** | 278,392,593 | 278,346,946 |
| **Expenses** | | |
| Salaries and wages | 127,957,402 | 128,874,339 |
| Payroll taxes and employee benefits | 48,862,809 | 46,813,495 |
| Supplies and other | 77,523,173 | 79,976,536 |
| Insurance | 3,470,632 | 3,913,771 |
| Depreciation, amortization and rent | 14,513,400 | 14,766,060 |
| Interest | 2,468,131 | 2,413,148 |
| Bad debt expense | 1,915,280 | - |
| **Total Expenses** | 276,710,827 | 276,757,349 |
| **Excess of Revenue, Gains and Other Support Over Expenses, before other changes** | 1,681,766 | 1,589,597 |
| **Other Changes** | | |
| Change in valuation of interest rate swap agreement | (363,192) | 486,784 |
| Change in unfunded benefit obligation | 1,027,114 | (510,711) |
| Net change in unrealized gain (loss) on investments | 2,098,342 | (1,559,717) |
| Gain on sale of property | - | 2,675,389 |
| Net assets released from restrictions for capital expenditures | 359,473 | 671,748 |
| **Increase in Net Assets Without Donor Restrictions** | $ 4,803,503 | $ 3,353,090 |

*See accompanying notes to consolidated financial statements.*

# Brookhaven Health Care Services Corporation and Subsidiaries
## (d/b/a Long Island Community Hospital Health Care Services Foundation, f/k/a BMH Foundation)

## Consolidated Statements of Changes in Net Assets

*Years ended December 31, 2019 and 2018*

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Balances,** December 31, 2017 | $ 98,129,539 | $ 7,029,860 | $ 105,159,399 |
| Excess (deficiency) of revenue, gains, and other support over expenses | 1,589,597 | (544,706) | 1,044,891 |
| Change in valuation of interest rate swap agreement | 486,784 | - | 486,784 |
| Change in net assets of LI Comm. Hosp.– BHCS Foundation | - | 277,966 | 277,966 |
| Contributions | - | 564,368 | 564,368 |
| Change in unfunded benefit obligation | (510,711) | - | (510,711) |
| Net change in unrealized loss on investments | (1,559,717) | (264,555) | (1,824,272) |
| Appropriation of net assets with donor restrictions for operations | - | (184,393) | (184,393) |
| Gain on sale of property | 2,675,389 | - | 2,675,389 |
| Net assets released from restrictions for capital expenditures | 671,748 | (671,748) | - |
| **Net Increase (Decrease) in Net Assets** | 3,353,090 | (823,068) | 2,530,022 |
| **Balances,** December 31, 2018 | 101,482,629 | 6,206,792 | 107,689,421 |
| Excess (deficiency) of revenue, gains, and other support over expenses | 1,681,766 | (846,686) | 835,080 |
| Change in valuation of interest rate swap agreement | (363,192) | - | (363,192) |
| Change in net assets of LI Comm. Hosp.– BHCS Foundation | - | (199,078) | (199,078) |
| Contributions | - | 1,299,487 | 1,299,487 |
| Change in unfunded benefit obligation | 1,027,114 | - | 1,027,114 |
| Net change in unrealized gain on investments | 2,098,342 | 720,024 | 2,818,366 |
| Appropriation of net assets with donor restrictions for operations | - | (585,327) | (585,327) |
| Net assets released from restrictions for capital expenditures | 359,473 | (359,473) | - |
| **Net Increase in Net Assets** | 4,803,503 | 28,947 | 4,832,450 |
| **Balances,** December 31, 2019 | $ 106,286,132 | $ 6,235,739 | $ 112,521,871 |

*See accompanying notes to consolidated financial statements.*

# Brookhaven Health Care Services Corporation and Subsidiaries
## (d/b/a Long Island Community Hospital Health Care Services Foundation, f/k/a BMH Foundation)

## Consolidated Statements of Cash Flows

| *Year ended December 31,* | 2019 | 2018 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Increase in net assets | $ 4,832,450 | $ 2,530,022 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 11,601,925 | 11,855,455 |
| Interest expense related to deferred financing costs | 71,008 | 71,008 |
| Amortization of asbestos abatement | 11,391 | 11,391 |
| Gain on sale of property | - | (2,675,389) |
| Loss on disposal of property, plant and equipment, net | 75,997 | 484,458 |
| Change in valuation of interest rate swap agreement | 363,192 | (486,784) |
| Provision for uncollectibles, net | - | 5,946,546 |
| Bad debt expense | 1,915,280 | - |
| Net realized gains on investments | (722,622) | (668,110) |
| Net change in unrealized (gains) losses on investments | (2,098,342) | 1,559,717 |
| Change in unfunded benefit obligation | (1,027,114) | 510,711 |
| Changes in assets and liability accounts: | | |
| Patient accounts receivable | 2,827,394 | (3,141,771) |
| Other receivables | 1,346,917 | 500,396 |
| Inventories | (615,337) | (91,551) |
| Prepaid expenses and other current assets | 415,130 | (658,547) |
| Other assets | 16,668 | 16,668 |
| Due to third-party payors | 5,027,720 | (1,429,383) |
| Accounts payable and accrued expenses | 1,536,859 | (2,804,199) |
| Accrued salaries and benefits | (1,330,371) | (387,617) |
| Accrued pension costs | 1,796,743 | (2,724,305) |
| Estimated malpractice liability | 44,618 | 431,347 |
| Other liabilities | (56,317) | (125,696) |
| **Net Cash Provided by Operating Activities** | 26,033,189 | 8,724,367 |
| **Cash Flows from Investing Activities** | | |
| Proceeds from the sale of property | - | 4,750,000 |
| Purchases of property, plant and equipment, net | (7,666,071) | (7,845,922) |
| Purchases of investments | (6,788,970) | (3,401,126) |
| Proceeds from sale of investments | 5,441,438 | 5,413,448 |
| Investment in GSB Endoscopy | - | (2,000,000) |
| Decrease in assets limited or restricted as to use | 351,898 | 151,503 |
| **Net Cash Used in Investing Activities** | (8,661,705) | (2,932,097) |
| **Cash Flows from Financing Activities** | | |
| Principal payments of bonds payable | (2,094,210) | (1,999,427) |
| Proceeds from notes payable | - | 246,317 |
| Principal payments of notes payable | (97,846) | (81,233) |
| Payments of capital lease obligations | (1,304,595) | (1,129,061) |
| **Net Cash Used in Financing Activities** | (3,496,651) | (2,963,404) |
| **Net Increase in Cash and Cash Equivalents** | 13,874,833 | 2,828,866 |
| **Cash and Cash Equivalents**, beginning of year | 21,296,313 | 18,467,447 |
| **Cash and Cash Equivalents**, end of year | $ 35,171,146 | $ 21,296,313 |
| **Supplemental Disclosures of Cash Flow Information** | | |
| Cash paid during the year for interest | $ 2,397,123 | $ 2,342,140 |
| Acquisition of property through capital lease agreements | 7,881,962 | 1,776,183 |

*See accompanying notes to consolidated financial statements.*

## 1. Description of Organization

The Brookhaven Health Care Services Corporation (d/b/a Long Island Community Hospital Health Care Services Foundation, f/k/a BMH Foundation) (LI Comm. Hosp.—BHCS Foundation) was established in May 1984 to seek philanthropic support on the behalf of Brookhaven Memorial Hospital Medical Center (d/b/a Long Island Community Hospital) (the Hospital) and other not-for-profit organizations and to grant funds to the Hospital and other not-for-profit organizations under the direction of LI Comm. Hosp.—BHCS Foundation's Board of Directors. All of the members of the Board of Directors of the Hospital are on the Board of Directors of LI Comm. Hosp.—BHCS Foundation. LI Comm. Hosp.—BHCS Foundation is the sole corporate member of the Hospital.

The Hospital is a not-for-profit acute care hospital. The Hospital provides inpatient, outpatient and emergency care services primarily for residents of Suffolk County.

Brookhaven Physician Services, PC d/b/a Brookhaven Family Medicine (BFM), a for-profit professional corporation, was formed in 2007 to operate as a family practice. The family practice provides the opportunity for the residency program. In October 2011, BFM established a second location, Brookhaven Family Medicine-Bellport, to expand its family practice. In May 2012, BFM established a third location on Sills Road in Patchogue to extend its services to the community. In December 2012, BFM acquired a fourth practice located at 100 Hospital Road to provide extended services to the community. In September 2015, BFM established a new family practice at 280 Union Avenue in Holbrook. In October 2015, BFM added a new location at 9 Village Green in Patchogue. In November 2015, an additional family practice at 4868 Sunrise Highway in Oakdale was established. In October 2015, the three practice entities and associated practice locations changed their assumed names to My Health Long Island; effective January 1, 2016, the three practice entities are doing business under the umbrella of this one name. In July 2016, BFM established a new centralized office at 100 Hospital Road in Patchogue to streamline the scheduling of patients at various BFM locations.

The Total Joint Replacement Services PC, a for-profit professional corporation, was formed in 2007. In 2009, the name was changed to Brookhaven Surgical Services, PC (Brookhaven Surgical) and the "doing business as" entities of Brookhaven Bariatric and Wellness Program and Brookhaven Breast Health Services were established in February 2009 and July 2009, respectively, to provide services for the community. In November 2011, Brookhaven Vascular Surgery was added to the "doing business as" entities of Brookhaven Surgical to provide vascular services to the community. In January 2012, Brookhaven Thoracic Surgery was added to the "doing business as" entities of Brookhaven Surgical to provide thoracic services to the community. Under the one tax identification number, there are currently four "doing business as" entities providing their respective services to the community. In 2015, Brookhaven Vascular Surgery and Brookhaven Thoracic Surgery were closed. In March 2018, Brookhaven Surgical acquired a colorectal practice "doing business as" My Health Long Island Frank T. Sconzo.

In January 2011, Long Island Orthopedic and Spine Specialists, PC (LIOSS), a for-profit professional corporation, was formed. This corporation replaced Brookhaven Surgical, providing orthopedic surgery and a joint replacement program. In 2017, LIOSS ceased operations.

On November 18, 2016, the Hospital purchased the former John J. Foley Nursing Home (Foley) for approximately $15,500,000, including closing costs. In January 2017, the Board of Directors of the Hospital approved the transfer of ownership of Foley to 14 Glover, LLC (Glover). This transaction was accounted for using the transactions between entities under common control method, in accordance with Accounting Standards Codification (ASC) 805-50, "Business Combinations."

Accordingly, all amounts and balances were recognized for the financial statements as if they had occurred at the beginning of the period. Glover, a single-member LLC, was formed in October 2016 for the purpose of acquiring, owning, developing and leasing Foley on behalf of the Hospital. LI Comm. Hosp.—BHCS Foundation is the sole member of Glover.

The accompanying financial statements are prepared on a consolidated basis and include the activities of LI Comm. Hosp.—BHCS Foundation and its wholly owned subsidiaries, the Hospital, as well as the taxable subsidiaries, BFM, Brookhaven Surgical and LIOSS (collectively referred to as LI Comm. Hosp.—BHCS Foundation). All significant intercompany transactions and balances have been eliminated in consolidation.

## 2. Summary of Significant Accounting Policies

***Basis of Presentation***

The consolidated financial statements of LI Comm. Hosp.—BHCS Foundation have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to not-for-profit organizations. In the consolidated balance sheets, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

***Financial Statement Presentation***

The classification of LI Comm. Hosp.—BHCS Foundation's net assets, and its support, revenue and expenses, is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets—without donor restrictions and with donor restrictions—be displayed in the consolidated balance sheets and that the amounts of change in each of those classes of net assets be displayed in the consolidated statements of changes in net assets.

These classes are defined as follows:

*Without Donor Restrictions* - This class consists of the part of net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations.

*With Donor Restrictions* - This class consists of net assets resulting from contributions and other inflows of assets whose use by LI Comm. Hosp.—BHCS Foundation is limited by donor-imposed stipulations, time and/or purpose restrictions. LI Comm. Hosp.—BHCS Foundation reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires—that is, when a stipulated time restriction ends, or purpose restriction is accomplished—the net assets are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting LI Comm. Hosp.—BHCS Foundation to expend the income generated by the assets in accordance with provisions of additional donor-imposed stipulations or a Board-approved spending policy.

*Cash and Cash Equivalents*

LI Comm. Hosp.–BHCS Foundation considers certificates of deposit and U.S. Treasury bills with a maturity of three months or less at the time of purchase, excluding amounts whose use is limited or restricted, to be cash and cash equivalents.

*Financial Instruments and Fair Value*

ASC 820, "Fair Value Measurement," establishes a three-level hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as LI Comm. Hosp.–BHCS Foundation would use in pricing LI Comm. Hosp.–BHCS Foundation's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of LI Comm. Hosp.–BHCS Foundation are traded. LI Comm. Hosp.–BHCS Foundation estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants who have investments in the same or similar assets would use, as determined by the money managers for each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable, as follows:

*Level 1* - Valuation is based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

*Level 2* - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets
- quoted prices for identical or similar assets or liabilities in inactive markets
- inputs other than quoted prices that are observable for the asset or liability
- inputs that are derived principally from, or corroborated by, observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* - Valuation is based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

*Patient Accounts Receivable and Revenue Recognition*

For periods commencing January 1, 2019:

Effective January 1, 2019, upon the adoption of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers (Topic 606)," net patient service revenue is reported at the amount that reflects the consideration to which the Hospital 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 include variable consideration (reductions to revenue) for retroactive revenue adjustments due to settlement of ongoing and future audits, reviews, and investigations.

LI Comm. Hosp.—BHCS Foundation 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 revenue and major payor classes and types of services provided for outpatient revenue. Based on historical collection trends and other analyses, LI Comm. Hosp.—BHCS Foundation believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

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

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

As substantially all of its performance obligations relate to contracts with a duration of less than one year, LI Comm. Hosp.—BHCS Foundation has elected to apply the optional exemption provided in ASU 2014-09 and, therefore, is not required to disclose the aggregate amount of the transaction

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

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to patient service revenue in the period of the change. For the year ended December 31, 2019, changes in LI Comm. Hosp.–BHCS Foundation's estimates of implicit price concessions, discounts, contractual adjustments or other reductions to expected payments for performance obligations satisfied in prior years were not significant. Portfolio collection estimates are updated monthly based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay (determined on a portfolio basis when applicable) are recorded as bad debt expense (see Note 4).

For the year ended December 31, 2018 and prior:

***Patient Accounts Receivable***

Patient accounts receivable are recorded at the reimbursable or contracted amount and do not bear interest. The allowance for doubtful accounts is LI Comm. Hosp.–BHCS Foundation's best estimate of the amount of probable credit losses in LI Comm. Hosp.–BHCS Foundation's existing accounts receivable. LI Comm. Hosp.–BHCS Foundation determines the allowance based on historical write-off experience. LI Comm. Hosp.–BHCS Foundation reviews its allowance for doubtful accounts monthly. Past due balances are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

***Revenue Recognition***

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

***Charity Care***

LI Comm. Hosp.–BHCS Foundation provides care to all patients regardless of the patient's ability to pay. For those patients who require financial assistance, LI Comm. Hosp.–BHCS Foundation has a charity care policy, as well as a sliding-scale fee schedule for those patients who meet specific requirements. Because LI Comm. Hosp.–BHCS Foundation does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

***Concentrations of Credit Risk***

LI Comm. Hosp.–BHCS Foundation is located in the state of New York. LI Comm. Hosp.–BHCS Foundation grants credit without collateral to its patients, most of whom are local residents and are insured under various third-party payor agreements.

The mix of receivables from patients and third-party payors is as follows:

| *December 31,* | 2019 (%) | 2018 (%) |
|---|---|---|
| Medicare | 26 | 30 |
| Medicaid | 5 | 4 |
| Insurance/HMO | 25 | 23 |
| Private/other | 33 | 35 |
| Blue Cross | 11 | 8 |

Financial instruments that potentially subject the LI Comm. Hosp.–BHCS Foundation to concentrations of credit risk consist primarily of cash and cash equivalents in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. At various times during the year, the LI Comm. Hosp.–BHCS Foundation may have cash deposits at financial institutions in excess of FDIC insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

***Contributions Receivable***

Unconditional promises to give (pledges receivable) cash and other assets are reported at fair market value at the date the promise is received. Gifts received with donor stipulations that limit the use of the donated assets, with either temporary or permanent restrictions, are reported on the consolidated balance sheets within the net asset class–with donor restrictions. Contributions are nonexchange transactions in which no commensurate value is exchanged; therefore, contributions fall under the purview of ASC 958, "Not-for-Profit Entities." When a donor restriction expires–that is, when a stipulated time restriction ends, or specific purpose restriction is accomplished–net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations as a component of other revenue or as net assets released from restrictions for capital expenditures.

***Inventories***

Inventories consist of pharmaceutical and major medical supplies and are stated at the lower of cost (determined principally by the first-in, first-out method) or market.

***Assets Limited or Restricted as to Use***

Resources whose use is restricted by donors or limited under terms of debt indentures, trust agreements, or other similar arrangements are reported under assets limited or restricted as to use in the accompanying consolidated balance sheets. All other funds are available to LI Comm. Hosp.–BHCS Foundation for operations.

Assets limited or restricted as to use are invested in marketable equity securities with readily determinable market values and all investments in debt securities are carried at fair market value. Investments consist

of certificates of deposit and marketable debt securities with maturity dates greater than three months.

Investment income, net (including realized gains and losses on investments, losses on impairment or declines in market value of investments that are other than temporary, interest and dividends) is included in the excess of revenue, gains, and other support over expenses, before other changes, unless the income or loss is restricted by donor or law.

A decline in the market value of any other than trading security below cost that is deemed to be other than temporary results in a reduction in the carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established.

***Property, Plant and Equipment***

Property, plant and equipment acquisitions are recorded at cost. Property and equipment donated for LI Comm. Hosp.—BHCS Foundation's operations are recorded at the fair value on the date of gift. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated financial statements.

The current estimated useful lives are as follows:

| | |
|---|---|
| Land improvements | 3-40 years |
| Buildings | 2-71 years |
| Building service equipment | 3-40 years |
| Furniture and equipment | 5-20 years |
| Moveable equipment | 1-20 years |

Leasehold improvements are depreciated over the shorter of the term of the lease term or the estimated useful life of the improvement.

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as unrestricted unless explicit donor stipulations specify how the donated assets 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. 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.

***Impairment of Long-Lived Assets to Be Disposed Of***

ASC 360, "Property, Plant and Equipment," provides a single accounting model for long-lived assets to be disposed of. ASC 360 also changes the criteria for classifying an asset as held for sale and broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations and changes the timing of recognizing losses on such operations.

In accordance with ASC 360, long-lived assets, such as property, plant and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to

estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet. For the years ended December 31, 2019 and 2018, there were no impairments recorded in the consolidated financial statements.

***Deferred Financing Fees***

Deferred financing fees represent costs incurred to obtain financing. Amortization of these costs is provided on the straight-line basis, which does not differ materially from the effective interest method, extending over the term of the indebtedness. Deferred financing fees are net against bonds payable on the consolidated balance sheets. Total interest expense for deferred financing costs for the years ended December 31, 2019 and 2018 is $71,008 and $71,008, respectively.

***Estimated Malpractice Liability***

The provision for estimated malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. LI Comm. Hosp.—BHCS Foundation, when evaluating probable losses relating to malpractice claims, reviews the latest information available. When the latest information indicates the probable loss is within a range of amounts, the most likely amount of the loss in the range is accrued.

The estimates for malpractice claims are based upon complex actuarial calculations that utilize factors such as historical claim experience for the Hospital and related industry factors, estimates for the payment patterns of future claims, and present value discounting. Therefore, there is a possibility that recorded estimates will change by a material amount in the near term. Revisions to estimated amounts resulting from actual experience differing from projected expectations are recorded in the period the information becomes known or when changes are anticipated.

***Income Taxes***

LI Comm. Hosp.—BHCS Foundation and the Hospital are incorporated in the state of New York and are exempt from federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), and therefore made no provision for income taxes in the accompanying consolidated financial statements. In addition, LI Comm. Hosp.—BHCS Foundation and the Hospital have been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of Section 509(a) of the Code. BFM, Brookhaven Surgical and LIOSS are taxable subsidiaries who are New York state corporations that are subject to federal income tax and applicable state and local taxes. These subsidiaries' operations are not material for the calculation of a tax liability.

LI Comm. Hosp.—BHCS Foundation and its subsidiaries have not taken an unsubstantiated tax position that would require provision of a liability under ASC 740, "Income Taxes." Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained. LI Comm. Hosp.—BHCS Foundation and its subsidiaries do not believe there are any material uncertain tax positions and, accordingly, have not recognized any liability for unrecognized tax benefits. LI Comm. Hosp.—BHCS Foundation and its subsidiaries filed IRS Form 990, as required, and all other applicable returns in

jurisdictions where it is required. For the years ended December 31, 2019 and 2018, there were no interest or penalties recorded or included in the consolidated financial statements. LI Comm. Hosp.—BHCS Foundation believes it is no longer subject to income tax examinations for the years prior to 2016, which is the statute of limitation look-back period.

*Endowment Fund*

The Hospital's endowment fund consists of investments that are permanently restricted. The Hospital follows the requirements of the New York Prudent Management of Institutional Funds Act (NYPMIFA) as they relate to its permanently restricted contributions and net assets, effective upon New York State's enactment of the legislation in September 2010. Previously, the Hospital followed the requirements of the Uniform Prudent Management of Institutional Funds Act of 1972, although this change did not significantly affect the Hospital's policies related to permanently restricted endowments.

This law made significant changes to the rules governing how New York not-for-profit organizations may manage, invest and spend their endowment funds. The new law is designed to allow organizations to cope more easily with fluctuations in the value of their endowments and to afford them greater access to funds needed to support their programs and services in difficult financial times. This should provide some relief to organizations that, due to the recent economic downturn, have found themselves with underwater endowments. It also expands the options available to organizations seeking relief from donor restrictions on funds that have become obsolete, impracticable or wasteful.

The following applies to the endowment fund:

*Interpretation of Relevant Law*

The Board of Directors of the Hospital has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. The Hospital classifies as permanently restricted net assets, within the net assets with donor restrictions class, the original value of the gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. Accumulated earnings of the permanent endowment are used in accordance with the direction of the applicable donor gift.

*Investment and Spending Policies*

The Hospital has adopted investment and spending policies for endowment assets that attempt to provide a stream of returns that would be utilized to fund various programs while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Hospital must hold in perpetuity. Under this policy, as approved by the Hospital's Board of Directors, the endowment assets are invested in vehicles such as money market funds, fixed-income securities, mutual funds, government and equity securities, and certificates of deposit that are intended to produce moderate to high rates of return while assuming a moderate to low level of investment risk.

The Hospital considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the funds
- availability of other funding sources

- general economic conditions
- the possible effect of inflation and deflation
- the expected total return from income and the appreciation/depreciation of investments

***Accounting for Conditional Asset Retirement Obligations***

ASC 410, "Asset Retirement and Environmental Obligations," requires the current recognition of a liability when a legal obligation exists to perform an asset retirement obligation in which the timing or method of settlement are conditional on a future event that may or may not be under the control of the entity. The New York State Department of Labor Industrial Code Rule 56 requires the controlled removal or encapsulation of asbestos by a licensed contractor in commercial and public buildings, including the renovation and partial or complete demolition activities; such legislation is currently applicable to LI Comm. Hosp.—BHCS Foundation.

ASC 410 requires an asset retirement obligation (ARO) liability be recognized at its net present value with a corresponding increase to the carrying amount of the long-lived asset to which the ARO relates. The ARO liability is accreted through periodic charges to accretion expense. The initially capitalized ARO long-lived asset cost is depreciated over the useful life of the related long-lived asset. The related asset and liability are reflected in the consolidated balance sheets as components of other liabilities and deferred assets, respectively.

***Use of Estimates***

The preparation of consolidated financial statements, in conformity with U.S. GAAP, requires management of LI Comm. Hosp.—BHCS Foundation to make a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Performance Indicator***

The consolidated statements of operations include excess of revenue, gains and other support over expenses, before other changes, as the performance indicator. Changes in net assets without donor restrictions that are excluded from the performance indicator include changes in the valuation of interest rate swap agreement, unfunded benefit obligation, net assets without donor restrictions of LI Comm. Hosp.—BHCS Foundation, and the gain on sale of property and net assets released from restrictions.

***Recently Adopted Authoritative Guidance***

*ASU 2016-14 - "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954)—Presentation of Financial Statements of Not-for-Profit Entities"*

In August 2016, the FASB issued ASU 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954)—Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions"; (b) modifying the presentation of underwater endowment funds and related disclosures; (c) requiring

the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise; (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statements of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs; (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (f) presenting investment return net of external and direct expenses; and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for LI Comm. Hosp.—BHCS Foundation's consolidated financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented, although certain optional practical expedients are available for periods prior to adoption. LI Comm. Hosp.—BHCS Foundation adopted the standard in 2018 and applied the provisions retrospectively for all 2017 comparative information presented.

*ASU 2014-09 - "Revenue from Contracts with Customers"*

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)". This update, along with ASU 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)", ASU 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing" and ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients", establishes a comprehensive revenue recognition standard. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance in ASU 2014-09 supersedes FASB's current revenue recognition requirements and most industry-specific guidance. The provisions of ASU 2014-09 became effective for LI Comm. Hosp.—BHCS Foundation for annual reporting periods after December 15, 2018.

Effective January 1, 2019, LI Comm. Hosp.—BHCS Foundation adopted ASU 2014-09 following the modified retrospective method of application. As a result, at the adoption of ASU 2014-09, the majority of what was previously classified as the provision of uncollectibles is now reflected as an implicit price concession (as defined in ASU 2014-09) and therefore is included as a reduction to net patient service revenue in the accompanying statement of operations. For changes in credit issues not assessed at the date of service, the Hospital will prospectively recognize those amounts as bad debt expense. For periods prior to the adoption of ASU 2014-09, the provision for uncollectibles had been presented consistent with the previous revenue recognition standards that required it to be presented as a separate component of net patient service revenue. Other aspects of LI Comm. Hosp.—BHCS Foundation's implementation of ASU 2014-09 impacting net patient service revenue, which include judgments regarding collection analyses and estimates of variable consideration and the addition of certain qualitative and quantitative disclosures, are reflected in Note 4. The adoption of ASU 2014-09 in relation to other applicable revenue activity had no material impact (see Note 4).

*ASU 2018-08 - "Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made"*

In June 2018, the FASB issued ASU No. 2018-08, "Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made". The update clarifies and improves current guidance by providing criteria for determining whether the

resource provider is receiving commensurate value in return for the resources transferred, which, depending on the outcome, determines whether LI Comm. Hosp.—BHCS Foundation follows contribution guidance or exchange transactions guidance in the revenue recognition and other applicable standards. The update also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The guidance is effective for LI Comm. Hosp.—BHCS Foundation 's fiscal year 2019, and the adoption of this update did not have a material impact on LI Comm. Hosp.—BHCS Foundation 's consolidated financial statements.

***Accounting Pronouncements Issued but Not Yet Adopted***

*ASU 2016-02 - "Accounting for Leases"*

In February 2016, the FASB issued ASU 2016-02, "Accounting for Leases," which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments are effective for fiscal years beginning after December 15, 2021. Management is currently evaluating the impact of the pending adoption of ASU 2016-02.

## 3. Liquidity and Availability of Resources

***Liquidity***

LI Comm. Hosp.—BHCS Foundation's financial assets available within one year of the consolidated balance sheet date for general expenditures are as follows:

| ***December 31, 2019*** | | |
|---|---|---|
| **Total Current Assets** | $ | 94,685,604 |
| Less: amounts unavailable for general expenditures within one year, due to: | | |
| Inventories and prepaid expenses and other current assets | | 7,244,562 |
| Due from third-party payors, net | | 1,431,329 |
| Assets limited or restricted as to use | | 449,270 |
| | $ | 85,560,443 |

*December 31,2018*

| | | |
|---|---|---|
| **Total Current Assets** | $ | 85,368,554 |
| Less: amounts unavailable for general expenditures within one year, due to: | | |
| Inventories and prepaid expenses and other current assets | | 7,044,355 |
| Due from third party payors, net | | 4,357,207 |
| Assets limited or restricted as to use | | 355,941 |
| | $ | 73,611,051 |

***Liquidity Management***

As part of the LI Comm. Hosp.—BHCS Foundation's liquidity management, it has a practice to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. LI Comm. Hosp.—BHCS Foundation has a cash flow tool that is updated weekly to ensure that the sources of funds are greater than the uses of funds. Additionally, as part of the revenue cycle tool used in-house, the incoming cash to the organization is monitored on a daily basis with set goals each month on what its cash receipts are expected to be and is assessed on a monthly basis. If there are shortfalls, the various teams in the Business Office, Finance, Revenue Cycle, Health Information Management and Accounts Payable departments will have weekly calls to closely monitor the status of any potential issues if and when there are shortfalls that need to be monitored. For the past decade, the Hospital has always achieved their Days Cash on Hand requirement as well.

## 4. Patient Accounts Receivable, Net, and Net Patient Service Revenue

Patient accounts receivable result from the health care services provided by LI Comm. Hosp.—BHCS Foundation. Patient accounts receivable is recorded at its expected net realizable value. In evaluating the collectability of accounts receivable, LI Comm. Hosp.—BHCS Foundation analyzes its history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowances and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts.

Deductibles, copayments and coinsurance under third-party payment programs within the third-party payor amounts are the patient's responsibility and LI Comm. Hosp.—BHCS Foundation considers these amounts in its determination of the provision for bad debts based on collection experience.

The allowance for doubtful accounts for self-pay patients was approximately 97.4% and 92.9% of self-pay accounts receivable as of December 31, 2019 and December 31, 2018, respectively. LI Comm. Hosp.—BHCS Foundation did not experience significant changes in write-off trends and did not change its charity care policy in 2019.

For periods commencing January 1, 2019:

LI Comm. Hosp.—BHCS Foundation has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors: payors, lines of business and timing of when revenue is recognized.

Net patient service revenue for the year ended December 31, 2019, by payer is as follows:

| *December 31, 2019* | |
|---|---|
| Medicare | $ 127,012,693 |
| Medicaid | 39,718,351 |
| Insurance/HMO | 98,739,262 |
| Self-pay | 1,091,457 |
| Other | 5,634,426 |
| | $ 272,196,189 |

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

Net patient service revenue for the period ended December 31, 2019, by line of business, is as follows:

| *December 31, 2019* | |
|---|---|
| Hospital | $ 260,661,621 |
| Physician services | 6,948,660 |
| Home care and hospice | 4,585,908 |
| | $ 272,196,189 |

LI Comm. Hosp.–BHCS Foundation has elected the practical expedient allowed under ASU 2014-09 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 LI Comm. Hosp.–BHCS Foundation'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, LI Comm. Hosp.–BHCS Foundation does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

At December 31, 2019, patient accounts receivable is comprised of the following components:

| *December 31, 2019* | |
|---|---|
| Patient receivables | $ 28,338,637 |
| Contract assets–in-house patients | 3,725,067 |
| | $ 32,063,704 |

Contract assets are related to in-house patients who were provided services during the reporting period but were not discharged as of the reporting date and for whom LI Comm. Hosp.–BHCS Foundation does not have the right to bill.

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

the terms of the payment agreement with the payor, correspondence from the payor and LI Comm. Hosp.—BHCS Foundation's historical settlement activity (for example, cost report final settlements or repayments related to recovery audits), including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant for the year ending December 31, 2019.

Prior to the adoption of ASU 2014-09, LI Comm. Hosp.—BHCS Foundation 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 (see description of third-party payor payment programs below) and included estimated retroactive revenue adjustments due to ongoing and future audits, reviews and investigations. For uninsured and under-insured patients who did not qualify for charity care, the Hospital recognized revenue on the basis of charges. Under the charity care policy, a patient who had no insurance or was under-insured and was ineligible for any government assistance program had his or her bill reduced to (1) the lesser of charges or the Medicare diagnostic-related group for inpatient and (2) a discount from Medicare fee-for-service rates for outpatient.

Net patient service revenue for the year ended December 31, 2019, net of contractual allowances and discounts, recognized from these major payor sources based on primary insurance designation, is as follows:

| *December 31, 2019* | |
|---|---|
| Third-party payors | $ 271,104,732 |
| Self-pay | 1,091,457 |
| | $ 272,196,189 |

Revenue from the Medicare and Medicaid programs accounted for approximately 61% and 62% of LI Comm. Hosp.—BHCS Foundation's net patient service revenue for the years ended December 31, 2019 and December 31, 2018, respectively.

LI Comm. Hosp.—BHCS Foundation established estimates, based on information presently available, of amounts due to or from Medicare and non-Medicare payors for adjustments to current and prior years' payment rates, based on industry-wide and hospital-specific data.

***Third-Party Payment Programs***

LI Comm. Hosp.—BHCS Foundation has agreements with third-party payors that provide for payment for services rendered at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

*Medicare Reimbursement*

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

*Non-Medicare Reimbursement*

In New York state, hospitals and all non-Medicare payors, including Medicare and Medicaid-managed care plans, but excluding Medicaid, Workers' Compensation and No-Fault insurance programs, negotiate hospitals' payment rates.

If negotiated rates are not established, payors are billed at hospitals' established charges. Medicaid, Workers' Compensation and No-Fault payors pay hospital rates promulgated by the New York State Department of Health. Payments to hospitals for Medicaid, Workers' Compensation and No-Fault inpatient services are based on a statewide prospective payment system, with retroactive adjustments. Outpatient services also are paid based on a statewide prospective system. Medicaid rate methodologies are subject to approval at the federal level by the Centers for Medicare and Medicaid Services (CMS), which may routinely request information about such methodologies prior to approval. Revenue related to specific rate components that have not been approved by CMS are not recognized until LI Comm. Hosp.—BHCS Foundation is reasonably assured that such amounts are realizable. Adjustments to the current and prior years' payment rates for those payors will continue to be made in future years.

*Other Third-Party Payors*

LI Comm. Hosp.—BHCS Foundation also has entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge or days of hospitalization and discounts from established charges.

Medicare cost reports, which serve as the basis for final settlement with the Medicare program, have been audited by the Medicare fiscal intermediary and settled through 2015, although revisions to final settlements or other retroactive changes could be made. Other years and various issues remain open for audit and settlement, as do numerous issues related to the New York State Medicaid program for prior years. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount when open years are settled, audits are completed and additional information is obtained.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Hospital'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 LI Comm. Hosp.—BHCS Foundation. LI Comm. Hosp.—BHCS

Foundation is not aware of any allegations of non-compliance that could have a material adverse effect on the accompanying consolidated financial statements and believes that it is in compliance with all applicable laws and regulations. In addition, certain contracts the Hospital has with commercial payors also provide for retroactive audit and review of claims.

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

***NYS Bad Debt and Charity Care Subsidies***

New York State regulations provide for the distribution of funds from an indigent care pool, which is intended to partially offset the cost of services provided to the uninsured. The funds are distributed to LI Comm. Hosp.—BHCS Foundation based on LI Comm. Hosp.—BHCS Foundation's level of bad debt in relation to all other hospitals.

For the years ended December 31, 2019 and 2018, LI Comm. Hosp.—BHCS Foundation received net distributions of $7,736,648 and $6,895,323, respectively, from the indigent care pool, which is included in net patient service revenue.

## 5. Financial Instruments and Fair Value

Below sets forth tables of assets measured at fair value:

***December 31, 2019***

| | Fair Value Measurement at Reporting Date | | | |
|---|---|---|---|---|
| Description | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) | Balance |
| Cash equivalents | $ 594,626 | $ - | $ - | $ 594,626 |
| Equities | 16,356,626 | - | - | 16,356,626 |
| Municipal securities | 261,480 | - | - | 261,480 |
| Publicly traded mutual funds | 1,173,487 | - | - | 1,173,487 |
| Corporate bonds | - | 4,246,169 | - | 4,246,169 |
| Government securities | - | 406,988 | - | 406,988 |
| Total | $ 18,395,219 | $ 4,653,157 | $ - | $ 23,048,376 |

*December 31, 2018*

| Description | Fair Value Measurement at Reporting Date: Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) | Balance |
|---|---|---|---|---|
| Cash equivalents | $ 878,355 | $ - | $ - | $ 878,355 |
| Equities | 11,812,313 | - | - | 11,812,313 |
| Municipal securities | 258,438 | - | - | 258,438 |
| Publicly traded mutual funds | 2,556,678 | - | - | 2,556,678 |
| Corporate bonds | - | 3,519,829 | - | 3,519,829 |
| Government securities | - | 206,165 | - | 206,165 |
| **Total** | $ 15,505,784 | $ 3,725,994 | $ - | $ 19,231,778 |

At December 31, 2019 and 2018, there were no unfunded commitments. There were no transfers between levels during the years ended December 31, 2019 and 2018.
The components of the balance are classified in the consolidated balance sheets as follows:

| *December 31,* | 2019 | 2018 |
|---|---|---|
| Investments | $ 16,955,497 | $ 12,791,347 |
| Assets limited or restricted as to use, current | 449,270 | 355,941 |
| Assets limited or restricted as to use, net of current portion | 5,643,609 | 6,084,490 |
| | $ 23,048,376 | $ 19,231,778 |

As discussed in Note 7, in connection with the issuance of the Series 2006 Bonds and in order to manage exposure to interest rate fluctuations, LI Comm. Hosp.—BHCS Foundation entered into an interest rate swap agreement. The fair value of the interest rate swap is estimated using Level 2 inputs, which are based on model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. LI Comm. Hosp.—BHCS Foundation considers the counterparty credit risk and bilateral or "own" credit risk adjustments in estimating fair value, in accordance with ASC 820.

The fair value of the interest rate swap was a liability of approximately $1,983,000 and $1,620,000 at December 31, 2019 and 2018, respectively, of which approximately $330,000 and $247,000 is recorded as a current liability, respectively. The change in fair value of the interest rate swap is included in the other changes in the accompanying consolidated statements of operations.

Investment income, net, was as follows:

| *Year ended December 31,* | 2019 | 2018 |
|---|---|---|
| Interest and dividends | $ 569,199 | $ 526,085 |
| Distribution from trust | 585,327 | 184,393 |
| Realized gains | 722,622 | 668,110 |
| Return on investment—GSB Endoscopy | 308,164 | 300,690 |
| Investment management fees | (117,617) | (114,114) |
| **Total** | $ 2,067,695 | $ 1,565,164 |

## 6. Property, Plant and Equipment, Net

Property, plant and equipment, net, are as follows:

| *December 31,* | 2019 | 2018 |
|---|---|---|
| Land | $ 1,531,487 | $ 1,531,487 |
| Land improvements | 4,688,991 | 4,589,409 |
| Buildings, furniture and fixed equipment | 183,402,914 | 175,387,296 |
| Leasehold improvements | 3,282,758 | 4,137,152 |
| Movable equipment | 110,822,837 | 106,029,947 |
| | 303,728,987 | 291,675,291 |
| Less: accumulated depreciation and amortization | (172,051,186) | (161,455,352) |
| | 131,677,801 | 130,219,939 |
| Projects-in-progress | 22,264,885 | 19,852,636 |
| | $ 153,942,686 | $ 150,072,575 |

Projects-in-progress at December 31, 2019 and 2018 represent costs associated with projects intended to improve LI Comm. Hosp.—BHCS Foundation's facilities and expand the services available to the community. The estimated additional costs to complete these projects are approximately $5,400,000, pending approval, through 2020.

LI Comm. Hosp.—BHCS Foundation is obligated under capital leases covering equipment and a building that expire at various dates through March 2048. The gross amount of equipment and building and the related accumulated amortization recorded under capital leases was as follows:

| *December 31,* | 2019 | 2018 |
|---|---|---|
| Equipment | $ 36,597,218 | $ 34,621,253 |
| Building | 4,750,000 | - |
| Less: accumulated depreciation | (29,319,124) | (27,947,393) |
| | $ 12,028,094 | $ 6,673,860 |

Amortization of assets held under capital leases is included with depreciation expense.

## 7. Long-Term Debt

***Notes Payable***

*Equipment Notes Payable*

Equipment notes payable are due in monthly installments through March 2023, including interest ranging from 4.53% to 6.53%. These notes payable are secured by the underlying equipment. Outstanding balances as of December 31, 2019 and 2018 were $326,314 and $424,160, respectively.

Required principal payments on the equipment notes payable at December 31, 2019 are as follows:

| *December 31,* | | |
|---|---|---|
| 2020 | $ | 102,906 |
| 2021 | | 107,907 |
| 2022 | | 102,769 |
| 2023 | | 12,732 |
| | $ | 326,314 |

***Bonds Payable***

In December 2006, LI Comm. Hosp.–BHCS Foundation issued $20,000,000, Town of Brookhaven Industrial Development Agency, Civic Facility Revenue Refunding Bonds, Series 2006 (Series 2006 Bonds). The Series 2006 Bonds were not sold as part of a public offering. The Industrial Development Agency agreed to place all of the bonds only with institutional investors, accredited investors or other entities constituting a financial institution. The proceeds were used to redeem approximately $19 million, Town of Brookhaven Industrial Development Agency, Civic Facility Revenue Refunding Bonds, Series 2000 (Series 2000 Bonds). The Series 2006 Bonds bear interest at a variable rate and are due serially through November 1, 2030.

In connection with the issuance of the Series 2006 Bonds, LI Comm. Hosp.–BHCS Foundation entered into an interest rate swap agreement with a notional amount of $20,000,000 to mitigate the risk of increases in interest rates associated with the Series 2006 Bonds. Under the terms of the agreement, LI Comm. Hosp.–BHCS Foundation pays a fixed rate of 5.18%, determined at inception, and receives 72.5% of the one-month London Inter-Bank Offered Rate (LIBOR) plus 200 basis points on the notional principal amount. At December 31, 2019 and 2018, the fair value of the interest rate swap was a liability of approximately $330,000 and $1,620,000, respectively, of which approximately $1,983,000 and $247,000 were recorded as current liabilities for December 31, 2019 and 2018, respectively. The change in fair value of the interest rate swap is included in the other changes in the accompanying consolidated statements of operations.

The Series 2006 Bonds are subject to certain covenants. LI Comm. Hosp.–BHCS Foundation must maintain a specified debt service coverage ratio and a minimum number of day's cash on hand. LI Comm. Hosp.–BHCS Foundation is in compliance with both of these covenants as of December 31, 2019 and 2018.

The following is a summary of required sinking fund requirements on the Series 2006 Bonds:

| *Year ending December 31,* | | |
|---|---|---|
| 2020 | $ | 865,000 |
| 2021 | | 910,000 |
| 2022 | | 955,000 |
| 2023 | | 1,005,000 |
| 2024 | | 1,060,000 |
| Thereafter | | 7,580,000 |
| | | 12,375,000 |
| Less: unamortized balance of deferred financing fees | | (304,929) |
| | $ | 12,070,071 |

In March 2014, LI Comm. Hosp.–BHCS Foundation issued $35,000,000, Town of Brookhaven Local Development Corporation (LDC), Civic Facility Revenue Refunding Bonds, Series 2014 (Series 2014 Bonds). The Series 2014 Bonds were not sold as part of a public offering. The LDC agreed to place all of the bonds only with institutional investors, accredited investors, or other entities constituting a financial institution. The proceeds were used to refinance existing term loans with a financial institution and to fund construction costs of the new cardiac catheterization center and new operating rooms.

The Series 2014 Bonds are subject to certain covenants. The Hospital must maintain a specified debt service coverage ratio and a minimum number of day's cash on hand. The Hospital is in compliance with both of these covenants as of December 31, 2019 and 2018.

The following is a summary of required sinking fund requirements on the Series 2014 Bonds:

| *Year ending December 31,* | | |
|---|---|---|
| 2020 | $ | 1,315,663 |
| 2021 | | 1,369,973 |
| 2022 | | 1,427,766 |
| 2023 | | 1,487,996 |
| 2024 | | 386,077 |
| Thereafter | | 24,986,861 |
| | | 30,974,336 |
| Less: unamortized balance of deferred financing fees | | (560,579) |
| | $ | 30,413,757 |

***Capital Leases–Equipment***

LI Comm. Hosp.–BHCS Foundation leases equipment under capital leases that expire at various dates through May 2023. The leases, which are secured by the underlying equipment, require monthly payments of principal and interest at rates ranging from 2.98% to 5.88% per annum. The following is a schedule of future minimum lease payments, including interest under the term of the leases, together with the present value of the net minimum lease payments:

| *Year ending December 31,* | | |
|---|---|---|
| 2020 | $ | 2,043,664 |
| 2021 | | 1,731,439 |
| 2022 | | 1,230,792 |
| 2023 | | 729,367 |
| 2024 | | 675,476 |
| **Total Minimum Lease Payments** | | 6,410,738 |
| Less: amount representing interest | | (181,431) |
| **Present Value of Net Minimum Lease Payments** | | 6,229,307 |
| Less: current portion | | (1,934,433) |
| | $ | 4,294,874 |

***Capital Leases—Building***

LI Comm. Hosp.—BHCS Foundation leases a building under a capital lease that expires March 2048. The lease requires monthly payments of principal and interest at a rate of 1.03%. The following is a schedule of future minimum lease payments, including interest under the term of the lease, together with the present value of the net minimum lease payments:

| *Year ending December 31,* | | |
|---|---|---|
| 2020 | $ | 506,250 |
| 2021 | | 540,000 |
| 2022 | | 562,500 |
| 2023 | | 570,000 |
| 2024 | | 570,000 |
| Thereafter | | 17,860,224 |
| **Total Minimum Lease Payments** | | 20,608,974 |
| Less: amount representing interest | | (15,796,811) |
| **Present Value of Net Minimum Lease Payments** | $ | 4,812,163 |

## 8. Defined Benefit Pension Plan

LI Comm. Hosp.—BHCS Foundation has a noncontributory defined benefit pension plan (the Plan) covering substantially all full-time employees. Net periodic pension cost and funding requirements are determined utilizing the projected unit credit actuarial cost method. Although LI Comm. Hosp.—BHCS Foundation reserves the right to terminate the Plan at any time, it is obligated to fund the Plan in accordance with the minimum funding requirements of the Employees' Retirement Income Security Act of 1974. Effective December 31, 2002, LI Comm. Hosp.—BHCS Foundation elected to freeze the Plan as to future benefits for participants and implemented a defined contribution plan effective July 1, 2002 (see Note 9).

Effective June 30, 1993, the Plan was amended to incorporate a "cash balance" benefit funding formula. Under this revised formula, the actuarially determined lump-sum value of each participant's accrued benefit as of June 30, 1993 was set forth in a new cash balance account for

each participant. For any Plan year beginning after June 30, 1993 through December 31, 2002, in which a participant had at least 1,000 hours of service, or the participant had retired, an amount equal to a specified percentage, based on the participant's age, of the participant's compensation for the Plan year was added to the participant's cash balance account, plus interest at a specified interest rate, at the end of the Plan year.

Upon an employee's retirement, the accumulated cash balance account will be converted into a monthly annuity using the actuarial basis for interest and mortality set forth in the Code, Section 417(e) as in effect for the applicable Plan year. For some employees, the monthly annuity so derived based on the employee's cash balance account will be compared to a grandfathered monthly benefit based on the prior benefit formula.

The Plan was subsequently amended, whereby a grandfather benefit was adapted to the new "Cash Balance" benefit formula retroactive to July 1, 1993. A participant who by December 31, 1993 was at least age 50 and had at least five years of service would receive a retirement benefit equal to the greater of the participant's benefit calculated prior to the June 30, 1993 amendment or the "Cash Balance" benefit. In determining the value of each benefit for this purpose, each benefit will be stated as a single life annuity, with the "Cash Balance" benefit being converted to this annuity form. The Plan was amended to reduce the compensation level used in calculating retirement benefits to $160,000 (indexed) in accordance with federal legislation.

The standard form of benefit payment is the actuarially equivalent "50% Joint and Survivor Annuity" for married employees and the "Life Annuity" for unmarried employees. Other optional forms of payment include the "100% Joint and Survivor Annuity," the "75% Joint and Survivor Annuity," the "Ten Year Certain and Guaranteed Payment" and the "Lump-Sum Payment".

ASC 715, "Compensation-Retirement Benefits," requires any retirement benefit plan's funding deficit or surplus to be recognized in the sponsoring employer's balance sheet. Under previous accounting standards, certain gains and losses related to prior service costs, differences between actuarial assumptions and actual results, and transition obligations were deferred and amortized over extended periods of time. Funded status, plan assets, cash flows and other matters for the Plan for the years ended December 31, 2019 and 2018 are summarized as follows.

***Funded Status and Accrued Pension Costs***

The following table sets forth the funded status of the Plan and accrued pension costs:

| *December 31,* | 2019 | 2018 |
|---|---|---|
| Reconciliation of the benefit obligation: | | |
| Benefit obligation, beginning of year | $ 20,453,650 | $ 23,324,195 |
| Interest cost | 738,601 | 741,422 |
| Actuarial loss | 1,962,026 | (76,484) |
| Curtailment/settlement | (2,335,529) | (3,299,174) |
| Benefits paid | (315,648) | (236,309) |
| **Benefit Obligation**, end of year | $ 20,503,100 | $ 20,453,650 |
| Reconciliation of fair value of Plan assets: | | |
| Value of Plan assets, beginning of year | $ 17,400,123 | $ 21,993,411 |
| Actual return (loss) on Plan assets | 2,334,638 | (1,126,705) |
| Employer contributions | 57,558 | 68,900 |
| Curtailment/settlement | (2,335,529) | (3,299,174) |
| Benefits paid, including expenses | (315,648) | (236,309) |
| **Value of Plan Assets**, end of year | $ 17,141,142 | $ 17,400,123 |
| **Funded Status** | $ (3,361,958) | $ (3,053,527) |

Assumptions used in developing the Plan's funded status were:

| *December 31,* | 2019 (%) | 2018 (%) |
|---|---|---|
| Discount rate | 3.20 | 4.20 |
| Rate of compensation increase | N/A | N/A |

The following table provides the components of the net periodic pension cost for the Plan:

| *Year ended December 31,* | 2019 | 2018 |
|---|---|---|
| Interest cost | $ 738,601 | $ 741,422 |
| Expected return on Plan assets | (1,057,151) | (1,400,841) |
| Amortization of prior service cost | 284,907 | 284,907 |
| Amortization of net loss | 716,197 | 531,576 |
| Settlement loss | 710,549 | 1,125,868 |
| | $ 1,393,103 | $ 1,282,932 |

Assumptions used in developing the Plan's net benefit cost were:

| *Year ended December 31,* | 2019 (%) | 2018 (%) |
|---|---|---|
| Discount rate | 4.20 | 3.60 |
| Expected rate of return | 7.25 | 7.25 |
| Rate of compensation increase | N/A | N/A |

***Plan Assets***

The fair values of LI Comm. Hosp.—BHCS Foundation's pension plan assets by asset category are as follows:

*December 31, 2019*

| *Description* | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|---|---|---|---|---|
| Mutual funds | $ 746,075 | $ - | $ - | $ 746,075 |
| Pooled separate accounts* | - | - | - | 13,303,139 |
| | $ 746,075 | $ - | $ - | $ 14,049,214 |

*December 31, 2018*

| *Description* | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|---|---|---|---|---|
| Mutual funds | $ 779,896 | $ - | $ - | $ 779,896 |
| Pooled separate accounts* | - | - | - | 13,222,138 |
| | $ 779,896 | $ - | $ - | $ 14,002,034 |

* Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been recognized in the fair value hierarchy. The fair value amounts are presented in the consolidated balance sheets.

The Plan has a guaranteed interest contract with Prudential Retirement Insurance and Annuity Company (PRIAC). PRIAC maintains the contributions in a general account, which is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The contract is included in the net assets available for benefits at contract value, as reported to the Plan by PRIAC. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

All withdrawals from the guaranteed interest account will be made by PRIAC on its first business day, which is at least 30 days from the date a withdrawal request is received by PRIAC. PRIAC reserves the right to defer any withdrawal for a period not exceeding six months if PRIAC reasonably determines that investment conditions are such that an orderly sale of securities held as part of the general assets of PRIAC is not possible.

Contract value, which approximates fair value, as of December 31, 2019 and 2018 is $3,091,928 and $3,398,089, respectively.

LI Comm. Hosp.—BHCS Foundation's investment policies and strategies for the pension benefits plans are governed by its pension committee. This committee, along with the finance committee

and an outside advisor, reviews the investments at least two times per year. The committees also determine the asset mix and the acceptable risk levels that the Plan administrator will follow. LI Comm. Hosp.—BHCS Foundation addresses diversification by the use of mutual fund investments whose underlying investments are in fixed-income securities and equity securities. These mutual funds are readily marketable and can be sold to fund benefit payment obligations as they become payable.

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

***Cash Flows***

LI Comm. Hosp.—BHCS Foundation is expected to contribute approximately $560,000 to its pension plan in 2019.

The following table represents estimated future benefit payments:

| *Year ending December 31,* | |
|---|---|
| 2020 | $ 3,019,799 |
| 2021 | 1,989,957 |
| 2022 | 2,243,286 |
| 2023 | 2,097,751 |
| 2024 | 1,980,399 |
| 2025-2029 | 6,328,316 |
| | $ 17,659,508 |

## 9. Defined Contribution Plan

Effective July 1, 2002, LI Comm. Hosp.—BHCS Foundation implemented a 401(k) plan for any employee of LI Comm. Hosp.—BHCS Foundation who has attained age 21, completed one year of service and works over 1,000 hours per year. LI Comm. Hosp.—BHCS Foundation contributes to the 401(k) plan annually a percentage based on years of service for eligible employees. It is LI Comm. Hosp.—BHCS Foundation's policy to fund service contributions in the subsequent year. As of December 31, 2019 and 2018, LI Comm. Hosp.—BHCS Foundation's service contributions were approximately $6,783,000 and $6,322,000, respectively, which have been recorded in the current portion of accrued pension costs in the accompanying consolidated balance sheets. Vesting in employer contributions is to be over a three-year period.

The 401(k) plan provides for an employer match of 50% of up to 4% of employee contributions (limited to $85,000 of base compensation). Such employer matching contributions approximated $1,576,000 and $1,558,000 for the years ended December 31, 2019 and 2018, respectively.

## 10. Uncompensated Care and Other Uncompensated Services

For patients who are deemed eligible for charity care and patients who apply and qualify for financial aid under LI Comm. Hosp.—BHCS Foundation's financial aid policy, care given but not paid for is classified as charity care. For the years ended December 31, 2019 and 2018, the estimated

cost of charity care was approximately $6,015,000 and $4,926,000, respectively. The estimated cost of charity care includes the direct and indirect cost of providing charity care services and is estimated by utilizing a ratio of cost to gross charges applied to the gross uncompensated charges associated with providing charity care.

For the year ended December 31, 2019, and for services provided subsequent to the adoption of ASU 2014-09 on January 1, 2019, for patients who were determined by LI Comm. Hosp.—BHCS Foundation to have the ability to pay but did not (i.e. non self-pay), the expected uncollected amounts are classified as an implicit price concession that reduces net patient service revenue ($5,166,798 in 2019). For services provided subsequent to the adoption of ASU 2014-09 on January 1, 2019, LI Comm. Hosp.—BHCS Foundation also recognized bad-debt expense in 2019 of $18,943,316 related to subsequent collection changes from initial expectations that are determined to be the result of an adverse change in the patient's ability to pay. For patient services provided prior to December 31, 2018 and prior to the adoption of ASU 2014-09, for any patients who were determined by LI Comm. Hosp.—BHCS Foundation to have the ability to pay but did not (i.e. non-self-pay), the uncollected amounts were classified as provision for bad debt ($11,042,095 in 2018).

## 11. Functional Expenses

The majority of LI Comm. Hosp.—BHCS Foundation's expenses can generally be directly identified with program or supporting services to which they relate and are allocated accordingly. Program services consist of providing health care and related services to residents within its geographic location. Other expenses have been allocated among program and supporting service classifications. These expenses include depreciation and amortization, utilities, information technology and facilities operations and maintenance. Depreciation and amortization is allocated based on square footage and interest expense is allocated based on usage of space. Costs of other categories were allocated on estimates of time and effort.

Operating expenses related to providing these services are as follows:

***December 31, 2019***

| | Healthcare and Related Services | Program Support and General Services | Total |
|---|---|---|---|
| Salaries and wages | $ 118,322,288 | $ 9,635,114 | $ 127,957,402 |
| Payroll taxes and employee benefits | 45,684,595 | 3,178,214 | 48,862,809 |
| Supplies and other | 76,164,798 | 4,829,007 | 80,993,805 |
| Depreciation, leasehold improvement amortization and rent | 13,662,874 | 850,526 | 14,513,400 |
| Interest and amortization of financing fees | 2,340,707 | 127,424 | 2,468,131 |
| Bad debt expense | 1,915,280 | - | 1,915,280 |
| | $ 258,090,542 | $ 18,620,285 | $ 276,710,827 |

*December 31, 2018*

| | Healthcare and Related Services | Program Support and General Services | Total |
|---|---|---|---|
| Salaries and wages | $ 112,672,978 | $ 16,201,361 | $ 128,874,339 |
| Payroll taxes and employee benefits | 42,567,634 | 4,245,861 | 46,813,495 |
| Supplies and other | 79,809,157 | 4,081,150 | 83,890,307 |
| Depreciation, leasehold improvement amortization and rent | 13,740,208 | 1,025,852 | 14,766,060 |
| Interest and amortization of financing fees | 2,298,760 | 114,388 | 2,413,148 |
| | $ 251,088,737 | $ 25,668,612 | $ 276,757,349 |

## 12. Related-Party Transactions

There are four Board members who are related parties of separate vendors of LI Comm. Hosp.–BHCS Foundation. There is one Board member who is an executive at a bank with which the Hospital maintains various bank accounts. Management believes these transactions were developed at arm's length and all amounts paid to these vendors thereunder is at fair market value.

On May 11, 2017, the Hospital entered into a Membership Interest Purchase Agreement (the Agreement) with PE Healthcare Associates, LLC (formerly known as Frontier Healthcare Associates, LLC) and the physician owners of Great South Bay Endoscopy Center, LLC to purchase 5.53 units, representing 5.53% of the membership interests in the Company for $2,000,000. The Agreement went into effect on the closing date, which was January 1, 2018. This transaction is accounted for as an investment on the consolidated balance sheets carried at historical cost, in accordance with ASC 320, "Investments–Debt and Equity Securities."

## 13. Commitments and Contingencies

### *Conditional Asset Retirement Obligation*

In the normal course of operations, LI Comm. Hosp.–BHCS Foundation performs maintenance and repairs on its buildings. LI Comm. Hosp.–BHCS Foundation is also involved in ongoing construction projects. As part of these two activities, LI Comm. Hosp.–BHCS Foundation has identified costs that will be incurred for asbestos removal. The estimated asbestos removal cost is approximately $2,700,000. To recognize the ARO for asbestos removal cost as of December 31, 2005, LI Comm. Hosp.–BHCS Foundation recorded an ARO liability of approximately $1,975,000, which represents the approximate present value of the liability, a long-lived asset of $444,000, and accumulated depreciation of approximately $364,000.

### *Professional Guarantees*

LI Comm. Hosp.–BHCS Foundation routinely enters into professional contracts with minimum revenue guarantees that fall under ASC 460, "Guarantees."

On August 1, 2016, LI Comm. Hosp.—BHCS Foundation entered into an agreement with a professional corporation, which provides Hospitalist services to LI Comm. Hosp.—BHCS Foundation. LI Comm. Hosp.—BHCS Foundation will pay approximately $287,000 monthly.

***Malpractice Contingencies***

Effective July 15, 2011, LI Comm. Hosp.—BHCS Foundation attained malpractice insurance coverage with a self-insured retention of $2,000,000 per occurrence and $4,500,000 in the aggregate for professional liability exposures accruing on or after July 1, 1983, when LI Comm. Hosp.—BHCS Foundation changed its malpractice insurance coverage from occurrence-basis policy to a claims-made policy. There are no remaining open claims for occurrences prior to July 1, 1983. The total estimated undiscounted professional liabilities for exposure since July 1, 1983, including amounts for asserted claims and for incidents that have been incurred but not yet reported, as of December 31, 2019 and 2018, aggregated $23,094,000 and $23,050,000, respectively. The estimated malpractice liability recorded is based upon an actuarial valuation of the estimated effect of probable loss contingencies. In addition, LI Comm. Hosp.—BHCS Foundation maintains excess professional and general liability coverage through a third-party insurance company.

There are known incidents, and possibly unknown incidents, that occurred through December 31, 2019 that may result in the assertion of additional malpractice claims. In the opinion of management, the final disposition of such claims will either be within available insurance coverage, have been provided for in the accompanying consolidated balance sheets or otherwise not have a material adverse effect on LI Comm. Hosp.—BHCS Foundation's financial position, results of operations or liquidity.

***Long Island Health Network (LIHN)***

LI Comm. Hosp.—BHCS Foundation is a participant in LIHN, a joint venture arrangement that was created in 1998 to establish a comprehensive and efficient hospital network in Nassau and Suffolk counties. In addition to LI Comm. Hosp.—BHCS Foundation, the other participants include Winthrop-University Hospital and South Nassau Communities Hospital, John T. Mather Memorial Hospital, and Catholic Health Services of Long Island (CHS) (collectively referred to as the Members). Effective January 1, 2018, the remaining members of LIHN are the Hospital and CHS. In early 2019, CHS decided that they no longer desire to continue LIHN. Therefore, LIHN will no longer exist as of March 31, 2019.

LIHN's objective is to reduce costs and enhance quality through the development of uniform health care protocols based on the existing practices of the Members that will provide the basis for the clinical integration of the parties. In addition, LIHN has been designated as the exclusive agent for negotiating arrangements with third-party payors for the delivery, administration, and management of health care services. A joint planning committee has been established to have exclusive authority to negotiate agreements with third-party payors.

To achieve sufficient financial integration, the LIHN hospitals collectively will offer to place at risk a percentage of the total projected value of the rate year increases with certain specific payor contracts for the LIHN inpatient hospital services. The performance of the LIHN hospitals would be measured against efficiency benchmarks and clinical indicators. Each participating payor would match the at-risk amount to create an overall risk amount consisting of both penalty and bonus opportunities. If the hospitals collectively achieved the agreed-upon benchmarks, LIHN would be paid a bonus. If the LIHN hospitals collectively failed to meet the benchmarks, LIHN would forfeit

some or all of the at-risk amount. Performance would be measured on a network-wide basis, with each LIHN hospital bearing both hospital-specific risk and network-wide risk.

Expenses incurred by the Hospital relating to LIHN during 2018 amounted to approximately $334,000 and is included in supplies and other expenses in the accompanying statements of operations. The Hospital did not incur expenses related to LIHN during 2019.

***Other***

*Operating Leases*

At December 31, 2019, LI Comm. Hosp.–BHCS Foundation was obligated for minimum annual rental payments under noncancelable operating leases for equipment and facilities as follows:

| *Year ending December 31,* | |
|---|---|
| 2020 | $ 1,940,840 |
| 2021 | 1,663,631 |
| 2022 | 1,628,905 |
| 2023 | 1,638,645 |
| 2024 | 1,367,126 |
| Thereafter | 3,334,624 |
| | $ 11,573,771 |

Rental expense was $3,468,773 and $3,427,930 in 2019 and 2018, respectively.

*Litigation*

LI Comm. Hosp.–BHCS Foundation is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on LI Comm. Hosp.–BHCS Foundation's financial position, results of operations, or liquidity.

## 14. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

| *December 31,* | 2019 | 2018 |
|---|---|---|
| Health care services: | | |
| Capital purchases | $ 2,197,240 | $ 2,367,070 |
| Patient care | 33,581 | 73,426 |
| Staff medical education | - | 32,533 |
| Roe trust | 2,695,127 | 2,660,430 |
| Other | 309,791 | 173,333 |
| Perpetual in nature–donor-restricted endowment fund (Note 15) | 1,000,000 | 900,000 |
| | $ 6,235,739 | $ 6,206,792 |

Changes in net assets with donor restrictions are as follows:

| *Year ended December 31,* | 2019 | 2018 |
|---|---|---|
| **Net Assets with Donor Restrictions**, beginning of year | $ 6,206,792 | $ 7,029,860 |
| Investment return (loss): | | |
| Investment income | 75,626 | 67,788 |
| Net appreciation (depreciation) (realized and unrealized) | 644,398 | (332,343) |
| **Total Investment Return (Loss)** | 720,024 | (264,555) |
| Appropriations of net assets for operations | (585,327) | (184,393) |
| Contributions, bequests, other | 1,299,487 | 564,368 |
| Net assets released from restrictions for operations | (846,686) | (544,706) |
| Change in net assets of LI Comm. Hosp.—BHCS Foundation | (199,078) | 277,966 |
| Net assets released from restrictions for capital expenditures | (359,473) | (671,748) |
| **Net Assets with Donor Restrictions**, end of year | $ 6,235,739 | $ 6,206,792 |

## 15. Endowment Fund

The Hospital's endowment fund consists of a donor-restricted endowment fund that has been initially established by a donor in 1969 for various purposes and has been classified within net assets with donor restrictions. The Hospital is entitled to the income earned on the trust, as per the donor agreement, and is allowed to spend 5% of the prior three years' total value, as mandated by a past court decision. All assets included in the Hospital's endowment fund are as follows:

| *December 31,* | 2019 | 2018 |
|---|---|---|
| Roe trust—donor-restricted endowment fund: | | |
| Short-term investments | $ 30,548 | $ 25,871 |
| Equities | 679,474 | 666,520 |
| Publicly traded mutual funds | 289,978 | 207,609 |
| | $ 1,000,000 | $ 900,000 |

## 16. Subsequent Events

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

As the recent outbreak of the COVID-19 outbreak continues to spread throughout areas in which we operate, our facilities have become impacted by the number of COVID-19 patients and accordingly we opened up various areas of the Hospital in order to accommodate these patients. The level of federal, state, or local assistance provided to our facilities to assist with the increased costs of treating patients with COVID-19 is uncertain. Further, COVID-19 has impacted our operations by causing staffing and supply shortages. The extent of the impact of COVID-19 on our operational and

financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our patients, employees, and vendors, all of which are uncertain and cannot be predicted. Given these uncertainties, we cannot reasonably estimate the related impact to our business, operating results, and financial condition. While expected to be temporary, these disruptions and excessive impact of treating COVID-19 patients may negatively impact LI Comm. Hosp.—BHCS Foundation's patient service revenue, its results of operations, financial condition, and liquidity in fiscal year 2020.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief and Economic Security (CARES) Act." The CARES Act, among other things, includes $100 billion for the Public Health and Social Services Emergency Fund for eligible healthcare providers for healthcare-related expenses or lost revenue associated to COVID-19. Eligible healthcare providers for this fund includes public entities, Medicare or Medicaid enrolled suppliers and providers, for-profit and nonprofit entities in the United States. In April 2020, LI Comm. Hosp.—BHCS Foundation received approximately $30,000,000 (unaudited) from CMS for advance and accelerated payments, as well as, approximately $6,800,000 (unaudited) from the CARES Act. We continue to examine the impacts this CARES Act may have on our business.

LI Comm. Hosp.—BHCS Foundation has performed subsequent events procedures through April 20, 2020, which is the date the consolidated financial statements were available to be issued, and there were no other subsequent events requiring adjustment to the consolidated financial statements or disclosures as stated herein.

# Supplementary Information

## Brookhaven Health Care Services Corporation and Subsidiaries
(d/b/a Long Island Community Hospital Health Care Services Foundation, f/k/a BMH Foundation)

### Consolidating Balance Sheets

*December 31, 2019*

| | Brookhaven Memorial Hospital Medical Center (d/b/a Long Island Community Hospital) | Brookhaven Health Care Services Corporation (d/b/a LI Comm. Hosp.–BHCS Foundation) | Brookhaven Physician Services, PC (d/b/a Brookhaven Family Medicine) | Brookhaven Surgical Services, PC | Long Island Orthopedic and Spine Specialists, PC | 14 Glover, LLC | Subtotal | Eliminations Debit | Eliminations Credit | Consolidated Totals |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | |
| **Current Assets** | | | | | | | | | | |
| Cash and cash equivalents | $ 32,193,957 | $ 2,784,268 | $ 120,210 | $ 70,971 | $ - | $ 1,740 | $ 35,171,146 | $ - | $ - | $ 35,171,146 |
| Investments, at fair value | - | 16,955,497 | - | - | - | - | 16,955,497 | - | - | 16,955,497 |
| Patients accounts receivable, net | 31,296,067 | - | 593,677 | 173,960 | - | - | 32,063,704 | - | - | 32,063,704 |
| Other receivables | 1,188,591 | 163,677 | 17,828 | - | - | - | 1,370,096 | - | - | 1,370,096 |
| Due from other practices | 1,049,366 | - | 258,041 | 22,033 | - | - | 1,329,440 | - | 1,329,440 | - |
| Inventories | 5,387,457 | - | - | - | - | - | 5,387,457 | - | - | 5,387,457 |
| Prepaid expenses and other current assets | 1,807,889 | 1,562 | - | 47,654 | - | - | 1,857,105 | - | - | 1,857,105 |
| Due from third-party payors | 1,431,329 | - | - | - | - | - | 1,431,329 | - | - | 1,431,329 |
| Assets limited or restricted as to use, current | 449,270 | - | - | - | - | - | 449,270 | - | - | 449,270 |
| **Total Current Assets** | 74,803,926 | 19,905,004 | 989,756 | 314,618 | - | 1,740 | 96,015,044 | - | 1,329,440 | 94,685,604 |
| **Assets Limited or Restricted as to Use,** net of current portion | 3,695,127 | 1,948,482 | - | - | - | - | 5,643,609 | - | - | 5,643,609 |
| **Investment in GSB Endoscopy** | 2,000,000 | - | - | - | - | - | 2,000,000 | - | - | 2,000,000 |
| **Deferred Asset-Asbestos Abatement, Net** | 79,743 | - | - | - | - | - | 79,743 | - | - | 79,743 |
| **Interest in Net Assets Without Donor Restrictions of LI Comm. Hosp.–BHCS Foundation** | 19,711,702 | - | - | - | - | - | 19,711,702 | - | 19,711,702 | - |
| **Interest in Net Assets with Donor Restrictions of LI Comm. Hosp.–BHCS Foundation** | 2,091,343 | - | - | - | - | - | 2,091,343 | - | 2,091,343 | - |
| **Other Assets** | 33,319 | 235,000 | - | - | - | - | 268,319 | - | - | 268,319 |
| **Property, Plant and Equipment, Net** | 138,449,037 | - | - | - | - | 15,493,649 | 153,942,686 | - | - | 153,942,686 |
| **Total Assets** | $ 240,864,197 | $ 22,088,486 | $ 989,756 | $ 314,618 | $ - | $ 15,495,389 | $ 279,752,446 | $ - | $ 23,132,485 | $ 256,619,961 |

## Brookhaven Health Care Services Corporation and Subsidiaries
(d/b/a Long Island Community Hospital Health Care Services Foundation, f/k/a BMH Foundation)

### Consolidating Balance Sheets

*December 31, 2019*

| | Brookhaven Memorial Hospital Medical Center (d/b/a Long Island Community Hospital) | Brookhaven Health Care Services Corporation (d/b/a LI Comm. Hosp.—BHCS Foundation) | Brookhaven Physician Services, PC (d/b/a Brookhaven Family Medicine) | Brookhaven Surgical Services, PC | Long Island Orthopedic and Spine Specialists, PC | 14 Glover, LLC | Subtotal | Eliminations Debit | Eliminations Credit | Consolidated Totals |
|---|---|---|---|---|---|---|---|---|---|---|
| **Liabilities and Net Assets** | | | | | | | | | | |
| **Current Liabilities** | | | | | | | | | | |
| Accounts payable and accrued expenses | $ 38,033,091 | $ - | $ 205 | $ - | $ - | $ - | $ 38,033,296 | $ - | $ - | $ 38,033,296 |
| Accrued salaries and benefits | 11,242,629 | - | 197,570 | 62,596 | - | - | 11,502,795 | - | - | 11,502,795 |
| Due to Brookhaven Memorial Hospital Medical Center | - | 285,437 | 871,695 | 381,839 | - | - | 1,538,971 | 1,538,971 | - | - |
| Due to other practices | - | - | 258,041 | - | - | - | 258,041 | 258,041 | - | - |
| Current portion of bonds payable | 2,180,663 | - | - | - | - | - | 2,180,663 | - | - | 2,180,663 |
| Current portion of notes payable | 102,906 | - | - | - | - | - | 102,906 | - | - | 102,906 |
| Current installments of obligation under capital equipment leases | 1,817,000 | - | - | - | - | - | 1,817,000 | - | - | 1,817,000 |
| Current portion of accrued pension costs | 6,783,278 | - | - | - | - | - | 6,783,278 | - | - | 6,783,278 |
| Current portion of estimated malpractice liability | 3,000,000 | - | - | - | - | - | 3,000,000 | - | - | 3,000,000 |
| Current portion of interest rate swap liability | 330,298 | - | - | - | - | - | 330,298 | - | - | 330,298 |
| Due to third-party payors | 3,728,118 | - | - | - | - | - | 3,728,118 | - | - | 3,728,118 |
| **Total Current Liabilities** | 67,217,983 | 285,437 | 1,327,511 | 444,435 | - | - | 69,275,366 | 1,797,012 | - | 67,478,354 |
| **Bonds Payable**, net of discount and current portion | 40,303,165 | - | - | - | - | - | 40,303,165 | - | - | 40,303,165 |
| **Notes Payable**, net of current portion | 223,408 | - | - | - | - | - | 223,408 | - | - | 223,408 |
| **Obligations Under Capital Equipment Leases**, net of current portion | 9,224,470 | - | - | - | - | - | 9,224,470 | - | - | 9,224,470 |
| **Estimated Malpractice Liability**, net of current portion | 20,094,649 | - | - | - | - | - | 20,094,649 | - | - | 20,094,649 |
| **Accrued Pension Costs**, net of current portion | 3,361,958 | - | - | - | - | - | 3,361,958 | - | - | 3,361,958 |
| **Interest Rate Swap**, less current portion | 1,653,444 | - | - | - | - | - | 1,653,444 | - | - | 1,653,444 |
| **Other Liabilities** | 1,758,642 | - | - | - | - | - | 1,758,642 | - | - | 1,758,642 |
| **Total Liabilities** | 143,837,719 | 285,437 | 1,327,511 | 444,435 | - | - | 145,895,102 | 1,797,012 | - | 144,098,090 |
| **Commitments and Contingencies** | | | | | | | | | | |
| **Net Assets** | | | | | | | | | | |
| Without donor restrictions | 90,790,739 | 19,711,706 | (337,755) | (129,817) | - | 15,495,389 | 125,530,262 | 19,711,702 | 467,572 | 106,286,132 |
| With donor restrictions | 6,235,739 | 2,091,343 | - | - | - | - | 8,327,082 | 2,091,343 | - | 6,235,739 |
| **Total Net Assets** | 97,026,478 | 21,803,049 | (337,755) | (129,817) | - | 15,495,389 | 133,857,344 | 21,803,045 | 467,572 | 112,521,871 |
| **Total Liabilities and Net Assets** | $ 240,864,197 | $ 22,088,486 | $ 989,756 | $ 314,618 | $ - | $ 15,495,389 | $ 279,752,446 | $ 23,600,057 | $ 467,572 | $ 256,619,961 |

## Brookhaven Health Care Services Corporation and Subsidiaries
### (d/b/a Long Island Community Hospital Health Care Services Foundation, f/k/a BMH Foundation)

### Consolidating Balance Sheets

*December 31, 2018*

| | Brookhaven Memorial Hospital Medical Center (d/b/a Long Island Community Hospital) | Brookhaven Health Care Services Corporation (d/b/a LI Comm. Hosp.--BHCS Foundation) | Brookhaven Physician Services, PC (d/b/a Brookhaven Family Medicine) | Brookhaven Surgical Services, PC | Long Island Orthopedic and Spine Specialists, PC | 14 Glover, LLC | Subtotal | Eliminations Debit | Eliminations Credit | Consolidated Totals |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | |
| **Current Assets** | | | | | | | | | | |
| Cash and cash equivalents | $ 17,779,111 | $ 3,336,398 | $ 140,119 | $ 33,515 | $ 5,430 | $ 1,740 | $ 21,296,313 | $ - | $ - | $ 21,296,313 |
| Investments, at fair value | - | 12,791,347 | - | - | - | - | 12,791,347 | - | - | 12,791,347 |
| Patients accounts receivable, net | 35,782,654 | - | 891,244 | 132,480 | - | - | 36,806,378 | - | - | 36,806,378 |
| Loan receivable | - | 475,020 | - | - | - | - | 475,020 | - | 475,020 | - |
| Other receivables | 2,299,915 | 411,508 | 5,590 | - | - | - | 2,717,013 | - | - | 2,717,013 |
| Due from other practices | 548,976 | - | 215,609 | 18,993 | - | - | 783,578 | - | 783,578 | - |
| Inventories | 4,772,120 | - | - | - | - | - | 4,772,120 | - | - | 4,772,120 |
| Prepaid expenses and other current assets | 2,182,173 | 1,562 | - | 88,500 | - | - | 2,272,235 | - | - | 2,272,235 |
| Due from third-party payors | 4,357,207 | - | - | - | - | - | 4,357,207 | - | - | 4,357,207 |
| Assets limited or restricted as to use, current | 355,941 | - | - | - | - | - | 355,941 | - | - | 355,941 |
| **Total Current Assets** | 68,078,097 | 17,015,835 | 1,252,562 | 273,488 | 5,430 | 1,740 | 86,627,152 | - | 1,258,598 | 85,368,554 |
| **Assets Limited or Restricted as to Use, net of current portion** | 3,978,630 | 2,105,860 | - | - | - | - | 6,084,490 | - | - | 6,084,490 |
| **Investment in GSB Endoscopy** | 2,000,000 | - | - | - | - | - | 2,000,000 | - | - | 2,000,000 |
| **Deferred Asset-Asbestos Abatement, Net** | 91,134 | - | - | - | - | - | 91,134 | - | - | 91,134 |
| **Interest in Net Assets without Donor Restrictions of LI Comm. Hosp.--BHCS Foundation** | 17,065,942 | - | - | - | - | - | 17,065,942 | - | 17,065,942 | - |
| **Interest in Net Assets with Donor Restrictions of LI Comm. Hosp.--BHCS Foundation** | 2,290,421 | - | - | - | - | - | 2,290,421 | - | 2,290,421 | - |
| **Other Assets** | 49,987 | 235,000 | - | - | - | - | 284,987 | - | - | 284,987 |
| **Property, Plant and Equipment, Net** | 134,578,926 | - | - | - | - | 15,493,649 | 150,072,575 | - | - | 150,072,575 |
| **Total Assets** | $ 228,133,137 | $ 19,356,695 | $ 1,252,562 | $ 273,488 | $ 5,430 | $ 15,495,389 | $ 264,516,701 | $ - | $ 20,614,961 | $ 243,901,740 |

## Brookhaven Health Care Services Corporation and Subsidiaries
(d/b/a Long Island Community Hospital Health Care Services Foundation, f/k/a BMH Foundation)

### Consolidating Balance Sheets

*December 31, 2018*

| | Brookhaven Memorial Hospital Medical Center (d/b/a Long Island Community Hospital) | Brookhaven Health Care Services Corporation (d/b/a LI Comm. Hosp.–BHCS Foundation) | Brookhaven Physician Services, PC (d/b/a Brookhaven Family Medicine) | Brookhaven Surgical Services, PC | Long Island Orthopedic and Spine Specialists, PC | 14 Glover, LLC | Subtotal | Eliminations Debit | Eliminations Credit | Consolidated Totals |
|---|---|---|---|---|---|---|---|---|---|---|
| **Liabilities and Net Assets (Deficit)** | | | | | | | | | | |
| **Current Liabilities** | | | | | | | | | | |
| Accounts payable and accrued expenses | $ 36,458,918 | $ 60 | $ 35,760 | $ 1,699 | $ - | $ - | $ 36,496,437 | $ - | $ - | $ 36,496,437 |
| Accrued salaries and benefits | 12,597,481 | - | 212,639 | 23,046 | - | - | 12,833,166 | - | - | 12,833,166 |
| Due to Brookhaven Memorial Hospital Medical Center | - | 267 | 6,241,526 | 2,270,998 | 1,586,971 | - | 10,099,762 | 10,099,762 | - | - |
| Due to other practices | - | - | 215,609 | 18,993 | - | - | 234,602 | 234,602 | - | - |
| Current portion of bonds payable | 2,090,886 | - | - | - | - | - | 2,090,886 | - | - | 2,090,886 |
| Current portion of notes payable | 97,669 | - | - | - | - | - | 97,669 | - | - | 97,669 |
| Current installments of obligation under capital equipment leases | 1,329,760 | - | - | - | - | - | 1,329,760 | - | - | 1,329,760 |
| Current portion of accrued pension costs | 6,322,080 | - | - | - | - | - | 6,322,080 | - | - | 6,322,080 |
| Current portion of estimated malpractice liability | 2,000,000 | - | - | - | - | - | 2,000,000 | - | - | 2,000,000 |
| Current portion of interest rate swap liability | 247,230 | - | - | - | - | - | 247,230 | - | - | 247,230 |
| Due to third-party payors | 1,626,276 | - | - | - | - | - | 1,626,276 | - | - | 1,626,276 |
| **Total Current Liabilities** | 62,770,300 | 327 | 6,705,534 | 2,314,736 | 1,586,971 | - | 73,377,868 | 10,334,364 | - | 63,043,504 |
| **Bonds Payable,** net of discount and current portion | 42,416,144 | - | - | - | - | - | 42,416,144 | - | - | 42,416,144 |
| **Notes Payable,** net of current portion | 326,491 | - | - | - | - | - | 326,491 | - | - | 326,491 |
| **Obligations Under Capital Equipment Leases,** net of current portion | 3,134,343 | - | - | - | - | - | 3,134,343 | - | - | 3,134,343 |
| **Estimated Malpractice Liability,** net of current portion | 21,050,031 | - | - | - | - | - | 21,050,031 | - | - | 21,050,031 |
| **Accrued Pension Costs,** net of current portion | 3,053,527 | - | - | - | - | - | 3,053,527 | - | - | 3,053,527 |
| **Interest Rate Swap,** less current portion | 1,373,320 | - | - | - | - | - | 1,373,320 | - | - | 1,373,320 |
| **Other Liabilities** | 1,814,959 | - | - | - | - | - | 1,814,959 | - | - | 1,814,959 |
| **Total Liabilities** | 135,939,115 | 327 | 6,705,534 | 2,314,736 | 1,586,971 | - | 146,546,683 | 10,334,364 | - | 136,212,319 |
| **Commitments and Contingencies** | | | | | | | | | | |
| **Net Assets (Deficit)** | | | | | | | | | | |
| Without donor restrictions | 85,987,230 | 17,065,947 | (5,452,972) | (2,041,248) | (1,581,541) | 15,495,389 | 109,472,805 | 17,065,942 | 9,075,766 | 101,482,629 |
| With donor restrictions | 6,206,792 | 2,290,421 | - | - | - | - | 8,497,213 | 2,290,421 | - | 6,206,792 |
| **Total Net Assets (Deficit)** | 92,194,022 | 19,356,368 | (5,452,972) | (2,041,248) | (1,581,541) | 15,495,389 | 117,970,018 | 19,356,363 | 9,075,766 | 107,689,421 |
| **Total Liabilities and Net Assets** | $ 228,133,137 | $ 19,356,695 | $ 1,252,562 | $ 273,488 | $ 5,430 | $ 15,495,389 | $ 264,516,701 | $ 29,690,727 | $ 9,075,766 | $ 243,901,740 |

## Brookhaven Health Care Services Corporation and Subsidiaries
(d/b/a Long Island Community Hospital Health Care Services Foundation, f/k/a BMH Foundation)

### Consolidating Statements of Operations (Without Donor Restrictions)

*Year ended December 31, 2019*

| | Brookhaven Memorial Hospital Medical Center (d/b/a Long Island Community Hospital) | Brookhaven Health Care Services Corporation (d/b/a LI Comm. Hosp.–BHCS Foundation) | Brookhaven Physician Services, PC (d/b/a Brookhaven Family Medicine) | Brookhaven Surgical Services, PC | Long Island Orthopedic and Spine Specialists, PC | Subtotal | Eliminations Debit | Eliminations Credit | Consolidated Totals |
|---|---|---|---|---|---|---|---|---|---|
| **Changes in Net Assets Without Donor Restrictions** | | | | | | | | | |
| **Revenue, Gains and Other Support** | | | | | | | | | |
| Net patient service revenue | $ 267,567,973 | $ - | $ 3,888,077 | $ 740,139 | $ - | $ 272,196,189 | $ - | $ - | $ 272,196,189 |
| Other revenue | 2,798,655 | 543,371 | 111,501 | - | - | 3,453,527 | 171,504 | - | 3,282,023 |
| Forgiveness of debt | - | - | 8,091,446 | 3,237,425 | 1,581,856 | 12,910,727 | 12,910,727 | - | - |
| Net assets released from restrictions for operations | 846,686 | - | - | - | - | 846,686 | - | - | 846,686 |
| Investment income, net | 944,318 | 1,137,125 | - | - | - | 2,081,443 | 13,748 | - | 2,067,695 |
| **Total Revenue, Gains and Other Support** | 272,157,632 | 1,680,496 | 12,091,024 | 3,977,564 | 1,581,856 | 291,488,572 | 13,095,979 | - | 278,392,593 |
| **Expenses** | | | | | | | | | |
| Salaries | 122,305,197 | 432,790 | 3,711,826 | 1,507,589 | - | 127,957,402 | - | - | 127,957,402 |
| Payroll taxes and employee benefits | 47,747,469 | 157,841 | 749,505 | 207,680 | 314 | 48,862,809 | - | - | 48,862,809 |
| Supplies and other | 75,837,031 | 74,646 | 1,692,205 | 90,795 | - | 77,694,677 | - | 171,504 | 77,523,173 |
| Insurance | 3,337,830 | - | 64,368 | 68,434 | - | 3,470,632 | - | - | 3,470,632 |
| Depreciation, amortization and rent | 13,541,060 | 22,802 | 757,907 | 191,631 | - | 14,513,400 | - | - | 14,513,400 |
| Interest | 2,481,879 | - | - | - | - | 2,481,879 | - | 13,748 | 2,468,131 |
| Bad debt expense | 6,217,812 | - | - | - | - | 6,217,812 | - | 4,302,532 | 1,915,280 |
| **Total Expenses** | 271,468,278 | 688,079 | 6,975,811 | 2,066,129 | 314 | 281,198,611 | - | 4,487,784 | 276,710,827 |
| **Excess of Revenue and Gains, and Other Support Over Expenses, before other changes** | 689,354 | 992,417 | 5,115,213 | 1,911,435 | 1,581,542 | 10,289,961 | 13,095,979 | 4,487,784 | 1,681,766 |
| **Other Changes** | | | | | | | | | |
| Change in valuation of interest rate swap agreement | (363,192) | - | - | - | - | (363,192) | - | - | (363,192) |
| Change in unfunded benefit obligation | 1,027,114 | - | - | - | - | 1,027,114 | - | - | 1,027,114 |
| Contribution to the Hospital from LI Comm. Hosp.–BHCS Foundation | - | (445,000) | - | - | - | (445,000) | - | 445,000 | - |
| Contribution from LI Comm. Hosp.–BHCS Foundation to the Hospital | 445,000 | - | - | - | - | 445,000 | 445,000 | - | - |
| Net change in unrealized gains on investments | - | 2,098,342 | - | - | - | 2,098,342 | - | - | 2,098,342 |
| Change in net assets of LI Comm. Hosp.–BHCS Foundation | 2,645,760 | - | - | - | - | 2,645,760 | - | 2,645,760 | - |
| Net assets released from restrictions for capital expenditures | 359,473 | - | - | - | - | 359,473 | - | - | 359,473 |
| **Increase in Net Assets Without Donor Restrictions** | $ 4,803,509 | $ 2,645,759 | $ 5,115,213 | $ 1,911,435 | $ 1,581,542 | $ 16,057,458 | $ 13,540,979 | $ 7,578,544 | $ 4,803,503 |

## Brookhaven Health Care Services Corporation and Subsidiaries
### (d/b/a Long Island Community Hospital Health Care Services Foundation, f/k/a BMH Foundation)

### Consolidating Statements of Operations (Without Donor Restrictions)

*Year ended December 31, 2018*

| | Brookhaven Memorial Hospital Medical Center (d/b/a Long Island Community Hospital) | Brookhaven Health Care Services Corporation (d/b/a LI Comm. Hosp.–BHCS Foundation) | Brookhaven Physician Services, PC (d/b/a Brookhaven Family Medicine) | Brookhaven Surgical Services, PC | Long Island Orthopedic and Spine Specialists, PC | Subtotal | Eliminations Debit | Eliminations Credit | Consolidated Totals |
|---|---|---|---|---|---|---|---|---|---|
| **Changes in Net Assets Without Donor Restrictions** | | | | | | | | | |
| **Revenue, Gains and Other Support** | | | | | | | | | |
| Net patient service revenue | $ 273,774,277 | $ - | $ 3,907,638 | $ 663,601 | $ (60,676) | $ 278,284,840 | $ - | $ - | $ 278,284,840 |
| Less: provision for uncollectibles, net | (5,946,546) | - | - | - | - | (5,946,546) | - | - | (5,946,546) |
| | 267,827,731 | - | 3,907,638 | 663,601 | (60,676) | 272,338,294 | - | - | 272,338,294 |
| Other revenue | 3,056,649 | 1,006,666 | 14,287 | - | 450 | 4,078,052 | 179,270 | - | 3,898,782 |
| Forgiveness of debt | - | - | 3,206,203 | 1,178,201 | 54,031 | 4,438,435 | 4,438,435 | - | - |
| Net assets released from restrictions for operations | 544,706 | - | - | - | - | 544,706 | - | - | 544,706 |
| Investment income, net | 517,101 | 1,076,083 | - | - | - | 1,593,184 | 28,020 | - | 1,565,164 |
| **Total Revenue, Gains and Other Support** | 271,946,187 | 2,082,749 | 7,128,128 | 1,841,802 | (6,195) | 282,992,671 | 4,645,725 | - | 278,346,946 |
| **Expenses** | | | | | | | | | |
| Salaries | 123,160,071 | 464,479 | 3,976,432 | 1,273,357 | - | 128,874,339 | - | - | 128,874,339 |
| Payroll taxes and employee benefits | 45,672,225 | 168,894 | 794,139 | 178,783 | (546) | 46,813,495 | - | - | 46,813,495 |
| Supplies and other | 77,546,975 | 503,093 | 1,932,958 | 172,425 | 355 | 80,155,806 | - | 179,270 | 79,976,536 |
| Insurance | 3,826,993 | - | 41,528 | 45,250 | - | 3,913,771 | - | - | 3,913,771 |
| Depreciation, amortization and rent | 13,701,923 | 21,925 | 739,316 | 302,896 | - | 14,766,060 | - | - | 14,766,060 |
| Interest | 2,441,168 | - | - | - | - | 2,441,168 | - | 28,020 | 2,413,148 |
| Provision for non-patient uncollectible | 4,929,645 | - | - | - | - | 4,929,645 | - | 4,929,645 | - |
| **Total Expenses** | 271,279,000 | 1,158,391 | 7,484,373 | 1,972,711 | (191) | 281,894,284 | - | 5,136,935 | 276,757,349 |
| **Excess (Deficiency) of Revenue and Gains, and Other Support Over Expenses**, before other changes | 667,187 | 924,358 | (356,245) | (130,909) | (6,004) | 1,098,387 | 4,645,725 | 5,136,935 | 1,589,597 |
| **Other Changes** | | | | | | | | | |
| Change in valuation of interest rate swap agreement | 486,784 | - | - | - | - | 486,784 | - | - | 486,784 |
| Change in unfunded benefit obligation | (510,711) | - | - | - | - | (510,711) | - | - | (510,711) |
| Net change in unrealized gains on investments | - | (1,559,717) | - | - | - | (1,559,717) | - | - | (1,559,717) |
| Contribution to the Hospital from LI Comm. Hosp.–BHCS Foundation | - | (2,000,000) | - | - | - | (2,000,000) | - | 2,000,000 | - |
| Contribution from LI Comm. Hosp.–BHCS Foundation to the Hospital | 2,000,000 | - | - | - | - | 2,000,000 | 2,000,000 | - | - |
| Gain on sale of property | 2,675,389 | - | - | - | - | 2,675,389 | - | - | 2,675,389 |
| Change in net assets of LI Comm. Hosp.–BHCS Foundation | (2,635,364) | - | - | - | - | (2,635,364) | - | 2,635,364 | - |
| Net assets released from restrictions for capital expenditures | 671,748 | - | - | - | - | 671,748 | - | - | 671,748 |
| **Increase (Decrease) in Net Assets Without Donor Restrictions** | $ 3,355,033 | $ (2,635,359) | $ (356,245) | $ (130,909) | $ (6,004) | $ 226,516 | $ 6,645,725 | $ 9,772,299 | $ 3,353,090 |

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**APPENDIX C**

# SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LOAN AGREEMENT

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## APPENDIX C

## SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LOAN AGREEMENT

## DEFINITIONS OF CERTAIN TERMS

*As used in the Official Statement, the following terms shall have the respective meanings set forth below, except as the context otherwise requires:*

"Account" means any Account within any Fund created and maintained pursuant to the Indenture.

"Act" means, Section 1411 of the New York Not-For-Profit Corporation Law.

"Act of Bankruptcy" means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the Hospital or the Issuer under any applicable bankruptcy, reorganization, insolvency or similar law as is now or hereafter in effect.

"Additional Bonds" or "Series of Additional Bonds" means any Series of Additional Bonds issued by the Issuer on behalf of the Hospital pursuant to the Indenture.

"Affiliate" shall mean a corporation, partnership, association, limited liability company, joint venture, business trust or similar entity organized under the laws of any state that directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common contract with, the Hospital.

"Applicable Elected Representative" means any Person constituting an "applicable elected representative" within the meaning given to the term in Section 147(f)(2)(E) of the Code.

"Authorized Investments" means:

A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, 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)
   Direct obligations are fully guaranteed certificates of beneficial ownership
2. Farmers Home Administration (FmHA)
   Certificates of beneficial ownership
3. Federal Financing Bank

4. Federal Housing Administration Debentures (FHA)
5. General Services Administration
   Participation Certificates
6. Government National Mortgage Association (GNMA or "Ginnie Mae")
   GNMA – guaranteed mortgage-backed bonds
   GNMA – guaranteed pass-through obligations
   (not acceptable for certain cash-flow sensitive issues)
7. U.S. Maritime Administration
   Guaranteed Title XI financing
8. U.S. Department of Housing and Urban Development (HUD)
   Project Notes
   Local Authority Bonds
   New Communities Debentures – U.S. government guaranteed debentures
   U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds

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
   Senior debt obligations
2. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
   Participation Certificates
   Senior debt obligations
3. Federal National Mortgage Association (FNMA or "Fannie Mae")
   Mortgage-backed securities and senior debt obligations
4. Resolution Funding Corp. (REFCORP) obligations
5. Farm Credit System
   Consolidated systemwide bonds and notes

D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933.

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 Trustee 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 banks and other institutions rated A by S&P and A by Moody's without regard to rating qualifier (+ or -).

H. Commercial paper rated, at the time of purchase, Prime – 1 by Moody's and A-1 or better by S&P.

I. Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

J. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of Prime – 1 or A3 or better by Moody's and A-1 or A or better by S&P.

K. Repurchase agreements providing for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

1. Repurchase agreements must be between the Issuer and a dealer bank or securities firm.
   a. Primary dealers on a Federal Reserve reporting dealer list which are rated A or better by S&P or Moody's or
   b. Banks rated A or above by S&P, Fitch or Moody's.

2. The written repurchase agreements contract must include the following:
   a. Securities which are acceptable for transfer are:
      (1) Direct U.S. governments, or
      (2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA and FHLMC)
   b. The term of the repurchase agreements may be up to 30 days.
   c. The collateral must be delivered to the Issuer, the Trustee (if the 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:

      (1) The securities must be valued weekly, marked-to-market at current market price plus accrued interest.
         (a) 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 repurchase agreements plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the

securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

3. Legal opinion which must be delivered to the Issuer:
   a. Repurchase agreements meet guidelines under state law for legal investment of public funds.

All references in this definition of "Authorized Investments" to the ratings shall be the rating at the time such investment is made. Any subsequent downgrading or rating withdrawal shall not affect the status of an Authorized Investment.

"Authorized Representative" means, in the case of the Issuer, the Chairman, the Vice Chairman, the Chief Executive Officer, the Chief Financial Officer, the Secretary or the Assistant Secretary of the Issuer; in the case of the Hospital, the CEO, the President, any Vice President, Chief Financial Officer or the Treasurer of the Hospital; and, in the case of either of the Issuer and the Hospital, such additional persons as, at the time, are designated to act on behalf of the Issuer or the Hospital, as the case may be, by written certificate furnished to the Trustee, the Issuer or the Hospital, as the case may be, containing the specimen signature of each such person and signed on behalf of (i) the Issuer by the Chairman, the Vice Chairman, the Chief Executive Officer, the Chief Financial Officer, the Secretary or the Assistant Secretary of the Issuer, or (ii) the Hospital by the CEO, the President, any Vice President, Chief Financial Officer or the Treasurer of the Hospital.

"Bankruptcy Code" means the United States Bankruptcy Code, as amended from time to time.

"Bond" or "Bonds" or "Series of Bonds" means the Series 2020 Bonds, and any Series of Additional Bonds.

"Bond Counsel" means the law firm of Nixon Peabody LLP or an attorney or other firm of attorneys whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized.

"Bond Documents" means the Bond Purchase Agreement, the Indenture, the Loan Agreement, the Tax Regulatory Agreement, the Note, the Continuing Disclosure Agreement, the Preliminary Official Statement and the Official Statement.

"Bond Fund" means the fund so designated which is established by the Indenture.

"Bond Purchase Agreement" means the Bond Purchase Agreement, dated October 22, 2020, among the Issuer, the Hospital and the Underwriter, as the same may be amended from time to time.

"Bond Proceeds" means the aggregate amount, including any accrued interest, paid to the Issuer by the Bondholders pursuant to the Indenture as the purchase price of the Series 2020 Bonds.

"Bond Rate" means the Tax-Exempt rate of interest from time to time payable on any of the Series 2020 Bonds as defined therein.

"Bond Registrar" means the Trustee, acting in its capacity as Bond Registrar with respect to the Bonds, and its successors and assigns in such capacity.

"Bond Resolution" means the resolution duly adopted by the Issuer on March 25, 2020, as amended and restated on October 7, 2020, authorizing the issuance, execution, sale and delivery of the Series 2020 Bonds and the execution and delivery of Issuer Documents, as such resolution may be amended or supplemented from time to time.

"Bond Year" shall have the meaning in the Tax Regulatory Agreement.

"Bondholder" means Owner.

"Building Loan Agreement" means the Building Loan Agreement, dated as of October 1, 2020, by and between the Member of the Obligated Group and the Master Trustee.

"Building Loan Mortgage" means the Building Loan Mortgage and Security Agreement, dated as of October 1, 2020, given by the Member of the Obligated Group to the Master Trustee as the same may be modified, amended, renewed or extended from time to time.

"Business Day" means any day other than a Saturday, a Sunday, a legal holiday or a day on which banking institutions in New York, New York or any city in which the principal office of the Trustee or any Paying Agent is located are authorized by law or executive order to remain closed.

"Capitalized Interest Account" means the account within the Project Fund which is created by the Indenture.

"Certificate of Authentication of the Trustee" and "Trustee's Certificate of Authentication" means the certificate executed by an authorized signatory of the Trustee certifying the due authentication of each of the Series 2020 Bonds issued under the Indenture.

"Closing Date" means the date of issuance and delivery of the Series 2020 Bonds.

"Code" means the Internal Revenue Code of 1986, as amended, and the final, temporary and proposed rules, regulations, rulings and interpretations of the Department of the Treasury promulgated thereunder.

"Completion Certificate" means with respect to the Project, the Completion Certificate delivered by the Hospital to the Issuer and the Trustee pursuant to the Loan Agreement.

"Completion Date" means the date of completion of the Project.

"Computation Period" means "Computation Period" as defined in the Tax Regulatory 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 entity or other Person acting under governmental authority.

"Construction Account" means the account within the Project Fund which is created by the Indenture.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement, dated as of October 1, 2020, between the Hospital and the Trustee.

"Cost of Issuance Account" means the account within the Project Fund which is created by the Indenture.

"Cost of the Project" means all those costs and items of expense listed in the Loan Agreement.

"Debt Service Payment" means, with respect to any Debt Service Payment Date, (i) the interest payable on such Debt Service Payment Date on all Bonds then Outstanding, plus (ii) the principal or Redemption Price, if any, payable on such Debt Service Payment Date on all such Bonds.

"Debt Service Payment Date" means any date on which each Debt Service Payment shall be payable on any of the Series 2020 Bonds so long as the Series 2020 Bonds shall be outstanding.

"Debt Service Reserve Fund" means the fund so designated pursuant to the Indenture.

"Debt Service Reserve Fund Requirement" means, as of any particular date of computation, for the then current or future Bond Year, an amount equal to the lesser of (i) ten percent (10%) of the Net Proceeds of the Series 2020 Bonds, (ii) the greatest amount required to be paid in any such Bond Year with respect to the payment of principal, Sinking Fund Payment, or interest on the Series 2020 Bonds Outstanding during such Bond Year, or (iii) 125% of the average annual debt service on the Series 2020 Bonds Outstanding.

"DTC" means The Depository Trust Company, New York, New York.

"DTC Letter of Representation" means the Letter of Representation from the Issuer to DTC.

"Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services under the Indenture.

"Equipment" means all machinery, equipment and other personal property used and to be used in connection with the Project and financed with Bond Proceeds.

"Event of Default" (i) when used with respect to the Indenture means any of those events defined as an Event of Default by the Indenture, and (ii) when used with respect to the Loan Agreement, means any of the events defined as Events of Default by the Loan Agreement.

"Exempt Organization" means an organization described in Section 501(c)(3) of the Code and which is exempt from federal income taxation pursuant to Section 501(a) of the Code.

"Extraordinary Services" and "Extraordinary Expenses" means all services rendered and all fees and expenses incurred by or due to the Trustee or any Paying Agent under the Indenture other than Ordinary Services and Ordinary Expenses, including reasonable fees and disbursements of Trustee's counsel.

"Financing Documents" means the Indenture, the Master Trust Indenture, the Loan Agreement, the Mortgages, the Building Loan Agreement, and the First Supplemental Indenture under which Obligation No. 1 has been issued.

"First Supplemental Indenture" means the Supplemental Indenture for Obligation No. 1, dated as of October 29, 2020, by and between the Member of the Obligated Group and the Master Trustee.

"Fiscal Year" means the twelve (12) month period beginning on July 1 in any year or such other fiscal year as the Hospital may select from time to time.

"Fitch" means Fitch Ratings and its successors and assigns.

"Fund" means any Fund created and maintained pursuant to the Indenture.

"Government Obligations" means:

1. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – "SLGS").
2. Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities.
3. Resolution Funding Corp. (REFCORP). Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.
4. Pre-refunded municipal bonds rated Aa by Moody's and AA by S&P. If however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations or AA rated pre-refunded municipals to satisfy this condition.
5. Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:

   a. U.S. Export-Import Bank (Eximbank)
      Direct obligations are fully guaranteed certificates of beneficial ownership
   b. Farmers Home Administration (FmHA)
      Certificates of beneficial ownership
   c. Federal Financing Bank
   d. General Services Administration
      Participation Certificates
   e. U.S. Maritime Administration
      Guaranteed Title XI financing
   f. U.S. Department of Housing and Urban Development (HUD)
      Project Notes
      Local Authority Bonds

New Communities Debentures – U.S. government guaranteed debentures – U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds

"Hazardous Substance" means, without limitation, any flammable, explosive, radon, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum constituents, petroleum products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances or related materials, pollutants, or toxic pollutants, as defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 6901, et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801, et seq.), the Toxic Substances Control Act, as amended (15 U.S.C. Sections 2601, et seq.), the Federal Water Pollution Control Act, as amended (33 U.S.C. Sections 1251 et seq.), Articles 17 and 27 of the New York State Environmental Conservation Law, or any other applicable Environmental Law and the regulations promulgated thereunder.

"Holder" means Owner.

"Hospital" means Brookhaven Memorial Hospital Medical Center, Inc., a New York not-for-profit corporation and an organization described in Section 501(c)(3) of the Code and exempt from federal income taxation pursuant to Section 501(a) of the Code, and doing business as Long Island Community Hospital, and its successor and assigns.

"Hospital Documents" means the Bond Purchase Agreement, the Loan Agreement, the Mortgages, the Building Loan Agreement, the Tax Regulatory Agreement, the Note, the Continuing Disclosure Agreement, the Preliminary Official Statement, the Official Statement and the Master Trust Indenture.

"Improvements" means all those buildings, improvements, structures and other related facilities (i) financed with Bond Proceeds or financed with any payment by the Hospital pursuant to the Loan Agreement, and (ii) not part of the Equipment, all as they may exist from time to time.

"Indebtedness" shall mean any obligation of the Hospital for the payment of money, including without limitation (i) indebtedness for money borrowed, (ii) purchase money obligations, (iii) leases evidencing the acquisition of capital assets, (iv) reimbursement obligations, and (v) guarantees of any such obligation of a third party.

"Indenture" means the Indenture of Trust, dated as of October 1, 2020, by and between the Issuer and the Trustee, entered into in connection with the issuance, sale, delivery and payment of the Series 2020 Bonds and the security therefor as the same may be amended or supplemented from time to time.

"Independent Counsel" means an attorney or attorneys or firm or firms of attorneys duly admitted to practice law before the highest court of any state of the United States of America or in the District of Columbia and not a full time employee of the Issuer, the Hospital or the Trustee.

"Independent Engineer" means an engineer or engineering firm registered and qualified to practice the profession of engineering under the laws of the State selected by the Hospital and not a full time employee of the Issuer, the Hospital or the Trustee.

"Information Report" means Form 8038 used by the issuers of certain tax-exempt bonds to provide the Internal Revenue Service with the information required to monitor the State volume limitations.

"Initial Bondholder" means Cede & Co., as nominee for DTC, as the initial owner of the Series 2020 Bonds.

"Interest Account" means the account within the Bond Fund which is established by the Indenture.

"Issuer" means (i) the Town of Brookhaven Local Development Corporation, its successors and assigns, and (ii) any local governmental body resulting from or surviving any consolidation or merger to which the Issuer or its successors may be a party.

"Issuer Documents" means the Bond Purchase Agreement, the Series 2020 Bonds, the Loan Agreement, the Indenture, the Note, the Tax Regulatory Agreement, the Information Report, the Preliminary Official Statement and the Official Statement.

"Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by U.S. Bank National Association at its principal office in the City of New York, New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by U.S. Bank National Association) plus 3%, and (ii) the then applicable highest rate of interest on the Series 2020 Bonds and (b) the maximum rate permissible under the applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days.

"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 the security interest arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" also means any reservations, exceptions, encroachments, 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, carriers' and other similar encumbrances affecting real property. For the purposes of this definition, 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.

"Loan Agreement" means the Loan Agreement dated as of October 1, 2020 by and between the Hospital and the Issuer, as the same may be amended, modified or supplemented from time to time in accordance with the terms thereof, or any other Loan Agreement entered into in connection with any Series of Additional Bonds.

"Loan Term" means the duration of the loan term created in the Loan Agreement.

"Long-Term Indebtedness" means indebtedness with a term greater than one (1) year.

"Make-Whole Redemption Price" means the greater of:

(1) 100% of the principal amount of the Series 2020B Bonds to be redeemed; or

(2) The sum of the present value of the remaining schedule payments of principal and interest to the maturity date of the Series 2020B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2020B Bonds are to be redeemed, discounted to the date on which the Series 2020B 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 50 basis points, plus, in each case, accrued interest on the Series 2020B Bonds to be redeemed to the redemption date.

"Master Trust Indenture" means the Master Trust Indenture, dated as of October 1, 2020, by and between the Member of the Obligated Group and U.S. Bank National Association, as master trustee, as the same may be amended, modified or supplemented from time to time in accordance with the terms thereof.

"Master Trustee" means U.S. Bank National Association, as master trustee, a New York banking corporation, its successor and assigns

"Moody's" means Moody's Investor Service.

"Mortgages" means, collectively, the Building Loan Mortgage and the Project Loan Mortgage.

"Mortgaged Property" has the meaning set forth in the Mortgages.

"Net Proceeds" means so much of the gross proceeds with respect to which that term is used as remain after payment of all expenses, costs and taxes (including attorneys' fees) incurred in obtaining such gross proceeds.

"Obligated Group" or "Member of the Obligated Group" means Brookhaven Memorial Hospital Medical Center, Inc. (doing business as Long Island Community Hospital).

"Obligation No. 1" means Obligation No. 1, dated the Closing Date, by and between the Member of the Obligated Group and the Master Trustee pursuant to the Master Trust Indenture and the First Supplemental Indenture.

"Office of the Trustee" means the principal corporate trust office of the Trustee, as specified in the Indenture, or such other address as the Trustee shall designate.

"Official Statement" means the Official Statement, dated October 22, 2020, distributed by the Underwriter and the Hospital in connection with the sale of the Bonds.

"Ordinary Services" and "Ordinary Expenses" means those services normally rendered and those fees and expenses normally incurred by or due to a trustee or paying agent, as the case may be, under instruments similar to the Indenture, including reasonable fees and disbursements of counsel for the Trustee.

"Outstanding" or "Bonds Outstanding" or "Outstanding Bonds" means all bonds which have been authenticated by the Trustee and delivered by the Issuer under the Indenture, or any supplement thereto, except: (i) any Bond cancelled by the Trustee because of payment or redemption prior to maturity; (ii) any bond deemed paid in accordance with the provisions of the Indenture, except that any such Bond shall be considered Outstanding until the maturity date thereof only for the purposes of being exchanged or registered; and (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Indenture, unless proof satisfactory to the Trustee is presented that any Bond, for which a Bond in lieu of or in substitution therefor shall have been authenticated and delivered, is held by a bona fide purchaser, as that term is defined in Article 8 of the Uniform Commercial Code of the State, as amended, in which case both the Bond so substituted and replaced and the Bond or Bonds so authenticated and delivered in lieu thereof or in substitution therefor shall be deemed Outstanding.

"Owner" means the registered owner of any Bond as shown on the registration books maintained by the Bond Registrar pursuant to the Indenture.

"Paying Agent" means the Trustee, acting as such, and any additional paying agent for the Series 2020 Bonds appointed pursuant to the Indenture, their respective successors and any other corporation which may at any time be substituted in their respective places pursuant to the Indenture.

"Permitted Encumbrances" means (i) the Loan Agreement, (ii) the Indenture, (iii) the Mortgage, (iv) any liens permitted under the Master Trust Indenture, and (v) any Liens created thereunder.

"Person" or "Persons" means an individual, partnership, corporation, trust or unincorporated organization, and a government or agency or political subdivision or branch thereof.

"Plans and Specifications" means those plans and specifications, if any, for the Improvements, as may be from time to time prepared for the Hospital, as revised from time to time.

"Preliminary Official Statement" means the Preliminary Official Statement, dated October 9, 2020, distributed by the Underwriter and the Hospital in connection with the sale of the Series 2020 Bonds.

"Principal Account" means the account within the Bond Fund which is established by the Indenture.

"Project" shall have the meaning set forth in the Indenture.

"Project Fund" means the fund so designated which is created by the Indenture.

"Project Loan Mortgage" means the Project Loan Mortgage and Security Agreement, dated as of October 1, 2020, given by the Member of the Obligated Group to the Master Trustee as the same may be modified, amended, renewed or extended from time to time.

"Promissory Note" or "Note" means the Promissory note, dated the Closing Date, from the Hospital to the Issuer, substantially in the form attached to the Loan Agreement, evidencing the Hospital's obligations to make Loan Payments to the Issuer.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Rating Agency" means Moody's, Fitch, S&P or such other nationally recognized rating agency which shall have issued and is maintaining a rating on the Series 2020 Bonds.

"Rating Agency Letter" means the rating letter from each Rating Agency assigning a rating on the Series 2020 Bonds.

"Rebate Amount" means, with respect to the Series 2020 Bonds, the amount computed as described in Section 8.5 of the Tax Regulatory Agreement.

"Rebate Fund" means the fund so designated pursuant to the Indenture.

"Record Date" means, with respect to any Debt Service Payment Date, the fifteenth ($15^{th}$) day of the month next preceding such Debt Service Payment Date (whether or not a Business Day).

"Redemption Date" means, when used with respect to a Bond, the date of redemption thereof established pursuant to the Indenture.

"Redemption Price" means, when used with respect to a Bond, the principal amount thereof plus the applicable premium, if any, payable upon the prior redemption thereof pursuant to the Indenture.

"Renewal Fund" means the fund so designated and created pursuant to the Indenture.

"Schedule of Definitions" means the words and terms set forth in this Schedule of Definitions attached to the Indenture as the same may be amended from time to time.

"SEQR Act" means the State Environmental Quality Review Act and the regulations thereunder.

"Series 2006A Bonds" shall mean the Series 2006A Bond Issuer's $20,000,000 Revenue Bonds, Series 2006A (Brookhaven Memorial Hospital Medical Center, Inc. Project).

"Series 2006A Bonds Issuer" means the Town of Brookhaven Industrial Development Agency, its successors and assigns.

"Series 2006A Bonds Redemption Account" means the account within the Project Fund which is created by the Indenture.

"Series 2006A Bonds Trustee" means U.S. Bank National Association, having trust powers duly organized and existing under the laws of the State of New York, having an office at 100 Wall Street, Suite 600, New York, New York 10005, successor to The Bank of New York, its successors and/or assigns.

"Series 2014 Bonds" shall mean collectively, the Series 2014A Bonds and the Series 2014B Bonds.

"Series 2014 Bonds Issuer" means the Town of Brookhaven Local Development Corporation, its successors and assigns.

"Series 2014 Bonds Redemption Account" means the account within the Project Fund which is created by the Indenture.

"Series 2014 Bonds Trustee" means U.S. Bank National Association, having trust powers duly organized and existing under the laws of the State of New York, having an office at 100 Wall Street, Suite 600, New York, New York 10005, successor to People's United Bank, its successors and/or assigns.

"Series 2014A Bonds" shall mean the Series 2014 Bond Issuer's $17,500,000 Revenue Bonds, Series 2014A (Brookhaven Memorial Hospital Medical Center, Inc. Project).

"Series 2014A Bonds Purchaser" means TD Bank, N.A., its successors and assigns.

"Series 2014B Bonds" shall mean the Series 2014 Bond Issuer's $17,500,000 Revenue Bonds, Series 2014B (Brookhaven Memorial Hospital Medical Center, Inc. Project).

"Series 2014B Bonds Purchaser" means Israel Discount Bank of New York, its successors and assigns.

"Series 2020A Bonds" means the Issuer's Revenue Bonds (Long Island Community Hospital Project), Series 2020A issued pursuant to the terms of the Indenture, on October 29, 2020 in the aggregate principal amount of $59,135,000 and substantially in the form of Exhibit A-1 of the Indenture.

"Series 2020A Promissory Note" means the Promissory Note, dated the Closing Date, from the Hospital to the Issuer, substantially in the form of Exhibit D to the Loan Agreement, evidencing the Hospital's obligations to make Loan Payments to the Issuer.

"Series 2020B Bonds" means the Issuer's Taxable Revenue Bonds (Long Island Community Hospital Project), Series 2020B issued pursuant to the terms of the Indenture, on October 29, 2020 in the aggregate principal amount of $16,915,000 and substantially in the form of Exhibit A-2 of the Indenture.

"Series 2020B Excess Reserve Subaccount" means the Subaccount within the Debt Service Reserve Fund which is created by the Indenture.

"Series 2020B Promissory Note" means the Promissory Note, dated the Closing Date, from the Hospital to the Issuer, substantially in the form of Exhibit D to the Loan Agreement, evidencing the Hospital's obligations to make Loan Payments to the Issuer.

"Short-Term Indebtedness" means indebtedness with a term of one (1) year or less, but not including accounts payable by the Hospital in the ordinary course of its operations.

"Sinking Fund Payments" means payments made on a Debt Service Payment Date to pay the Redemption Price of bonds called for redemption pursuant to the Indenture.

"S&P" or "Standard & Poor's" means S&P Global Ratings.

"State" means the State of New York.

"Subaccount" means any Subaccount within any Account of any Fund created and maintained pursuant to the Indenture.

"Supplemental Indenture" means any indenture supplemental to or amendatory of the Indenture or in connection with the issuance of any Additional Bonds adopted by the Issuer in accordance with the Indenture.

"Tax Regulatory Agreement" means the Tax Regulatory Agreement, dated the Closing Date, between the Issuer and the Hospital, as the same may be amended, modified or supplemented from time to time in accordance with the terms thereof and with the terms of the Indenture.

"Treasury Rate" shall mean, with respect to any redemption date, 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 (2) Business Days prior to the redemption date (excluding inflation indexed securities) (or, is such Statistical Release is no longer published, any publicly available source of similar market date)) most nearly equal to the period from the redemption date to the maturity date of the Series 2020B Bonds to be redeemed; 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 will be used.

"Trust Estate" means the rights assigned pursuant to the Indenture and all Property which may from time to time be subject to the lien of the Indenture.

"Trustee" means (i) U.S. Bank National Association, a banking association having trust powers duly organized and existing under the laws of the United States of America, having an office at 100 Wall Street, Suite 600, New York, New York 10005, Attn: Corporate Trust, and (ii) its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as successor trustee under the Indenture.

"Unassigned Rights" means the rights of the Issuer and moneys payable pursuant to and under Sections 5.3(b), 6.7, 8.2, 8.8, 10.2(a)(i)(B) and (iii), 10.4(a) and 11.2(b) of the Loan Agreement.

"Underwriter" means UBS Financial Services, Inc, or its successors and assigns.

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## SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST

*The following is a brief summary of certain provisions of the Indenture and should not be considered a full statement thereof. Reference is made to the Indenture for complete details of the terms thereof.*

### Authentication

No Series 2020 Bond shall be valid for any purpose or shall be entitled to any right or benefit under the Indenture unless there shall be endorsed on such Series 2020 Bond a Certificate of Authentication, duly executed by the Trustee, substantially in the form set forth in the Form of Series 2020 Bonds included in the Indenture. Such executed Certificate of Authentication by the Trustee upon any such Series 2020 Bond shall be conclusive evidence that such Series 2020 Bond has been authenticated and delivered under the Indenture. The Trustee's Certificate of Authentication on any Series 2020 Bond shall be deemed to have been executed by it if signed by an authorized signatory of the Trustee, but it shall not be necessary that the same person sign the Certificate of Authentication on all of the Series 2020 Bonds issued under the Indenture.

### Mutilated, Lost, Stolen or Destroyed Bonds

(a) In the event any Bond is mutilated, lost, stolen or destroyed, the Issuer shall execute and, upon its request, the Trustee shall authenticate and deliver, a new Bond of like maturity, series, interest rate and principal amount and bearing the same number (or such number as the Trustee shall permit) as the mutilated, destroyed, lost or stolen Bond, in exchange for the mutilated Bond, or in substitution for the Bond so destroyed, lost or stolen. In every case of exchange or substitution, the applicant shall furnish to the Issuer and to the Trustee (i) such security or indemnity as may be required by them to hold each of them harmless from all risks, however remote, and (ii) evidence to their satisfaction of the mutilation, destruction, loss or theft of the applicant's Bond and of the ownership thereof. Upon the issuance of any Bond upon such exchange or substitution, the Issuer 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, including counsel fees, of the Issuer or the Trustee. In case any Bond which has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, the Issuer may, instead of issuing a Bond in exchange or substitution therefor, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Bond) if the applicant for such payment shall furnish to the Issuer and to the Trustee such security or indemnity as they may require to hold them harmless and evidence to the satisfaction of the Issuer and the Trustee of the mutilation, destruction, loss or theft of such Bond and of the ownership thereof.

(b) Every new Bond issued pursuant to the provisions of this summarized section shall constitute an additional contractual, special obligation of the Issuer (whether or not the destroyed, lost or stolen Bond shall be found at any time after the issuance of such new Bonds, in which case the destroyed, lost or stolen Bond shall be void and unenforceable) and shall be entitled to all the benefits of the Indenture equally and proportionately with any and all other Bonds duly issued under the Indenture.

(c) All Bonds shall be held and owned upon the express condition that the provisions of this summarized section are exclusive, with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds, and shall preclude all other rights or remedies, notwithstanding any law or statute existing or hereinafter enacted to the contrary.

**Additional Bonds**

(a) So long as the Indenture is in effect, one or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for the purpose of (i) financing additional costs with respect to the Project, (ii) providing funds in excess of Net Proceeds to repair, relocate, replace, rebuild or restore the Project in the event of damage, destruction or taking by eminent domain, (iii) providing extensions, additions, improvements or facilities to the Project, (iv) funding the costs of acquiring, constructing, equipping and start-up costs of any capital project of the Hospital, (v) refunding Outstanding Bonds or other Indebtedness of the Hospital, or (vi) refunding any other Indebtedness or bonds for which the Hospital is the primary obligor, or for which the Hospital is responsible for paying the debt service payments in connection therewith, or which the Hospital has guaranteed. Such Additional Bonds shall be payable from the receipts and revenues payable to the Issuer from a Loan Agreement between the Issuer and the Hospital. Prior to the issuance of a Series of Additional Bonds and the execution of a Supplemental Indenture in connection therewith, the Issuer and the Hospital shall enter into a new Loan Agreement providing, among other things, that the payments payable under the new Loan Agreement shall be computed so as to amortize in full the principal of and interest on such Additional Bonds and any other costs in connection therewith.

(b) Each such series of Additional Bonds shall be deposited with the Bond Registrar and thereupon shall be authenticated by the Authenticating Agent. Upon payment to the Trustee of the proceeds of sale of the Additional Bonds, they shall be delivered by the Bond Registrar at the direction of the Trustee to or upon the order of the purchaser or purchasers thereof, but only upon receipt by the Trustee of:

(i) a copy of the resolution, duly certified by the Chairman, Vice Chairman, Chief Executive Officer, or Chief Financial Officer, of the Issuer, authorizing, issuing and awarding the Additional Bonds to the purchaser or purchasers thereof and providing the terms thereof and authorizing the execution of any Supplemental Indenture and any amendments of or supplements to the Loan Agreement;

(ii) original executed counterparts of the Supplemental Indenture and the new Loan Agreement, expressly providing that, to the extent applicable, for all purposes of the Supplemental Indenture and the new Loan Agreement, the project referred to therein and the premises financed or refinanced thereunder shall include the buildings, structures, improvements, machinery, equipment or other facilities being financed, and the Bonds referred to therein shall mean and include the Additional Bonds being issued as well as the Bonds now being issued and any Additional Bonds theretofore issued;

(iii) a written opinion of Bond Counsel, to the effect that the issuance of the Additional Bonds and the execution thereof have been duly authorized and that all conditions precedent to the delivery thereof have been fulfilled;

(iv) a certificate of an Authorized Representative of the Hospital to the effect that each Bond Document, as amended, to which it is a party continues in full force and effect and that there is no Event of Default nor any event which upon notice or lapse of time or both would become an Event of Default;

(v) an original, executed counterpart of the amendment to each Bond Document with respect to such Additional Bonds;

(vi) a written order to the Trustee executed by an Authorized Representative of the Issuer to authenticate and deliver the Additional Bonds to the purchaser or purchasers therein identified upon payment to the Trustee of the purchase price therein specified, plus accrued interest, if any; and

(c) (i) Upon the request of the Hospital, one or more series of Additional Bonds may be authenticated and delivered upon original issuance to refund ("**Refunding Bonds**") all Outstanding Bonds or any part of Outstanding Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Indenture and of the resolution authorizing said Refunding Bonds. In the case of the refunding under the Indenture of less than all Bonds Outstanding, the Trustee shall proceed to select such Bonds in accordance with the Indenture.

(i) Refunding Bonds may be authenticated and delivered only upon receipt by the Trustee (in addition to the receipt by it of the documents required by the Indenture, as may be applicable) of:

(A) Irrevocable written instructions from the Issuer, at the request of the Hospital pursuant to the Loan Agreement, to the Trustee, at least forty-five (45) days prior to the Redemption Date, satisfactory to the Trustee, to give due notice of redemption pursuant to the Indenture to the Holders of all the Outstanding Bonds to be refunded prior to maturity on the Redemption Date specified in such instructions;

(B) Either:

(1) moneys in an amount sufficient to effect payment at maturity or upon redemption at the applicable Redemption Price, together with accrued interest on such Bonds to the maturity or Redemption Date, which moneys shall be held by the Trustee or any Paying Agent in a separate account irrevocably in trust for and assigned to the respective Holders of the Outstanding Bonds being refunded, which

moneys shall be held in trust and used as provided in the Indenture, or

(2) Government Obligations in such principal amounts, having such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the Indenture, and any moneys required pursuant to said Section (with respect to all Outstanding Bonds or any part of one or more series of Outstanding Bonds being refunded), which Government Obligations and moneys shall be held in trust and used only as provided in the Indenture.

(ii) The Hospital shall furnish to the Trustee and the Issuer at the time of delivery of the Series of Refunding Bonds a certificate of an independent public accountant stating that the Trustee and/or the Paying Agent (and/or any escrow agent as shall be appointed in connection therewith) hold in trust the moneys or such Government Obligations and moneys required to effect such payment at maturity or earlier redemption.

(d) Each Series of Additional Bonds issued pursuant to the Indenture shall be equally and ratably secured under the Indenture with the Series 2020 Bonds and all other Series of Additional Bonds, if any, issued pursuant to the Indenture, without preference, priority or distinction of any Bond over any other Bonds except as expressly provided in or permitted by the Indenture.

(e) Notwithstanding anything herein to the contrary, no series of Additional Bonds shall be issued unless: (i) at the time of issuance of such Series of Additional Bonds and after the application of proceeds thereof, there is no Event of Default under any Bond Document; (ii) the Loan Agreement is in effect and at the time of issuance there is no Event of Default under any such document nor any event which upon notice or lapse of time or both would become such an Event of Default; and (iii) the Rating Agency, if any, has confirmed in writing that the issuance of such Additional Bonds will not result in a reduction or withdrawal of the then current rating on the Bonds Outstanding.

(f) The Supplemental Indenture providing for the issuance of any Series of Additional Bonds shall contain applicable provisions for the payment of principal of, Redemption Price of, and interest on such Series of Additional Bonds including any interest rate modes applicable to such Series of Additional Bonds, redemption provisions applicable to such Series of Additional Bonds, such Funds, Accounts or subaccounts to be created or held by the Trustee under the Indenture with respect to such Series of Additional Bonds, collateral and security (including credit facilities securing such Series of additional Bonds) and such other terms and provisions as the Issuer may determine are necessary in connection with the issuance of such Additional Bonds.

**Establishment of Funds**

(a) The following trust funds are established with the Trustee and shall be held, maintained and administered by the Trustee on behalf of the Issuer in accordance with the Indenture:

(b) Town of Brookhaven Local Development Corporation Bond Fund – Brookhaven Memorial Hospital Medical Center, Inc. (the "Bond Fund"), and within such Bond Fund, an "Interest Account" and a "Principal Account."

(c) Town of Brookhaven Local Development Corporation Project Fund – Brookhaven Memorial Hospital Medical Center, Inc. (the "Project Fund"), and within such Project Fund, a "Series 2006A Bonds Redemption Account", a "Series 2014 Bonds Redemption Account", a "Costs of Issuance Account," a "Construction Account" and a "Capitalized Interest Account."

(d) Town of Brookhaven Local Development Corporation Rebate Fund – Brookhaven Memorial Hospital Medical Center, Inc. (the "Rebate Fund").

(e) Town of Brookhaven Local Development Corporation Renewal Fund – Brookhaven Memorial Hospital Medical Center, Inc. (the "Renewal Fund").

(f) Town of Brookhaven Local Development Corporation Debt Service Reserve Fund – Brookhaven Memorial Hospital Medical Center, Inc. (the "Debt Service Reserve Fund"), and within such Debt Service Reserve Fund, an Account for the Series 2020A Bonds, the Series 2020B Bonds, and each Series of Additional Bonds issued hereunder, and within the Account for the Series 2020B Bonds, a Subaccount for excess reserves funded with Bond Proceeds from the Series 2020B Bonds (the "Series 2020B Excess Reserve Subaccount").

(e) Upon the issuance of any series of Additional Bonds pursuant to the Indenture, the Supplemental Indenture entered into with such series of Additional Bonds shall create such Funds and Accounts and/or Subaccounts within any Account with respect to such series of Bonds.

**Moneys to Be Held in Trust**

All moneys deposited with, paid to or received by the Trustee for the accounts of the Issuer (other than amounts deposited in the Rebate Fund) shall be held by the Trustee in trust, and shall be subject to the lien of the Indenture and held for the security of the Owners of the particular Series of Bonds until paid in full; provided, however, that moneys which have been deposited with, paid to or received by the Trustee (i) for the redemption of a portion of the particular Series of Bonds, notice of the redemption of which has been given, or (ii) for the payment of the particular Series of Bonds or interest thereon due and payable otherwise than upon acceleration by declaration, shall be held in trust for and subject to a lien in favor of only the Owners of such Series of Bonds so called for redemption or so due and payable. Upon the issuance of any series of Additional Bonds pursuant to the Indenture, the Supplemental Indenture entered into with such series of Additional Bonds shall create such Funds and Accounts and/or

subaccounts within any Account with respect to such series of Bonds. 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.

**Use of the Moneys in Project Fund**

(a) Moneys in the Project Fund shall be applied and expended by the Trustee in accordance with the provisions of this summarized section and of the Loan Agreement.

(b) The Trustee is authorized and directed in the Indenture, on the Closing Date, to (i) transfer amounts on deposit in the Series 2006A Bonds Redemption Account to the Series 2006A Bonds Trustee to redeem or defease the Series 2006A Bonds, and (ii) transfer amounts on deposit in the Series 2014 Bonds Redemption Account to the Series 2014 Bonds Trustee to redeem or defease the Series 2014 Bonds.

(c) On each Debt Service Payment Date during the construction period, the Trustee is authorized and directed to transfer from the Capitalized Interest Account (if funded) to the Interest Account of the Bond Fund an amount necessary to pay interest on the Series 2020A Bonds on each Debt Service Payment Date. Except as otherwise provided in paragraph (a) above or in the preceding sentence of this paragraph (c), the Trustee is directed to issue its checks or send its wires for each disbursement from the Construction Account of the Project Fund and the Cost of Issuance Account of the Project Fund upon being furnished with a written requisition therefor certified by an Authorized Representative of the Hospital and substantially in the form of Exhibit B annexed to the Indenture to pay the Costs of the Project. The Trustee shall maintain adequate records pertaining to the Project Fund and all disbursements therefrom.

(d) The completion of the Project and payment or provision for payment of all Costs of the Project shall be evidenced by the filing with the Trustee of the Completion Certificate required by the Loan Agreement. As soon as practicable and in any event not more than sixty (60) days after the date of the filing with the Trustee of the Completion Certificate referred to in the preceding sentence, any balance remaining in the Construction Account of the Project Fund, except amounts the Hospital shall have directed the Trustee, in writing, to retain for any Cost of the Project not then due and payable, and after the making of any transfer to the Rebate Fund that the Hospital shall have directed the Trustee, in writing, to make as required by the Tax Regulatory Agreement and the Indenture, shall without further authorization be transferred to the Bond Fund and thereafter applied as provided in the Indenture.

(e) Within sixty (60) days after transfer of the balance in the Project Fund to the Bond Fund, the Trustee shall file an accounting thereof with the Issuer and the Hospital.

(f) All earnings on amounts held in the Project Fund shall be retained in the respective account of the Project Fund until the Completion Date. Any transfers by the Trustee of amounts to the Rebate Fund (which transfers may only be made at the written direction of the Hospital) shall be drawn by the Trustee from the Project Fund.

(g) If an Event of Default under the Indenture shall have occurred and the outstanding principal amount of the Bonds shall have been declared due and payable, the entire balance remaining in the Project Fund, after making any transfer to the Rebate Fund directed to be made by the Hospital pursuant to the Tax Regulatory Agreement and the Indenture, shall be transferred to the Bond Fund for the redemption of the Series 2020 Bonds.

**Payments into Bond Fund**

In addition to the payment into the Bond Fund of the accrued interest, if any, on the Series 2020 Bonds pursuant to the Indenture, there shall be deposited in the Bond Fund, as and when received (a) all payments received by the Trustee under the Loan Agreement or any similar provision in any Loan Agreement with respect to the payment of debt service on any Series of Additional Bonds; (b) amounts transferred from the Capitalized Interest Account (if funded) to the Interest Account pursuant to the Indenture; (c) amounts transferred from the Debt Service Reserve Fund pursuant to the Indenture with respect to the Series 2020 Bonds or with respect to any other Series of Bonds for which a Debt Service Reserve Fund Account has been established and funded; (d) the balance in the Project Fund and the Renewal Fund to the extent specified in the Indenture; (e) the amount of net income or gain received from the investments of moneys in the Bond Fund and all Funds and Accounts (other than the Rebate Fund) held under the Indenture after the Completion Date; (f) all other moneys received by the Trustee pursuant to any of the provisions of the Loan Agreement or the Indenture and designated for deposit in the Bond Fund; (g) amounts transferred pursuant to the Loan Agreement; and (h) all other moneys received by the Trustee pursuant to any of the provisions of the Loan Agreement or the Indenture and designated for deposit in the Bond Fund.

**Use of Moneys in Bond Fund**

(a) Except as otherwise expressly provided in the Indenture, moneys in the Bond Fund shall be used solely for the purchase or redemption of Series 2020 Bonds and any Series of Additional Bonds as hereinafter provided. Moneys deposited in the Bond Fund in accordance with the provisions of the Indenture, however, may not be used for the payment of interest on the Series 2020 Bonds and any Series of Additional Bonds and such amounts may only be used to pay principal of or sinking fund installments of the Series 2020 Bonds or any Series of Additional Bonds as they become due and payable, or the Redemption Price of the Bonds called for redemption pursuant to the Indenture.

(b) The Trustee shall, on or before each Debt Service Payment Date of the Series 2020 Bonds, pay out of the monies then held for the credit of the Interest Account, including any amounts transferred from the Capitalized Interest Account of the Project Fund (if funded) pursuant to the Indenture to the Interest Account to pay interest payments on the Series 2020 Bonds, the amounts required for the payment of interest becoming due on the Series 2020 Bonds and any Series of Additional Bonds on such Debt Service Payment Date, and such amounts so withdrawn are irrevocably dedicated for and shall be applied to the payment of interest.

(c) The Trustee shall, on or before each Debt Service Payment Date, when principal of the Series 2020 Bonds and any Series of Additional Bonds or Sinking Fund

Payments are due, pay out of the monies then held for the credit of the Principal Account the amounts required for the payment of principal or Sinking Fund Payments becoming due at maturity, on a Sinking Fund Payment Date, or upon redemption of the Series 2020 Bonds and any Series of Additional Bonds on such Debt Service Payment Date or Sinking Fund Payment Date and such amounts so withdrawn are irrevocably dedicated for and shall be applied to the payment of principal or Sinking Fund Payments.

(d) Moneys transferred to the Bond Fund from the Project Fund pursuant to the Indenture, the Debt Service Reserve Fund pursuant to the Indenture, or from the Renewal Fund pursuant to the Indenture shall be invested, at the written direction of the Hospital, with yield not in excess of (i) the yield on the Series 2020 Bonds, or (ii) the yield on tax-exempt obligations as described in Section 148(b)(3) of the Code, subject to limitations on earnings as set forth in the Tax Regulatory Agreement, and such moneys and earnings thereon shall be applied only to pay the principal of or sinking fund installments of the Series 2020A Bonds as they become due and payable or the Redemption Price of Series 2020A Bonds subject to redemption pursuant to the Indenture.

(e) (i) In the event there shall be on any Debt Service Payment Date, a deficiency in the Bond Fund (a "Payment Deficiency") with respect to the Series 2020A Bonds, the Trustee shall make up any such deficiency from the Account of the Debt Service Reserve Fund for the Series 2020A Bonds, to the extent of the amounts in such Account of the Debt Service Reserve Fund, by the withdrawal of monies from such Account of the Debt Service Reserve Fund, to the extent available and by the sale or redemption of securities held in such Account of the Debt Service Reserve Fund sufficient to make up any deficiency.

(ii) In the event there shall be on any Debt Service Payment Date, a Payment Deficiency with respect to the Series 2020B Bonds, the Trustee shall make up any such deficiency, first from the Series 2020B Excess Reserve Subaccount, by the withdrawal of monies from such Series 2020B Excess Reserve Subaccount, to the extent available and by the sale or redemption of securities held in such Series 2020B Excess Reserve Subaccount sufficient to make up any deficiency; and second from other amounts on deposit in the Account of the Debt Service Reserve Fund for the Series 2020B Bonds, by the withdrawal of monies from such Account of the Debt Service Reserve Fund, to the extent available and by the sale or redemption of securities held in such Account of the Debt Service Reserve Fund sufficient to make up any deficiency.

(f) The Trustee shall call Bonds for redemption according to the Indenture, upon written direction of the Issuer or the Hospital to the Trustee, on or after the date the Series 2020 Bonds are subject to optional redemption pursuant to the Indenture, whenever the assets of the Bond Fund shall be sufficient in the aggregate to provide monies to pay, redeem or retire all the Bonds then Outstanding or to redeem the Series 2020 Bonds in part pursuant to the Indenture, including accrued interest thereon to the Redemption Date. The Trustee shall call any series of Additional Bonds for redemption in accordance with the Supplemental Indenture providing for the issuance of such series of Additional Bonds.

(g) Moneys in the Bond Fund shall be used by the Trustee, upon request of an Authorized Representative of the Hospital, to purchase the Series 2020 Bonds on the most

advantageous terms obtainable with reasonable diligence, provided that no such purchase shall be made:

(i) if an Event of Default under the Loan Agreement has occurred and is continuing;

(ii) within forty-five (45) days prior to any date on which Series 2020 Bonds or any Series of Additional Bonds are subject to redemption pursuant to the Indenture;

(iii) if the amount remaining in the Bond Fund, after giving effect to such purchase, is less than the amount required for the payment of the principal or Redemption Price of the Series 2020 Bonds or any Series of Additional Bonds theretofore matured or called for redemption, plus interest to the date of maturity or the Redemption Date, as the case may be, in all cases where such Series 2020 Bonds or any Series of Additional Bonds have not been presented for payment; or

(iv) at a price in excess of that specified by the Hospital in its request to the Trustee, plus accrued interest to the date of purchase.

The Trustee shall promptly notify the Issuer and the Hospital of the principal amount and the maturity of each Series of Bonds so purchased and the balance held in the Bond Fund after such purchase. The Trustee shall not, however, be subject to any liability to any Owner, the Issuer, the Hospital or any other person by reason of its failure to mail the notice required by this summarized section. The Series 2020 Bonds so purchased by the Hospital or any affiliate shall be delivered to the Trustee for cancellation within fifteen (15) days of the date of purchase unless the Hospital shall deliver to the Trustee and the Issuer an opinion of Bond Counsel to the effect that the failure to surrender such Series 2020 Bonds by such date will not affect the exclusion of the interest on any Bonds then Outstanding from gross income for federal income tax purposes.

(h) In connection with the purchase of the Series 2020 Bonds with moneys on deposit in the Bond Fund as provided in the Indenture, the Trustee shall negotiate or arrange for such purchases in such manner (through brokers or otherwise and with or without receiving tenders) as it shall be instructed in writing by the Hospital.

(i) If the balance in the Bond Fund, not otherwise required for scheduled payments of principal of, Redemption Price or interest on the Series 2020 Bonds or any Series of Additional Bonds, forty-five (45) days prior to any date on which the Series 2020 Bonds or any Series of Additional Bonds are subject to redemption pursuant to the Indenture equals or exceeds $50,000, the Trustee shall, upon the request of an Authorized Representative of the Hospital, apply as much of such balance as can be so applied to the redemption of the Series 2020 Bonds or any Series of Additional Bonds on such next succeeding Redemption Date in the manner provided in the Indenture. The Trustee shall promptly notify the Issuer and the Hospital of the principal amount and maturity of each Series 2020 Bond or any Series of Additional Bonds so redeemed and the balance held in the Bond Fund after such redemption.

(j) Whenever the amount in the respective Account in the Bond Fund is sufficient to redeem all of the Outstanding Series 2020 Bonds or any Series of Additional Bonds and to pay accrued interest to maturity or the date of redemption, the Trustee shall, upon request

of an Authorized Representative of the Hospital, take and cause to be taken the necessary steps to redeem all such Series 2020 Bonds or any Series of Additional Bonds on the next succeeding Redemption Date for which the required redemption notice may be given or on such later Redemption Date as may be specified by the Hospital.

**Payments into Renewal Fund; Application of Renewal Fund**

(a) The Net Proceeds resulting from any insurance award, condemnation award or recovery from any contractor or subcontractor with respect to the Projects or any portion of the Projects shall be deposited in the Renewal Fund. The amounts in the Renewal Fund shall be subject to a security interest, lien and charge in favor of the Trustee until disbursed as provided in the Indenture.

(b) In the event the Series 2020 Bonds or any Series of Additional Bonds shall then be subject to redemption in whole or in part pursuant to the terms thereof or of the Indenture, the Trustee shall, after making any transfer to the Rebate Fund, at the written direction of the Hosptial, as required by the Tax Regulatory Agreement and the Indenture, transfer the amounts deposited in the Renewal Fund to the Bond Fund. If, on the other hand, the Hospital elects to replace, repair, rebuild, restore or relocate the Project or any portion of the Project pursuant to the Loan Agreement, the Trustee shall, at the written direction of the Hospital, apply the amounts on deposit in the Renewal Fund, after making any transfer to the Rebate Fund, at the written direction of the Hospital, as required by the Tax Regulatory Agreement and the Indenture, to such replacement, repair, rebuilding, restoration or relocation. Upon the completion of such replacement, repair, rebuilding, restoration or relocation, and after making any transfer to the Rebate Fund, at the written direction of the Hospital, as required by the Tax Regulatory Agreement and the Indenture, any balance remaining in the Renewal Fund shall without further authorization be transferred to the Principal Account of the Bond Fund and thereafter applied to pay the principal or sinking fund installments of the Series 2020 Bonds or any Series of Additional Bonds as they become due and payable.

(c) If any Event of Default shall exist at the time of the receipt by the Trustee of the Net Proceeds in the Renewal Fund and be continuing, the Trustee, unless it exercises the remedy provided by the Loan Agreement, shall, after making any transfer to the Rebate Fund, at the written direction of the Hospital, as required by the Tax Regulatory Agreement and the Indenture, transfer the amounts deposited in the Renewal Fund to the Bond Fund to be applied in accordance with the Indenture.

(d) If the Hospital elects to replace, repair, rebuild, restore or relocate the Projects or any portion of the Project pursuant to the Loan Agreement, the Trustee is authorized to apply the amounts in the Renewal Fund to the payment (or reimbursement to the extent the same shall have been paid by or on behalf of the Hospital or the Issuer) of the costs required for the replacement, repair, rebuilding, restoration or relocation of the Project. The Trustee is further authorized upon the written direction of the Hospital, and directed to issue its checks for each disbursement from the Renewal Fund upon a requisition submitted to the Trustee and signed by an Authorized Representative of the Hospital. Such requisition shall be in the same form and subject to the same conditions as requisitions from the Project Fund.

**Investment Earnings on Funds; Application of Investment Earnings on Funds**

(a) All investment income or earnings on amounts held in the Project Fund, the Renewal Fund, the Bond Fund or any other special fund held under any of the Bond Documents (other than the Rebate Fund) prior to the Completion Date shall be deposited, upon receipt by the Trustee into the Project Fund and used for the purposes set forth in the Indenture and after the Completion Date shall be used to pay any remaining sums due for costs of the Project not previously paid, or deposited by the Trustee into the Interest Account of the Bond Fund and used to pay the interest component of the next upcoming Debt Service Payment. The Trustee shall keep separate accounts of all investment earnings from each fund and account under the Indenture to indicate the source of the income or earnings.

(b) Within thirty (30) days after the end of each Computation Period, the Trustee, at the written direction of an Authorized Representative of the Hospital, shall transfer to the Rebate Fund instead of the Project Fund or the Interest Account of the Bond Fund an amount of the investment earnings on the funds and accounts under the Indenture, such that the amount transferred to the Rebate Fund is equal to that amount as is set forth as the Rebate Amount in a written certificate delivered by the Hospital to the Trustee pursuant to the Tax Regulatory Agreement and the Indenture.

**Payments into Rebate Fund; Application of Rebate Fund**

(a) The Rebate Fund and the amounts deposited therein shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Trustee or any Owner of any Series of Bond or any other Person.

(b) The Trustee, upon the receipt of a certification of the Rebate Amount from an Authorized Representative of the Hospital, shall transfer, from moneys in the Project Fund or the Renewal Fund, or from any other moneys paid by the Hospital in accordance with the Tax Regulatory Agreement, into the Rebate Fund, within thirty (30) days after the end of each Bond Year, an amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated as of the last day of the immediately preceding Bond Year. If there has been delivered to the Trustee a certification of the Rebate Amount in conjunction with the completion of the Project pursuant to the Loan Agreement at any time during a Bond Year, the Trustee shall deposit in the Rebate Fund within thirty (30) days of the Completion Date an amount received from the Hospital such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated at the completion of the Project. The amount deposited in the Rebate Fund pursuant to this summarized paragraph shall be paid by the Hospital pursuant to the Tax Regulatory Agreement.

(c) In the event that on the first day of any Bond Year the amount on deposit in the Rebate Fund exceeds the Rebate Amount, the Trustee, upon the receipt of written instructions from an Authorized Representative of the Hospital, shall withdraw such excess

amount and deposit it in the Project Fund until the completion of the Project, or, after the Completion Date, deposit it in the Bond Fund.

(d) The Trustee, upon the receipt of written instructions from an Authorized Representative of the Hospital, shall pay to the United States, out of amounts in the Rebate Fund, (i) not later than thirty (30) days after the last day of the fifth Bond Year and after every fifth Bond Year thereafter, an amount such that, together with prior amounts paid to the United States, the total paid to the United States is equal to ninety percent (90%) of the Rebate Amount with respect to the Series 2020 Bonds as of the date of such payment, and (ii) notwithstanding the provisions of the Indenture, not later than thirty (30) days after the date on which all Series 2020 Bonds have been paid in full, one hundred (100%) percent of the Rebate Amount as of the date of payment.

(e) The Trustee shall have no obligation under the Indenture to transfer any amounts to the Rebate Fund unless the Trustee shall have received specific written instructions from the Hospital to make such transfer.

**Payments into Debt Service Reserve Fund; Application of Debt Service Reserve Fund.**

(a) (i) Upon the issuance, sale and delivery of the Series 2020 Bonds, the Issuer shall transfer to the Trustee for deposit into the Accounts of the Debt Service Reserve Fund for each of the Series 2020A Bonds and the Series 2020B Bonds collectively in an amount equal to the Debt Service Reserve Fund Requirement to the extent such moneys are available for such purpose from the proceeds of the sale of the Series 2020 Bonds, and the Issuer shall transfer to the Series 2020B Excess Reserve Subaccount such other amounts as set forth in the Indenture.

(ii) The Trustee shall deposit into the Accounts of the Debt Service Reserve Fund all payments made by the Hospital pursuant to the Loan Agreement.

(b) Moneys and securities held for credit in the Accounts of the Debt Service Reserve Fund shall be transferred by the Trustee to the respective Subaccounts of the Interest Account and the Principal Account of the Bond Fund at the times and in the amounts required pursuant to the Indenture.

(c) Whenever the Trustee shall determine that the moneys and securities in the Debt Service Reserve Fund and the Series 2020B Excess Reserve Subaccount will be equal to or in excess of the Redemption Price of all of the Outstanding Series 2020A Bonds plus accrued interest to the Redemption Date, the Trustee shall use and apply the amounts on deposit in the Debt Service Reserve Fund to the redemption of all Outstanding Series 2020A Bonds on the first date thereafter that such Series 2020A Bonds are subject to optional redemption pursuant to the Indenture.

(d) Any income or interest earned by, or increment to, the Accounts of the Debt Service Reserve Fund shall be transferred by the Trustee and deposited (i) prior to the Completion Date, to the related Account of the Project Fund and applied to pay costs of the Project, and (ii) after the Completion Date, to the related Subaccount of the Interest Account of the Bond Fund with respect to such Series of Bonds and applied to the payment of the interest

component of the next upcoming Debt Service Payments with respect to such Series of Bonds, and the Hospital's obligations under the Loan Agreement shall be adjusted accordingly.

(e) In order to ensure the maintenance of the Debt Service Reserve Fund Requirement, the Trustee, upon the determination of any deficiency in an Account of the Debt Service Reserve Fund, shall make and deliver to the Issuer and the Hospital at the intervals required pursuant to the Indenture, a certificate stating the amount required to restore the amount of such Account of the Debt Service Reserve Fund to the amount of the applicable Debt Service Reserve Fund Requirement, and the Trustee shall collect such deficiency from the Hospital as provided in the Loan Agreement.

(f) Upon the redemption in full or final maturity of the Series 2020B Bonds, the Trustee shall transfer any amounts on deposit in the Series 2020B Excess Reserve Subaccount to the Principal Account of the Bond Fund and applied in accordance with the Indenture; and the Trustee shall transfer any other amounts on deposit Account of the Debt Service Reserve Fund for the Series 2020B Bonds to the Account of the Debt Service Reserve Fund for the Series 2020A Bonds.

(g) Funds on deposit in the Series 2020B Excess Reserve Subaccount shall be invested, at the written direction of the Hospital, with yield not in excess of (i) the yield on the Series 2020A Bonds, or (ii) the yield on tax-exempt obligations as described in Section 148(b)(3) of the Code, subject to limitations on earnings as set forth in the Tax Regulatory Agreement.

**Investment of Moneys**

(a) Moneys held in any fund established pursuant to the Indenture shall be invested and reinvested by the Trustee in Authorized Investments, pursuant to written direction by an Authorized Representative of the Hospital. Such investments shall mature in such amounts and have maturity dates or be subject to redemption at the option of the owners thereof on or prior to the date on which the amounts invested therein will be needed for the purposes of such fund or accounts. The Trustee may at any time, at the written direction of an Authorized Representative of the Hospital, sell or otherwise reduce to cash a sufficient amount of such investments whenever the cash balance in such fund or accounts is insufficient for the purposes thereof. Any such investments shall be held by or under control of the Trustee and shall be deemed at all times a part of the fund or the respective account within a fund or special trust account for which such moneys are invested, and the interest accruing thereon and any profit realized from such investment shall be credited to and held in and any loss shall be charged to the applicable fund.

(b) The Trustee may make any investment permitted by this summarized section through its own bond department. Notwithstanding anything to the contrary contained in the Indenture, the Trustee shall not be liable for any depreciation in the value of any investment made pursuant to this summarized section or for any loss arising from any such investment.

(c) Any investment in the Indenture authorized is subject to the condition that no use of the proceeds of any Bonds or of any other moneys shall be made which, if such use had been reasonably expected on the date of issue of such Series 2020 Bonds, would cause such

Series 2020 Bonds to be "arbitrage bonds" within the meaning of such quoted term in Section 148 of the Code. The Trustee shall not be liable if such use shall cause the Series 2020 Bonds to be "arbitrage bonds", provided only that the Trustee shall have made such investment pursuant to the written direction or confirmation by an Authorized Representative of the Hospital as provided in this summarized section.

(d) Although the Hospital recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Hospital hereby agrees that broker confirmations of investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered by the Trustee.

(e) The Trustee shall, at the written direction of the Hospital, sell at the best price obtainable by the Trustee, or present for redemption, any obligation purchased by it as an investment whenever it shall be necessary in order to provide monies to meet any payment or transfer from the Fund or account for which such investment was made.

(f) The Trustee shall compute the amount in the Accounts of the Debt Service Reserve Fund on the third Business Day preceding each Debt Service Payment Date. In computing the amount in the Accounts of the Debt Service Reserve Fund, obligations purchased as an investment of moneys therein shall be valued at the lower of cost or market value, or, if applicable, par. Notwithstanding anything to the contrary contained herein or any other Bond Document, the weighted average maturity of investments in an Account of the Debt Service Reserve Fund at any time may not exceed ten (10) years as of the date of any purchase of an investment. Upon the occurrence of a deficiency in an Account in the Debt Service Reserve Fund, such deficiency shall be restored to the extent required under the Loan Agreement, and investments of the moneys in the applicable Account or Accounts of the Debt Service Reserve Fund throughout shall be valued monthly until the deficiency has been fully restored as provided in the Loan Agreement. If, as a result of a valuation, moneys and investments on deposit in the Debt Service Reserve Fund exceed the Debt Service Reserve Fund Requirement, such excess shall be transferred by the Trustee to the corresponding related Subaccount of the Principal Account of the Bond Fund and shall be applied to the principal component of the next upcoming Debt Service Payment and/or Sinking Fund Payment with respect to the related Series of Bonds and the Hospital's obligations under the Loan Agreement shall be adjusted accordingly.

**Payment to Hospital upon Payment of Bonds**

Except as otherwise specifically provided in the Indenture, after payment in full of the principal or Redemption Price of and interest on all the Series 2020 Bonds or any Series of Bonds (or after provision for the payment thereof has been made in accordance with the Indenture) and after payment in full of the fees, charges and expenses of the Trustee and any Paying Agent, including reasonable attorneys' fees, and all other amounts required to be paid under the Indenture, and the fees, charges and expenses of the Issuer and all other amounts required to be paid under the Loan Agreement, all amounts remaining in any fund established pursuant to the Indenture with respect to such Series of Bonds (except the Rebate Fund) or otherwise held by the Trustee and by any additional Paying Agent for the account of the Issuer or the Hospital under the Indenture or under the Loan Agreement shall be paid to the Hospital.

**Failure to Present Bonds**

Subject to the provisions of the Indenture, in the event any Bond shall not be presented for payment when the principal or Redemption Price thereof becomes due, either at maturity or at the date fixed for prior redemption thereof or otherwise, if moneys sufficient to pay such Bond shall be held by the Trustee for the benefit of the Owner thereof, all liability of the Issuer to the Owner thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged. Thereupon, the Trustee shall hold such moneys, without liability for interest thereon, for the benefit of the Owner of such Bonds, who shall thereafter be restricted exclusively to such moneys for any claim under the Indenture or on, or with respect to, said Bond. Subject to any law to the contrary, if any Bond shall not be presented for payment within the period of two (2) years following the date when such Bond becomes due, whether by maturity or call for prior redemption or otherwise, the Trustee shall return to the Issuer the funds theretofore held by it for payment of such Bond, and thereafter (a) all liability of the Trustee with respect to such moneys shall terminate, and (b) such Bond shall, subject to the defense of any applicable statute of limitations, thereafter be an unsecured obligation of the Issuer. The Trustee shall, at least sixty (60) days prior to the expiration of such two (2) year 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 this summarized section at the expiration of such two (2) year period. The failure of the Trustee to give any such notice shall not affect the validity of any return of funds pursuant to this summarized section.

**Cancellation**

All Bonds surrendered to the Trustee for payment, redemption, transfer or exchange, and Bonds surrendered to the Trustee by the Issuer, or by the Hospital on behalf of the Issuer, for cancellation, shall be promptly cancelled by the Trustee. All Bonds cancelled by the Trustee shall be disposed of by the Trustee in accordance with its customary procedures and shall not be reissued. A copy of the canceled Bond or Bonds or other form of notice of such cancellation shall be delivered to the Hospital upon its written request.

**Agreement to Provide Information**

The Trustee agrees, whenever requested in writing by the Issuer or the Hospital, to provide such information that is known to the Trustee relating to the Bonds as the Issuer or the Hospital, from time to time, may reasonably request, including, but not limited to, such information as may be necessary to enable the Issuer or the Hospital to make any reports required by any Federal, state or local law or regulation or to request any consent or waiver from the holders of the Bonds.

**Continuing Disclosure Agreement**

The Hospital and Digital Assurance Certification, L.L.C., as dissemination agent (the "Dissemination Agent") will enter into the Continuing Disclosure Agreement on the Closing Date. The Issuer shall have no liability to the holders of the Bonds or any other person with respect to, any reports, notices or disclosures required by or provided pursuant to the Continuing Disclosure Agreement. The Dissemination Agent agrees to enter into the Continuing Disclosure

Agreement on the Closing Date and to comply with and carry out all of its obligations under the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the Hospital or the Dissemination Agent to perform in accordance with the Continuing Disclosure Agreement shall not constitute a default or an Event of Default under the Indenture, and the rights and remedies provided by the Indenture upon the occurrence of such a default or an Event of Default shall not apply to any such failure, but the Continuing Disclosure Agreement may be enforced only as provided therein. If a Series of Additional Bonds is issued under the Indenture and a continuing disclosure agreement is required to be executed by the Hospital with respect thereto, the Dissemination Agent agrees to enter into a written continuing disclosure agreement with the Hospital for the benefit of the Holders of such Series of the Bonds in substantially the form of the Continuing Disclosure Agreement which shall be executed and delivered solely to assist the Hospital in complying with Rule 15c2-12(b)(5) of the Securities Exchange Act of 1934, as in effect on such date.

**Discharge of Lien**

(a) If the Issuer shall pay or cause to be paid to the Owners of any series of Bonds or of all Outstanding Bonds the principal thereof, redemption premium, if any, and interest thereon, at the times and in the manner stipulated therein and in the Indenture, and if there shall have been paid all fees, charges and expenses required to be paid under the Indenture, then the lien on the Trust Estate created for the benefit of the Owners of such Series of Bonds so paid shall be released, discharged and satisfied. In such event, except as otherwise specifically provided in the Indenture, the Trustee and any additional Paying Agent shall pay or deliver to the Hospital all moneys or securities held by it pursuant to the Indenture which are not required for the payment of principal of, interest and premium, if any, on such Series of Bonds. The Issuer may pay or cause to be paid any Series of Bonds without at the same time paying or causing to be paid all other Series of Outstanding Bonds. If the Issuer does not pay or cause to be paid, at the same time, all Outstanding Bonds, then the Trustee and any additional Paying Agent shall not return those moneys and securities held under the Indenture as security for the benefit of the Owners of Bonds not so paid or caused to be paid.

(b) When all of the Outstanding Bonds shall have been paid in full, or provisions for such full payment of all Outstanding Bonds shall have been made in accordance with this summarized section and the Indenture, the Trustee and the Issuer shall promptly execute and deliver to the Hospital such written certificates, instruments and documents as the Hospital shall reasonably provide to cause the lien of the Indenture upon the Trust Estate to be discharged and canceled.

(c) Notwithstanding the fact that the lien of the Indenture upon the Trust Estate may have been discharged and canceled in accordance with this summarized section, the Indenture and the rights granted and duties imposed by the Indenture, to the extent not inconsistent with the fact that the lien upon the Trust Estate may have been discharged and canceled, shall nevertheless continue and subsist until the principal or Redemption Price of and interest on all of the Bonds shall have been fully paid or the Trustee shall have returned to the Issuer pursuant to the Indenture all funds theretofore held by the Trustee for payment of any Bonds not theretofore presented for payment.

**Discharge of the Indenture**

(a) Any Outstanding Bond or installments of interest with respect thereto shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning of, and with the effect expressed in, summarized subsection (a) under the heading "Discharge of Lien" if: (i) there shall have been deposited with the Trustee sufficient cash and/or Government Obligations, in accordance with summarized subsection (b) under this heading, which will, without further investment, be sufficient, together with the other amounts held for such payment, to pay the principal of the Series of Bonds when due or to redeem the Series of Bonds on the earliest possible redemption date thereof at the Redemption Price specified in the Indenture; (ii) in the event such Bonds are to be redeemed prior to maturity in accordance with the Indenture or in a Supplemental Indenture with respect to such Series of Bonds, all action required by the provisions of the Indenture to redeem the Bonds shall have been taken or provided for to the satisfaction of the Trustee and notice thereof in accordance with the Indenture or in a Supplemental Indenture with respect to such Series of Bonds shall have been duly given or provision satisfactory to the Trustee shall have been made for the giving of such notice; (iii) provision shall have been made for the payment of all fees and expenses of the Trustee and of any additional Paying Agent with respect to the Series of Bonds of which the Bond is a part; (iv) the Issuer shall have been reimbursed for all of its expenses under the Loan Agreement with respect to the Series of Bonds of which such Series of Bonds is a part; (v) all other payments required to be made under the Loan Agreement and the Indenture or any Supplemental Indenture with respect to such Series of Bonds of which the Bond is a part shall have been made or provided for; (vi) the Issuer causes to be delivered an opinion of Independent Counsel stating that all conditions precedent with respect to the satisfaction and discharge of the Indenture have been met, then these presents and the trust and rights granted shall cease, terminate and be void; and (vii) there shall have been delivered to the Issuer and to the Trustee a verification report from a verification agent (in each case reasonably satisfactory to the Issuer and the Trustee) to the effect that the moneys and/or Government Obligations are sufficient, together with any income to be earned thereon, without reinvestment, to pay the principal of, interest on, and redemption premium, if any, of the Bonds to be defeased.

(b) For the purpose of this summarized section, the Trustee shall be deemed to hold sufficient moneys to pay the principal of an Outstanding Bond not then due or to redeem an Outstanding Bond prior to the maturity thereof only if there shall be on deposit with the Trustee and available for such purpose an amount of cash and/or a principal amount of Government Obligations, maturing or redeemable at the option of the owner thereof not later than (i) the maturity date of such Series of Bonds, or (ii) the first date following the date of computation on which such Series of Bonds may be redeemed pursuant to the Indenture (whichever may first occur), which, together with income to be earned on such Government Obligations prior to such maturity date or Redemption Date, equals the principal and redemption premium, if any, due on such Series of Bonds, together with all interest thereon (at the maximum applicable rate) which has accrued and which will accrue to such maturity or Redemption Date.

(c) Upon the defeasance of any series of Series of Bonds or of all Outstanding Bonds in accordance with the Indenture, the Trustee shall hold in trust, for the benefit of the Owners of such Series of Bonds, all such cash and/or Government Obligations, shall make no

other or different investment of such cash and/or Government Obligations and shall apply the proceeds thereof and the income therefrom only to the payment of such Bonds.

**Events of Default**

The following shall be "Events of Default" under the Indenture with respect to any Bond or any Series of Bonds:

(a) A default in the due and punctual payment of any interest or any principal, Sinking Fund Payments, or Redemption Price of any Bond, whether at the stated maturity thereof, upon proceedings for redemption thereof or upon the maturity thereof by declaration, or any other amounts due under the Indenture or the other Bond Documents or any other bond documents entered into in connection with any series of Additional Bonds; or

(b) A default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer contained in the Indenture or in any Series of Bonds and the continuance thereof for a period of thirty (30) days after written notice given by the Trustee or by the Owners of not less than fifty-one percent (51%) of the principal amount of the applicable Series of Bonds then Outstanding; or if such default cannot be cured within thirty (30) days, but the Issuer is proceeding diligently to cure such default, then the Issuer shall be permitted an additional ninety (90) days within which to remedy the default; or

(c) The occurrence of an Event of Default under any Loan Agreement.

**Acceleration; Annulment of Acceleration; Default Rate**

(a) Upon the occurrence of an Event of Default under the Loan Agreement under summarized section (a)(v) under the heading "Events of Default Defined" or any similar provision in any other Loan Agreement with respect to any Additional Bonds, all Series of Bonds Outstanding shall become immediately due and payable without action or notice of any kind on the part of the Trustee or the Issuer. Upon the occurrence and continuance of an Event of Default, the Trustee shall, by notice in writing delivered to the Issuer and the Hospital, declare all Series of Bonds Outstanding immediately due and payable, and such Series of Bonds shall become and be immediately due and payable, anything in the Series of Bonds or in the Indenture to the contrary notwithstanding. In such event, there shall be due and payable on the Series of Bonds an amount equal to the total principal amount of all such Series of Bonds, plus all interest accrued thereon and which will accrue thereon to the date of payment. If all of the Series of Bonds Outstanding shall become so immediately due and payable, the Issuer and the Trustee shall as soon as possible declare by written notice to the Hospital all unpaid installments payable by the Hospital under the Loan Agreement or any similar provision in any other Loan Agreement with respect to any Additional Bonds to be immediately due and payable.

(b) At any time after the principal of the Series 2020 Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Indenture, the Trustee may annul such declaration and its consequences with respect to any Series 2020 Bonds not then due by their terms if

(i) moneys shall have been deposited in the Bond Fund sufficient to pay all matured installments of interest and principal, Sinking Fund Payments, or the Redemption Price (other than principal then due only because of such declaration) of such Outstanding Series of Bonds; (ii) sufficient moneys shall be available to pay the amounts described in the Indenture; (iii) all other amounts then payable by the Issuer under the Indenture shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other Event of Default known to the Trustee (other than a default in the payment of the principal of such Bonds then due only because of such declaration) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

**Enforcement of Remedies**

(a) Upon the occurrence and continuance of any Event of Default, and upon being provided with security or indemnity reasonably satisfactory to the Trustee against any liability or expense which might thereby be incurred, the Trustee shall proceed forthwith to protect and enforce its rights and the rights of the Owners under the Act, the applicable Series of Bonds and the applicable Loan Agreement by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient. 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.

(b) The Trustee acting directly may sue for, enforce payment of and receive any amounts due or becoming due from the Issuer or the Hospital for principal, Redemption Price, interest or otherwise under any of the provisions of the Series of Bonds, the Bond Documents, and any bond documents entered into in connection with any Series of Additional Bonds without prejudice to any other right or remedy of the Trustee or of the Owners.

(c) Regardless of the happening of an Event of Default, the Trustee shall have the right to institute and maintain such suits and proceedings as it may be advised by such Owners shall be necessary or expedient (i) to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture or of any resolution authorizing any Series of Bonds, or (ii) to preserve or protect the interests of the Owners, provided that such request is in accordance with law and the provisions of the Indenture and is not unduly prejudicial to the interests of the Owners not making such request.

**Appointment of Receivers**

Upon the occurrence of an Event of Default and upon the filing of a suit or commencement of other judicial proceedings to enforce the rights of the Trustee or the Owners under the Indenture, the Trustee shall, to the extent permitted by law, be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the revenues and receipts thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

**Application of Moneys**

(a) The Net Proceeds received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture shall be, after paying the fees and expenses of the Trustee, deposited in the Bond Fund.

(b) All moneys held in the Bond Fund for any particular Series of Bonds during the continuance of an Event of Default shall be applied as follows:

(i) Unless the principal of all the Bonds of a particular Series of Bonds shall have become due or shall have been declared due and payable,

> FIRST - To the payment of all installments of the interest then due, 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 of interest, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto without any discrimination or preference; and
>
> SECOND - To the payment of the unpaid principal or Redemption Price, if any, of any Series of Bonds or principal installments which shall have become due (other than any Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in order of their due dates, with interest on such Bonds, at the rate or rates expressed thereon, from the respective dates upon which such Bonds became due and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, to the Persons entitled thereto without any discrimination or preference; and
>
> THIRD - To the payment of the principal or Redemption Price of and interest on such Bonds as the same become due and payable.

(ii) If the principal of all such Bonds shall have become due or shall have been declared due and payable, to the payment of the principal and interest (at the rate or rates expressed thereon) then due and unpaid upon all such Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bonds of such series, ratably according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference; and

(iii) If the principal of all such Bonds shall have been declared due and payable and if such declaration shall thereafter have been annulled pursuant to provisions of the Indenture, the moneys shall be applied in accordance with the provisions of paragraph (i) of this summarized subsection (b).

(c) Whenever moneys are to be applied by the Trustee pursuant to the provisions of this summarized section, such moneys shall be applied at such time or times as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. On the date fixed by the Trustee for application of such moneys, interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the application of any such moneys and of the fixing of any such date.

**Remedies Vested in Trustee**

Except as otherwise provided in the Indenture, all rights of action (including the right to file proof of claim) under the Indenture or under any of the Series of Bonds may be enforced by the Trustee without possession of any of the Series of Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Owners of any Series of Bonds. Subject to the provisions of the Indenture, any recovery of judgment shall be for the equal benefit of the Owners of the Outstanding Bonds.

**Remedies Not Exclusive**

No remedy conferred upon or reserved to the Trustee or to the Owners by the Indenture is intended to be exclusive of any other remedy. Each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Owners under the Indenture or now or hereafter existing at law or in equity or by statute.

**Supplemental Indentures Not Requiring Consent of Owners**

(g) Without the consent of or notice to any of the Owners of each Series of Bonds issued hereunder), the Issuer and the Trustee may enter into one or more Supplemental Indentures, not inconsistent with the terms and provisions of the Indenture, for any one or more of the following purposes:

(i) To cure any ambiguity or formal defect or omission in the Indenture;

(ii) To cure, correct or supplement any defective provision of the Indenture in such manner as shall not be inconsistent with the Indenture and shall not impair the security of the Indenture nor adversely affect the Owners;

(iii) To grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners or the Trustee, but only with the prior written consent of the Hospital not unreasonably to be withheld;

(iv) To add to the covenants and agreements of the Issuer in the Indenture, other covenants and agreements to be observed by the Issuer;

(v) To identify more precisely the Trust Estate;

(vi) To subject to the lien of the Indenture additional revenues, receipts, Property or collateral, but only with the prior written consent of the Hospital not unreasonably to be withheld;

(vii) To release Property from the lien of the Indenture or to grant or release easements to the extent permitted by the Indenture;

(viii) To make any other changes in the Indenture which do not prejudice the interests of the Trustee, the Hospital or the Owners;

(ix) To make any change which, in the opinion of Bond Counsel, is necessary or desirable in order to preserve the exclusion of interest on the Series 2020 Bonds or any other series of Tax-Exempt Additional Bonds issued under the Indenture from gross income for federal income tax purposes;

(x) To make any change requested by a Rating Agency in connection with obtaining or maintaining a rating on any Series of Bonds; or

(xi) To issue any series of Additional Bonds in accordance with the provisions of the Indenture.

(h) In connection with the execution and delivery of any Supplemental Indenture to be entered into under the provisions of the Indenture, the Trustee shall be entitled to receive and may rely upon an opinion of Independent Counsel as conclusive evidence that any such Supplemental Indenture complies with the foregoing conditions and provisions.

**Supplemental Indentures Requiring Consent of Owners**

(i) Except as provided in the Indenture, the Owners of not less than fifty-one percent (51%) in aggregate principal amount of Bonds then Outstanding (or if less than all Series of Bonds then Outstanding are affected by such Supplemental Indenture, then the Owners of not less than fifty-one percent (51%) in aggregate principal amount of the Series of Bonds so affected) shall have the right, from time to time, to consent to and approve the execution by the Issuer and the Trustee of such Supplemental Indentures as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions contained in the Indenture or in any Supplemental Indenture or in the Series 2020 Bonds or any other Series of Bonds issued hereunder; provided, however, that nothing contained in the Indenture shall permit:

(i) A change in the terms of redemption or maturity of the principal of or the time of payment of interest on any Outstanding Series of Bonds or a reduction in the principal amount or Redemption Price of any Outstanding Series of Bonds or the rate of interest thereon, without the consent of the Owners of such Series of Bonds; or

(ii) The creation of a lien upon the Trust Estate ranking prior to or on a parity with the lien created by the Indenture, without the consent of the Owners of all Outstanding Series of Bonds; or

(iii) A preference or priority of any Bond or Series of Bonds over any other such Bond or Series of Bonds, without the consent of the Owners of all such Outstanding Bonds so affected; or

(iv) A reduction in the aggregate principal amount of any Series of Bonds required for consent to such Supplemental Indenture, without the consent of the Owners of all Outstanding Series of Bonds.

(j) If at any time the Issuer shall request the Trustee to enter into a Supplemental Indenture for any of the purposes summarized in subsection (a) under this heading, the Trustee, upon being satisfactorily indemnified with respect to expenses, shall cause notice of the proposed execution of such Supplemental Indenture to be given, by first class mail, to each Owner of Series of Bonds then Outstanding at their addresses as they appear on the registration books kept by the Trustee. Such notice shall briefly summarize the contents of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Office of the Trustee for inspection by all Owners.

(k) The Trustee shall not, however, be subject to any liability to any Owner by reason of its failure to mail the notice required by the Indenture.

(l) If, within such period after the mailing of the notice required by the Indenture as the Issuer shall prescribe with the approval of the Trustee, the Issuer shall deliver to the Trustee an instrument or instruments executed by the Owners of not less than fifty-one percent (51%) in aggregate principal amount of Series of Bonds then Outstanding, referring to the proposed Supplemental Indenture as described in such notice and consenting to and approving the execution thereof, the Trustee shall execute such Supplemental Indenture.

(m) If the Owners of not less than fifty-one percent (51%) in aggregate principal amount of the Series of Bonds Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no Owner of such Series of Bonds shall have any right to object to any of the terms and provisions contained therein or in any manner to question the propriety of the execution thereof or enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof.

(n) The Trustee shall be entitled to receive and may rely upon an opinion of Independent Counsel as conclusive evidence that (i) any Supplemental Indenture entered into by the Issuer and the Trustee, and (ii) the evidence of requisite Owner consent thereto comply with the provisions of the Indenture.

**Consent of Hospital to Supplemental Indentures**

Notwithstanding anything contained in the Indenture to the contrary, no Supplemental Indenture which affects any rights or obligations of the Hospital shall become effective unless

and until the Hospital shall have consented in writing to the execution and delivery of such Supplemental Indenture. The Trustee shall be entitled to receive and may rely upon the opinion of Independent Counsel as conclusive evidence of whether or not a Supplemental Indenture affects any rights of the Hospital within the meaning of, and for the purposes of, the provisions summarized under this heading. The Trustee shall deliver to the Hospital a copy of all executed Supplemental Indentures.

**Amendments to the Loan Agreement Not Requiring Consent of Owners**

Without the consent of or notice to any of the Owners, the Issuer may enter into, and the Trustee may consent to, any amendment, change or modification of any Loan Agreement as may be required (a) by the provisions thereof or of the Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission therein, (c) in connection with the description of the Project and the substitution, addition or removal of a portion of the Project as provided in the Loan Agreement and the Indenture, (d) in connection with additional real estate which is to become part of the Project, or (e) in connection with any other change therein which, in the sole judgment of the Trustee, does not adversely affect the interests of the Trustee or the Owners of the applicable Series of Bonds. The Trustee shall be entitled to receive and may rely upon an opinion of Independent Counsel stating that and as conclusive evidence that any such amendment, change or modification complies with the provisions of this Section.

**Amendments to the Loan Agreement Requiring Consent of Owners**

Except for amendments, changes or modifications as provided in the Indenture, neither the Issuer nor the Trustee shall consent to any amendment, change or modification of the Loan Agreement without mailing of notice and the written approval or consent of the Owners of not less than fifty-one percent (51%) in aggregate principal amount of the applicable Series of Bonds at the time Outstanding procured and given in the manner set forth in the Indenture; provided, however, that no such amendment shall be permitted which changes the terms of payment thereunder without the consent of the Owners of all the applicable Series of Bonds then Outstanding. The Trustee shall be entitled to receive and may rely on an opinion of Independent Counsel stating that and as conclusive evidence that any such amendment, change or modification and the evidence of requisite Owner consent comply with the requirements of the Indenture.

**Amendments of Tax Regulatory Agreement Not Requiring Consent of Owners**

Without the consent of or notice to any of the Owners, the Issuer and the Hospital may consent to any amendment, change or modification of the Tax Regulatory Agreement as may be required (a) for the purpose of curing any ambiguity or formal defect or omission, or (b) in connection with any other change therein which, in either case, does not adversely affect the interests of the Issuer, the Hospital or the Owners of the applicable Series of Bonds. The Issuer and the Hospital shall be entitled to receive and may rely upon an opinion of Bond Counsel stating that and as conclusive evidence that any such amendment, change or modification complies with the provisions of the Indenture.

**Amendments of Tax Regulatory Agreement Requiring Consent of Owners**

Except for amendments, changes or modifications as provided in in the Indenture, neither the Issuer nor the Hospital shall enter into any amendment, change or modification of the Tax Regulatory Agreement without mailing of notice and the written approval or consent of the Owners of not less than fifty-one percent (51%) in aggregate principal amount of the applicable Series of Bonds at the time Outstanding procured and given in the manner set forth in the Indenture. The Issuer shall be entitled to receive and may rely upon an opinion of Bond Counsel stating that and as conclusive evidence that any such amendment, change or modification and the evidence of requisite Owner consent comply with the provisions of the Indenture.

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## SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

*The obligations of the Hospital to make payments under the Loan Agreement are evidenced by promissory notes for the Series 2020 Bonds from the Hospital to the Issuer and endorsed by the Issuer to the Trustee. The payments by the Hospital under the Loan Agreement and the Promissory Note are intended as security for the Series 2020 Bonds.*

*The following is a brief summary of certain provisions of the Loan Agreement and should not be considered a full statement thereof. Reference is made to the Loan Agreement for complete details of the terms thereof.*

### Financing of Project

The Hospital agrees that the Bond Proceeds of the Series 2020 Bonds will be used to pay the Costs of the Project.

### Issuance of the Series 2020 Bonds; Disbursement of Bond Proceeds

In order to provide funds for payment of the Costs of the Project, together with other payments and incidental expenses in connection therewith, the Issuer agrees that it will authorize, issue, sell and cause the Series 2020 Bonds to be delivered on the terms set forth in the Indenture. Bond Proceeds shall be disbursed in accordance with the provisions of the Indenture and the Loan Agreement.

### Application of Series 2020 Bond Proceeds

The Series 2020 Bond Proceeds shall be deposited in the (i) Cost of Issuance Account to pay costs of issuance; (ii) Series 2006A Bonds Redemption Account of the Project Fund and used to redeem the Series 2006A Bonds; (iii) Series 2014 Bonds Redemption Account of the Project Fund and used to redeem the Series 2014 Bonds; (iv) the Construction Account of the Project Fund; and (v) the Capitalized Interest Account of the Project Fund. Except as provided in the Loan Agreement, the Bond Proceeds, upon the written direction of an Authorized Representative of the Hospital and on the conditions provided for in the Indenture, shall be applied to pay only the following costs and items of expense paid by or on behalf of the Issuer on or after the Closing Date, except as may otherwise be provided under the Tax Regulatory Agreement or included in a resolution of the Board of Trustees of the Hospital indicating an intent to reimburse the Hospital for costs of the Project incurred prior to that date:

(i) the cost of preparing the Plans and Specifications (including any preliminary study or planning of the Project or any aspect thereof),

(ii) all costs of the Project, including, without limitation, all costs of renovating, constructing, equipping and furnishing the Project (including environmental audits and architectural, engineering and supervisory services with respect to the Project), and amounts necessary to refund the Series 2006A Bonds and the Series 2014 Bonds,

(iii) all fees, taxes, charges and other expenses for recording or filing, as the case may be, any documents that the Issuer or the Trustee may deem desirable in order to protect or perfect any security interest contemplated by the Indenture,

(iv) interest payable on the Series 2020A Bonds capitalized and principal and interest payable during the Construction Period on such interim financing as the Hospital may have secured with respect to the Series 2020 Project in contemplation of the issuance of the Series 2020A Bonds,

(v) all legal, underwriting, accounting and any other fees, costs and expenses, including, without limitation, the fees and expenses of the Issuer incurred in connection with the preparation, printing, reproduction, authorization, issuance, execution, sale and distribution of the Series 2020 Bonds and the Bond Documents and all other documents in connection herewith or therewith, with the refunding of the Series 2006A Bonds and the Series 2014 Bonds and with any other transaction contemplated by the Loan Agreement or the Indenture,

(vi) any funds or reserves required to be maintained by the Bond Documents, if any,

(vii) any administrative fee and fee for services of the Issuer, and

(viii) reimbursement to the Hospital for any of the above-enumerated costs and expenses.

**Certificates of Completion**

To establish the Completion Date, the Hospital shall deliver to the Issuer and the Trustee a Completion Certificate signed by an Authorized Representative of the Hospital (i) stating that the acquisition, renovation, construction, equipping and furnishing of the Project to be paid for with the Series 2020 Bond Proceeds has been substantially completed in accordance with the Plans and Specifications therefor; and (ii) stating that except for amounts retained in the Project Fund for the payment of incurred, but unpaid, items of the Costs of the Project or items when the Hospital is then contesting the payment thereof, the payment for all labor, services, materials and supplies used in such renovation, construction, equipping and furnishing has been made or provided for. The Hospital agrees to use its best efforts to complete the renovation, construction, equipping and furnishing of the Project on or before October 29, 2023 unless such date has been extended by the Issuer. The Issuer shall not extend such Completion Date unless the Hospital has caused to be delivered to the Issuer and the Trustee an acceptable opinion of Bond Counsel stating that the extension of the Completion Date will not adversely affect the exclusion of interest on the Series 2020 Bonds, from gross income for Federal income tax purposes. Such Completion Certificate shall further certify as to the determination of the Rebate Amount as provided in the Tax Regulatory Agreement and the Indenture and shall direct the Trustee to make any transfer to, or make payments of amounts for deposit in, the Rebate Fund.

**Completion by Hospital**

(a) In the event that the Net Proceeds of the Series 2020 Bonds are not sufficient to pay in full the costs of constructing and equipping of the Project, the Hospital agrees to pay, for the benefit of the Issuer and the Trustee, all such sums as may be necessary to cure such deficiency in excess of the Net Proceeds of the Series 2020 Bonds. The Hospital shall execute, deliver and record or file such instruments as the Issuer or the Trustee may request in order to perfect or protect the Issuer's security interests contemplated by the Indenture and the Series 2020 Promissory Note.

(b) The Hospital shall not be entitled to any reimbursement for such excess cost or expense from the Issuer or the Trustee or the Owners of any of the Series 2020 Bonds, nor shall it be entitled to any diminution or abatement of any other amounts payable by the Hospital under the Loan Agreement.

**Loan of Series 2020 Bond Proceeds**

The Issuer agrees to loan the Series 2020 Bond Proceeds to the Hospital in accordance with the provisions of the Loan Agreement. Such Series 2020 Bond Proceeds shall be disbursed to the Hospital in accordance with the provisions of the Loan Agreement and of the Indenture.

**Loan Payments and Other Amounts Payable**

(a) The Hospital shall pay to the Issuer on the Closing Date the Issuer's administrative fee in the amount of $161,931.00 (equal to the administrative fee of $161,563.00, plus $368.00 (total costs related to the public hearings ($184.00 each))). In addition, the Hospital shall pay to the Issuer an Annual Compliance Fee of $1,000.00 on or before January 1 of each year commencing on January 1, 2021 and continuing through the duration of the Loan Agreement. The Hospital shall pay basic loan payments two (2) Business Days before each Debt Service Payment Date directly to the Trustee, in an amount equal to the Debt Service Payment becoming due and payable on the Series 2020 Bonds on such Debt Service Payment Date. The Hospital's obligation to pay such basic loan payments shall be evidenced by the Promissory Note, substantially in the form attached to the Loan Agreement.

(b) In addition to the Loan Payments pursuant to summarized subsection (a) above, throughout the Loan Term, the Hospital shall pay to the Issuer as additional loan payments, within fifteen (15) days of the receipt of demand therefor, an amount equal to the sum of the reasonable out-of-pocket expenses of the Issuer and the members thereof actually incurred (i) by reason of the Issuer's financing of the Project, or (ii) in connection with the carrying out of the Issuer's duties and obligations under the Issuer Documents, the payment of which is not otherwise provided for under the Loan Agreement. The foregoing shall not be deemed to include any annual or continuing administrative or management fee beyond any initial administrative fee or fee for services rendered by the Issuer.

(c) In addition, the Hospital shall pay as additional loan payments within fifteen (15) days after receipt of a written demand therefor the Ordinary Expenses and Extraordinary Expenses payable by the Issuer to the Trustee pursuant to and under the Indenture.

(d) If, after making a valuation of the Debt Service Reserve Fund as set forth in the Indenture, the Trustee notifies the Hospital that the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement, the Institution shall pay to the Trustee, in addition to the amounts required under subsection (b) under this heading, as a special loan payment, on the first day of each January, April, July, and October following such notification, an amount equal to one-fourth (1/4) of the total amount necessary to restore the balance in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement for the Series 2020 Bonds.

(e) The Hospital, under the provisions of this summarized section, agrees to make the above-mentioned payments in immediately available funds and without any further notice in lawful money of the United States of America. In the event the Hospital shall fail timely to make any payment required in summarized subsection (a) above, the item or installment not so paid shall continue as an obligation of the Hospital and interest shall accrue at the Late Payment Rate until the amount not so paid shall have been fully paid. In the event the Hospital shall fail timely to make any payment required in summarized subsection (b) above, the Hospital shall pay the same together with interest on such payment at the per annum rate of ten percent (10%), but in no event at a rate higher than the maximum lawful prevailing rate, from the date on which such payment was due until the date on which such payment is made.

**Obligations of Hospital Under the Loan Agreement Unconditional**

The obligations of the Hospital to make the payments required in the Loan Agreement, and to perform and observe any and all of the other covenants and agreements on its part contained in the Loan Agreement, shall be a general obligation of the Hospital, and shall be absolute and unconditional irrespective of any defense or any rights of setoff, recoupment or counterclaim it may otherwise have against the Issuer. The Hospital agrees it will not (i) suspend, discontinue or abate any payment required under the Loan Agreement, (ii) fail to observe any of its other covenants or agreements in the Loan Agreement, or (iii) terminate the Loan Agreement for any cause whatsoever unless and until the Series 2020 Bonds, including premium, if any, and interest thereon, have been paid or provided for in the Financing Documents.

Subject to the foregoing provisions, nothing contained in this summarized section shall be construed to release the Issuer from the performance of any of the agreements on its part contained in the Loan Agreement or to affect the right of the Hospital to seek reimbursement from, or institute any action against any party as the Hospital may deem necessary to compel performance or recover damages for non-performance from such party.

**Payment of Additional Moneys in Prepayment of Series 2020 Bonds**

In addition to any other moneys required or permitted to be paid pursuant to the Loan Agreement, the Hospital may, subject to the terms of the Indenture, pay moneys to the Trustee (i) to be applied as the prepayment of amounts to become due and payable by the Hospital pursuant to the Loan Agreement and the Promissory Note, or (ii) to be used for the redemption or prepayment of any Series 2020 Bonds at such time or times and on such terms and conditions as

is provided in such Series 2020 Bonds and in the Indenture. The Hospital shall notify the Issuer and the Trustee in writing as to the purpose of any such payment.

**Rights and Obligations of the Hospital upon Prepayment of Series 2020 Bonds**

In the event the Series 2020 Bonds shall have been paid in full prior to the termination of the Loan Agreement, or provision for such payment shall have been made in accordance with the Indenture, the Issuer, at the sole cost of the Hospital, shall obtain and record or file appropriate terminations, discharges or releases of any security interest relating to the Project or under the Indenture.

**Maintenance and Modifications of Project by Hospital**

(a) During the Loan Term, the Hospital shall not remove any part of the Project outside of the jurisdiction of the Issuer and shall (i) keep the Project in as reasonably safe condition as its operations shall permit; (ii) make all necessary repairs and replacements to the Project (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen); and (iii) operate the Project in a sound and economic manner.

(b) The Hospital, from time to time, may make any material structural additions, modifications or improvements to the Project or any part thereof, provided (i) such actions do not adversely affect the structural integrity of the Project, (ii) such actions do not materially impair the use of the Project. All such additions, modifications or improvements made by the Hospital shall become a part of the Project.

**Installation of Additional Equipment**

The Hospital or any permitted sublessee of the Hospital from time to time may install additional machinery, equipment or other personal property in the Project (which may be attached or affixed to the Project), and such machinery, equipment or other personal property shall not become, or be deemed to become, a part of the Project, provided that the acquisition and installation of such property is not financed from either the Project Fund or the Renewal Fund. The Hospital from time to time may create or permit to be created any Lien on such machinery, equipment or other personal property. Further, the Hospital from time to time may remove or permit the removal of such machinery, equipment and other personal property from the Project, provided that any such removal of such machinery, equipment or other personal property shall not occur (i) if any Event of Default has occurred; or (ii) if any such removal shall adversely affect the structural integrity of the Project or impair the overall operating efficiency of the Project for the purposes for which it is intended, and provided further that, if any damage is occasioned to the Project by such removal, the Hospital agrees promptly to repair such damage at its own expense.

**Insurance Required**

At all times throughout the Loan Term, including, when indicated in the Indenture, during the construction period, the Hospital shall, at its sole cost and expense, maintain or cause to be maintained insurance covering the Project against such risks and for such amounts as are

customarily insured against by facilities of like size and type and shall pay, as the same become due and payable, all premiums with respect thereto.

**Additional Provisions Respecting Insurance**

(a) All insurance required by the Loan Agreement shall be procured and maintained in financially sound and generally recognized responsible insurance companies selected by the entity required to procure the same and authorized to write such insurance in the State. Such insurance may be written with deductible amounts comparable to those on similar policies carried by other companies engaged in businesses similar in size, character and other respects to those in which the procuring entity is engaged. All policies evidencing the insurance required by the Loan Agreement shall provide for payment to the Trustee of the Net Proceeds of insurance resulting from any claim for loss or damage thereunder, and all policies of insurance required by the Loan Agreement shall provide for at least thirty (30) days' prior written notice of the restriction, cancellation or modification thereof to the Issuer and the Trustee. Upon request of the Trustee, the Hospital will assign and deliver to the Trustee the policies of insurance required under the Loan Agreement, so and in such manner and form that the Trustee shall at all times, upon such request and until the payment in full of the Series 2020 Bonds, have and hold said policies and the Net Proceeds thereof as collateral for the payment of the Series 2020 Bonds. The policies under the Loan Agreement shall contain appropriate waivers of subrogation.

(b) The policies (or certificates and binders) of insurance required by the Loan Agreement shall be deposited with the Trustee on or before the Closing Date. The Hospital shall deliver to the Issuer and the Trustee before the first Business Day of each twelve (12) month period thereafter a certificate dated not earlier than the immediately preceding month reciting that there is in full force and effect, with a term covering at least the next succeeding twelve (12) month period, insurance of the types and in the amounts required by the Loan Agreement and complying with the additional requirements of summarized section (a) above. Prior to the expiration of each such policy or policies, the Hospital shall furnish to the Issuer a new policy or policies of insurance or evidence that such policy or policies have been renewed or replaced or are no longer required by the Loan Agreement. The Hospital shall provide such further information with respect to the insurance coverage required by the Loan Agreement as the Issuer and the Trustee may from time to time reasonably require.

**Application of Net Proceeds of Insurance**

The Net Proceeds of the insurance carried pursuant to the provisions of the Loan Agreement shall be applied as follows: (i) the Net Proceeds of the insurance required by the Loan Agreement shall be applied as provided in the Loan Agreement, and (ii) the Net Proceeds of any liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds may be paid.

**Damage or Destruction of the Project**

(a) If any portion of the Project shall be damaged or destroyed (in whole or in part) at any time during the Loan Term:

(i) the Issuer shall have no obligation to replace, repair, rebuild,

restore or relocate the Project or any project thereof comprising a portion of the Project; and

(ii) there shall be no abatement or reduction in the Loan Payments or other amounts payable by the Hospital under the Loan Agreement (whether or not such project comprising a portion of the Project is replaced, repaired, rebuilt, restored or relocated); and

(iii) upon the occurrence of such damage or destruction, the Net Proceeds in excess of $500,000 derived from the insurance, subject to the Tax Regulatory Agreement and any intercreditor agreement as may be in effect from time to time, shall be paid to the Trustee and deposited in the Renewal Fund, and, except as otherwise provided in the Loan Agreement, the Hospital shall at its option either (A) replace, repair, rebuild, restore or relocate such Project or any Project comprising a portion of the Project, or (B) direct the Trustee to apply such Net Proceeds to the payment of the principal or sinking fund installments of the Series 2020 Bonds or any Additional Bonds as they become due and payable or the Redemption Price of the Bonds called for Redemption in accordance with the Indenture.

If the Hospital replaces, repairs, rebuilds, restores or relocates the Project or any portion of the Project, the Trustee shall disburse the Net Proceeds from the Renewal Fund in the manner set forth in the Indenture to pay or reimburse the Hospital for the cost of such replacement, repair, rebuilding, restoration or relocation.

(b) Any such replacements, repairs, rebuilding, restorations or relocations shall be subject to the following conditions:

(i) such Project or Projects comprising a portion of the Project shall be in substantially the same condition and value as an operating entity as existed prior to the damage or destruction;

(ii) the exclusion of the interest on the Series 2020A Bonds from gross income for Federal income tax purposes shall not, in the opinion of Bond Counsel, be adversely affected;

(iii) Reserved; and

(iv) any other conditions the Issuer may reasonably impose.

(c) All such repair, replacement, rebuilding, restoration or relocation of such Project or Projects comprising a portion of the Project shall be effected with due diligence in a good and workmanlike manner in compliance with all applicable legal requirements and be promptly and fully paid for by the Hospital in accordance with the terms of the applicable contracts.

(d) If the Hospital elects to replace, repair, rebuild, restore or relocate the Project or any portion of the Project pursuant to the Loan Agreement, then in the event such Net Proceeds are not sufficient to pay in full the costs of such replacement, repair, rebuilding, restoration or

relocation, the Hospital shall nonetheless complete the work and pay from its own moneys that portion of the costs thereof in excess of such Net Proceeds. All such replacements, repairs, rebuilding, restoration or relocations made pursuant to this summarized section, whether or not requiring the expenditure of the Hospital's own money, shall automatically become a part of the Project as if the same were specifically described in the Loan Agreement.

(e) Any balance of such Net Proceeds remaining in the Renewal Fund after payment of all costs of replacement, repair, rebuilding, restoration, relocation or acquisition of the Project or the portion of the Project, subject to any rebate required to be made to the Federal government pursuant to the Indenture or the Tax Regulatory Agreement, shall be transferred to the Bond Fund and used pursuant to the Indenture to pay principal of, sinking fund installments of the Series 2020 Bonds or any Series of Additional Bonds as they become due and payable or the Redemption Price of the Series 2020 Bonds called for redemption pursuant to the Indenture.

(f) If the Hospital shall exercise its option to terminate the Loan Agreement pursuant to its terms, such Net Proceeds shall be applied to the payment of the amounts required to be paid by the Loan Agreement. If an Event of Default under the Loan Agreement shall have occurred and is continuing and the Trustee shall have exercised its remedies under the Loan Agreement, such Net Proceeds shall be applied to the payment of the amounts required to be paid by the Loan Agreement.

(g) If the entire amount of the Series 2020 Bonds and interest thereon has been fully paid, or provision therefor has been made in accordance with the Indenture, all such remaining Net Proceeds shall be paid to the Hospital.

(h) Except upon the occurrence and continuation of an Event of Default, the Hospital with the consent of the Issuer, not to be withheld unreasonably, shall have the right to settle and adjust all claims under any policies of insurance required by the Loan Agreement and on its own behalf.

**Condemnation**

(a) If title to or use of the Project or any portion thereof comprising a portion of the Project shall be taken by Condemnation (in whole or in part) at any time during the Loan Term:

(i) the Issuer shall have no obligation to replace, repair, rebuild, restore or relocate such project comprising a portion of the Project or acquire, by construction or otherwise, facilities of substantially the same nature as the Project (the "**Substitute Project**"); and

(ii) there shall be no abatement or reduction in the amounts payable by the Hospital under the Loan Agreement (whether or not such project comprising a portion of the Project is replaced, repaired, rebuilt, restored or relocated or the Substitute Project acquired); and

(iii) upon the occurrence of such Condemnation, the Net Proceeds in excess of $500,000 derived therefrom, subject to the Tax Regulatory Agreement and any intercreditor agreement as may be in effect from time to time, shall be

paid to the Trustee and deposited in the Renewal Fund, and, except as otherwise provided in the Loan Agreement and summarized subsection (f) below, the Hospital shall

(A) replace, repair, rebuild, restore or relocate such project comprising a portion of the Project or acquire the Substitute Project, or

(B) direct the Trustee to apply such Net Proceeds pursuant to the Indenture to the payment of the principal, sinking fund installments, or Redemption Price of the Series 2020 Bonds or any Series of Additional Bonds as they become due and payable or the Redemption Price of the Bonds called for redemption in accordance with the Indenture.

If the Hospital replaces, repairs, rebuilds, restores or relocates such project comprising a portion of the Project or acquires the Substitute Project, the Trustee shall disburse the Net Proceeds from the Renewal Fund in the manner set forth in the Indenture to pay or reimburse the Hospital for the cost of such replacement, repair, rebuilding, restoration, relocation or acquisition of the Substitute Project.

(b) Any such replacements, repairs, rebuilding, restorations, relocations or acquisitions of the Substitute Project shall be subject to the following conditions:

(i) such project or projects comprising a portion of the Project or the Substitute Project shall be in substantially the same condition and value as an operating entity as existed prior to the condemnation;

(ii) the exclusion of the interest on the Series 2020 Bonds from gross income for Federal income tax purposes shall not, in the opinion of Bond Counsel, be adversely affected;

(iii) Reserved; and

(iv) any other conditions the Issuer may reasonably impose.

(c) All such repair, replacement, rebuilding, restoration or relocation of such project or projects comprising a portion of the Project shall be effected with due diligence in a good and workmanlike manner in compliance with all applicable legal requirements and shall be promptly and fully paid for by the Hospital in accordance with the terms of the applicable contracts.

(d) If the Hospital elects to replace, repair, rebuild, restore or relocate pursuant to the Loan Agreement, then in the event such Net Proceeds are not sufficient to pay in full the costs of such replacement, repair, rebuilding, restoration, relocation or acquisition of the Substitute Project, the Hospital shall nonetheless complete the work or the acquisition and pay from its own moneys that portion of the costs thereof in excess of such Net Proceeds. All such replacements, repairs, rebuilding, restoration, relocations and such acquisition of the Substitute Project made pursuant to this summarized section, whether or not requiring the expenditure of the Hospital's own money, shall automatically become a part of the Project as if the same were specifically described in the Loan Agreement.

(e) Any balance of such Net Proceeds remaining in the Renewal Fund after payment of all costs of replacement, repair, rebuilding, restoration, relocation or acquisition of the Substitute Project or any project or portion of the Project, subject to any rebate required to be made to the Federal government pursuant to the Indenture or the Tax Regulatory Agreement, shall be transferred to the Bond Fund and used pursuant to the Indenture to pay principal of, sinking fund installments of the Series 2020 Bonds or any Series of Additional Bonds as they become due and payable, or the Redemption Price of the Bonds called for redemption pursuant to the Indenture.

(f) If the Hospital shall exercise its option to terminate the Loan Agreement pursuant to its terms, such Net Proceeds shall be applied to the payment of the amounts required to be paid by the Loan Agreement. If any Event of Default under the Loan Agreement shall have occurred and is continuing and the Trustee shall have exercised its remedies under the Loan Agreement, such Net Proceeds shall be applied to the payment of the amounts required to be paid by the Loan Agreement.

(g) If the entire amount of the Series 2020 Bonds and interest thereon has been fully paid, or provision therefor has been made in accordance with the Indenture, all such remaining Net Proceeds shall be paid to the Hospital.

(h) Except upon the occurrence and continuation of an Event of Default, the Hospital with the consent of the Issuer, not to be unreasonably withheld, shall have the right to settle and adjust all claims under any Condemnation proceedings on behalf of the Issuer and on its own behalf.

**Hold Harmless Provisions**

(a) The Hospital agrees that the Issuer, the Trustee and each Paying Agent shall not be liable for and agrees to defend, indemnify, release and hold the Issuer, the Trustee and each Paying Agent harmless from and against any and all (i) liability for loss or damage to Property or injury to or death of any and all Persons that may be occasioned by, directly or indirectly, any cause whatsoever pertaining to the Project or arising by reason of or in connection with the occupation or the use thereof or the presence of any Person or Property on, in or about the Project or the Land, (ii) violations of any environmental regulations with respect to, or the release of any Hazardous Substances from the Project or any part thereof, or (iii) liability arising from or expense incurred in connection with the Issuer's financing and refinancing of the Project, including without limiting the generality of the foregoing, all claims arising from the breach by the Hospital of any of its covenants contained in the Loan Agreement, and all causes of action and attorneys' fees and any other expenses incurred in defending any suits or actions which may arise as a result of any of the foregoing, provided that any such losses, damages, liabilities or expenses of the Issuer, the Trustee or any Paying Agent are not incurred or do not result from the gross negligence or intentional or willful wrongdoing of the Issuer, the Trustee or any Paying Agent or any of their respective members, directors, trustees, officers, agents or employees. The foregoing indemnities shall apply notwithstanding the fault or negligence (other than a breach caused by any of their respective gross negligence or intentional or willful wrongdoing) in part of the Issuer, the Trustee or any Paying Agent, or any of their respective members, directors, trustees, officers, agents or employees, and irrespective of the breach of a

statutory obligation (other than a breach caused by any of their respective gross negligence or intentional or willful wrongdoing) or the application of any rule of comparative or apportioned liability. The foregoing indemnities are limited only to the extent of any prohibitions imposed by law.

(b) Notwithstanding any other provisions of the Loan Agreement, the obligations of the Hospital pursuant to this summarized section shall remain in full force and effect after the termination of the Loan Agreement until the expiration of the period stated in the applicable statute of limitations during which a claim, cause of action or prosecution relating to the matters described in the Loan Agreement may be brought and payment in full or the satisfaction of such claim, cause of action or prosecution relating to the matters described in the Loan Agreement and the payment of all expenses and charges incurred by the Issuer, the Trustee or their respective members, directors, officers, agents and employees, relating to the enforcement of the provisions specified in the Loan Agreement.

(c) In the event of any claim against the Issuer, the Trustee or any Paying Agent or their respective members, directors, officers, agents or employees by any employee or contractor of the Hospital or anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, the obligations of the Hospital under the Loan Agreement shall not be limited in any way by any limitation on the amount or type of damages, compensation, disability benefits or other employee benefit acts.

(d) The Trustee and each Paying Agent shall be third party beneficiaries of the Hospital's obligations under this summarized section.

**Right to Inspect Project**

The Issuer and the Trustee and the duly authorized agents of either of them shall have the right at all reasonable times upon prior written notice to the Hospital to inspect the Project.

**Hospital to Maintain Its Existence**

The Hospital agrees that during the Loan Term (a) it will maintain its existence as a not-for-profit corporation constituting an Exempt Organization subject to service of process within the State; (b) it will preserve its status as an organization described in Section 501(c)(3) of the Code; (c) it will operate the Project as a hospital licensed under Article 28 of the New York Public Health Law and will set patient fees and charges provided by the Hospital which, together with other available funds, will be sufficient in each fiscal year to provide funds for the following: (1) the payment by the Hospital of all of its expenses for the operation, maintenance and repair of its facilities or Project in such year; (2) the payment of all amounts due under the Loan Agreement in such year; and (3) the payment of all indebtedness and all other obligations of the Hospital due in such year; and (d) it will not perform any act, enter into any agreement, or use or permit the Project to be used in any manner or for any unrelated trade or business as described in Section 513(a) of the Code, which could adversely affect the exemption of interest on the Series 2020 Bonds from Federal income taxes pursuant to Section 103 and 145 of the Code except as provided in the Tax Regulatory Agreement. However, if the Hospital and Stony Brook University Hospital enter into the Stony Brook University Hospital Lease Agreement, the

lease payments under such Stony Brook Lease Agreement attributable to the Debt Service Payment on the Series 2020 Bonds shall satisfy the provisions of the preceding sentence summarized under this heading. Nothing in the Loan Agreement shall be construed to prohibit the provisions of services to indigent patients at reduced rates or without charge. Except as permitted by the Tax Regulatory Agreement, prior to the Hospital performing any act, entering into any agreement or using or permitting the Project to be used in any manner that would constitute an unrelated trade or business within the meaning of Section 513(a) of the Code, the Hospital shall provide written notice to the Issuer and the Trustee and the Issuer and the Trustee shall receive an opinion of counsel satisfactory to each of them to the effect that such contemplated act, agreement or use will not adversely affect the exemption of interest on the Bonds for Federal income tax purposes.

**Qualification in State**

The Hospital throughout the Loan Term shall continue to be duly authorized to do business in the State under Article 28 of the New York Public Health Law.

**Books of Record and Account; Financial Statements**

The Hospital at all times agrees to maintain proper accounts, records and books in which full and correct entries shall be made, in accordance with generally accepted accounting principles, of all transactions and events relating to the business and affairs of the Hospital.

**Compliance with Orders, Ordinances, Etc.**

(a) The Hospital, throughout the Loan Term, agrees that it will promptly comply, and take all reasonable steps to cause any tenant or occupant of the Project to comply, in all material respects with all statutes, codes, laws, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements, ordinary or extraordinary, which now or at any time hereafter may be applicable to the Project or any part thereof or to the renovation, construction and equipping thereof, or to any use, manner of use or condition of the Project or any part thereof, of all federal, state, county, municipal and other governments, departments, commissions, boards, courts, authorities, officials and officers having jurisdiction of the Project or any part thereof, or to the renovation, construction, equipping and furnishing thereof, or to any use, manner of use or condition of the Project or any part thereof and of all companies or associations insuring the premises.

(b) The Hospital shall keep or cause the Project to be kept free of Hazardous Substances, except in compliance with applicable law. Without limiting the foregoing, the Hospital shall not cause or permit the Project to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Substances, except in compliance with all applicable federal, state and local laws, regulations and permits, nor shall the Hospital cause or permit, as a result of any intentional or unintentional act or omission on the part of the Hospital or any contractor, subcontractor, tenant or subtenant, a release of Hazardous Substances onto the Project or onto any other property. The Hospital shall comply with and shall take all reasonable steps to ensure compliance by all contractors, subcontractors, tenants and subtenants with all applicable federal, state and local laws, ordinances, rules and regulations,

whenever and by whomever triggered, and shall obtain and comply with, and shall take all reasonable steps to ensure that all contractors, subcontractors, tenants and subtenants obtain and comply with, any and all approvals, registrations or permits required thereunder. The Hospital shall (a) conduct and complete all investigations, studies, sampling, and testing, and all remedial, removal, and other actions necessary to clean up and remove all Hazardous Substances, on, from, or affecting the Project (i) in accordance with all applicable federal, state, and local laws, ordinances, rules, regulations, and policies, (ii) to the reasonable satisfaction of the Trustee and the Issuer, and (iii) in accordance with the orders and directives of all federal, state, and local governmental authorities; and (b) defend, indemnify, and hold harmless the Trustee and the Issuer, their employees, agents, officers, and directors, from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs, or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to (i) the presence, disposal, release, or threatened release of any Hazardous Substances which are on, from or affecting the soil, water, vegetation, buildings, personal property, persons, animals, or otherwise, (ii) any bodily injury, personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Substances, (iii) any lawsuit brought or threatened, settlement reached, or government order relating to such Hazardous Substances, and/or (iv) any violation of laws, orders, regulations, requirements, or demands of government authorities, or any policies or requirements of the Trustee and the Issuer, which are based upon or in any way related to such Hazardous Substances, including, without limitation, reasonable attorney and consultant fees, reasonable investigation and laboratory fees, court costs, and reasonable litigation expenses. The provisions of this summarized section shall be in addition to any and all other obligations and liabilities the Hospital may have to the Trustee at common law, and shall survive the transactions contemplated in the Loan Agreement.

(c) Notwithstanding the provisions of summarized subsections (a) and (b) above, the Hospital may in good faith contest the validity or the applicability of any requirement of the nature referred to in such summarized subsections (a) and (b) by appropriate legal proceedings conducted in good faith and with due diligence. In such event, the Hospital may fail to comply with the requirement or requirements so contested during the period of such contest and any appeal therefrom, unless the Issuer or the Trustee shall notify the Hospital that by failure to comply with such requirement or requirements, the Project or any part thereof may be subject to loss, penalty or forfeiture, in which event the Hospital shall promptly take such action with respect thereto or provide such security as shall be satisfactory to the Trustee and to the Issuer. If at any time the then existing use or occupancy of the Project shall, pursuant to any zoning or other law, ordinance or regulation, be permitted only so long as such use or occupancy shall continue, the Hospital shall use all reasonable efforts to not cause or permit such use or occupancy to be discontinued without the prior written consent of the Issuer and the Trustee.

(d) Notwithstanding the provisions of this summarized section, if, because of a breach or violation of the provisions of summarized subsections (a) or (b) above (without giving effect to summarized subsection (c)), either the Issuer, the Trustee, or any of their respective members, directors, officers, agents, or employees, shall be threatened with a fine, liability, expense or imprisonment, then, upon notice from the Issuer or the Trustee, the Hospital shall immediately provide legal protection and/or pay amounts necessary in the opinion of the Issuer or the Trustee, as the case may be, and their respective members, directors, officers, agents and

employees deem sufficient, to the extent permitted by applicable law, to remove the threat of such fine, liability, expense or imprisonment.

(e) Notwithstanding any provisions of this summarized section, the Trustee and the Issuer retain the right to defend themselves in any action or actions which are based upon or in any way related to such Hazardous Substances. In any such defense of themselves, the Trustee and the Issuer shall each select their own counsel, and any and all reasonable costs of such defense, including, without limitation, reasonable attorney and consultant fees, reasonable investigation and laboratory fees, court costs, and reasonable litigation expenses, shall be paid by the Hospital.

**Discharge of Liens and Encumbrances**

The Hospital may in good faith contest any Lien. In such event, the Hospital may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom.

**Certain Additional Covenants**

(a) The Hospital agrees to furnish to the Issuer and the Trustee, and, upon written request to the Hospital, to any registered Bondholder of $1,000,000 in aggregate principal amount of Series 2020 Bonds, as soon as available and in any event within two hundred ten (210) days after the close of each fiscal year of the Hospital, a copy of the annual audited financial statements of the Hospital, including statements of financial position as of the end of such year, and the related statement of activities for such fiscal year, prepared in accordance with generally accepted accounting principles, audited by a firm of independent certified public accountants. Delivery of such reports to the Trustee are for informational purposes only and the Trustee shall be under no obligation to review the financial statements received under this summarized section and shall not be deemed to have any knowledge of the contents thereof.

(b) The Hospital shall deliver to the Issuer and the Trustee with each delivery of annual financial statements required by summarized subsection (a) above, a certificate of an Authorized Representative of the Hospital as to whether or not, as of the close of such preceding fiscal year of the Hospital, and at all times during such fiscal year, the Hospital was in compliance in all material respects with all the provisions which related to the Hospital in the Bond Documents, and if such Authorized Representative of the Hospital shall have obtained knowledge of any default in such compliance or notice of such default, such Authorized Representative of the Hospital shall disclose in such certificate, such default or defaults or notice thereof and the nature thereof, whether or not the same shall constitute an Event of Default under the Loan Agreement, and any action proposed to be taken by the Hospital with respect thereto.

(c) The Hospital shall immediately notify the Issuer and the Trustee of the occurrence of any default or any event which with notice and/or lapse of time would constitute a default under the Loan Agreement or any of the other Bond Documents. Any notice required to be given pursuant to this summarized subsection shall be signed by an Authorized Representative of the Hospital and set forth a description of the default and the steps, if any, being taken to cure said default. If no steps have been taken, the Hospital shall state this fact on the notice.

(d) The Hospital will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered such further acts, instruments, conveyances, transfers and assurances, at the sole cost and expense of the Hospital, as the Issuer or the Trustee deems necessary or advisable for the implementation, effectuation, correction, confirmation or perfection of the Loan Agreement and any rights of the Issuer or the Trustee under the Loan Agreement or under the Indenture.

(e) The Issuer shall provide the Hospital with notice of the commencement of any proceeding by or against the Issuer commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "**Insolvency Proceeding**").

**Continuing Disclosure Agreement**

The Hospital has executed and delivered to the Digital Assurance Certification, L.L.C., as dissemination agent (the "Dissemination Agent") a Continuing Disclosure Agreement, dated the date of initial delivery of the Series 2020 Bonds. The Hospital covenants and agrees with the holders from time to time of the Series 2020 Bonds that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement, as amended from time to time, applicable to it. Notwithstanding any other provision of the Loan Agreement, failure of the Hospital to comply with the Continuing Disclosure Agreement shall not be considered a default or an event of default under the Loan Agreement and the rights and remedies provided by the Loan Agreement upon the occurrence of such a default or an event of default shall not apply to any such failure, but the Continuing Disclosure Agreement may be enforced only as provided therein.

**Securities Law Status**

The Hospital affirmatively represents, warrants and covenants that, as of the date of the Loan Agreement, it is an organization organized and operated: (i) exclusively for civic or charitable purposes; (ii) not for pecuniary profit; and (iii) no part of the net earnings of which inure to the benefit of any person, private stockholder or individual, all within the meaning, respectively, of the Securities Act of 1933, as amended, and of the Securities Exchange Act of 1934, as amended. The Hospital agrees that it shall not perform any act nor enter into any agreement which shall change such status as set forth in this summarized section.

**Rebate Covenant**

The Hospital covenants to make, or cause to be made, any and all payments required to be made to the United States Department of the Treasury in connection with the Series 2020 Bonds pursuant to Section 148(f) of the Code and to comply with instructions received from Bond Counsel pursuant to the certification with respect to the making of any such payments.

**Assignment, Leasing and Subleasing**

(a) The Loan Agreement may not be assigned, in whole or in part, except pursuant to the Stony Brook University Hospital Lease, without the prior written consent of the Issuer in each instance and except in the ordinary course of the operations of

the Hospital, the Project may not be leased, in whole or in part, except as provided in the Tax Regulatory Agreement. Any permitted assignment or lease shall be on the following conditions:

(i) no assignment or lease shall relieve the Hospital from primary liability for any of its obligations under the Loan Agreement or under any other of the Hospital Documents;

(ii) the assignee or lessee (in the discretion of the Issuer) shall assume the obligations of the Hospital under the Loan Agreement to the extent of the interest assigned or leased, shall be jointly and severally liable with the Hospital for the performance thereof and shall be subject to service of process in the State of New York;

(iii) the Hospital shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Issuer and to the Trustee a true and complete copy of such assignment or lease and the instrument of assumption;

(iv) neither the validity nor the enforceability of the Series 2020 Bonds or any Bond Document shall be adversely affected thereby;

(v) the exclusion of the interest on the Series 2020 Bonds from gross income for Federal income tax purposes will not be adversely affected;

(vi) the assignee or lessee (in the discretion of the Issuer) shall be an Exempt Organization and shall utilize the Project substantially in the same manner as the Hospital pursuant to Article 28 of the New York Public Health Law.

(b) To establish the purported effective date of any assignment or lease pursuant to subsection (a) of this summarized section, the Hospital, at its sole cost, shall furnish the Trustee or the Issuer, as appropriate, with an opinion, in form and substance satisfactory to the Trustee or the Issuer, as appropriate, (i) of Bond Counsel as to items (v) above, and (ii) of Independent Counsel as to items (i), (ii) and (iv) above.

**Merger of Issuer**

(a) Nothing contained in the Loan Agreement shall prevent the consolidation of the Issuer with, or merger of the Issuer into, or transfer of its interest in the entire Project to any other public benefit corporation or political subdivision which has the legal authority to enter into the Loan Agreement, provided that:

(i) upon any such consolidation, merger or transfer, the due and punctual performance and observance of all the agreements and conditions of the Loan Agreement to be kept and performed by the Issuer shall be expressly assumed in writing by the public benefit corporation or political subdivision resulting from such consolidation or surviving such merger or to which the Issuer's interest in the Project shall be transferred; and

(ii) the exclusion of the interest on the Series 2020 Bonds from gross income for Federal income tax purposes shall not be adversely affected thereby.

(b) Within thirty (30) days after the consummation of any such consolidation, merger or transfer of interest, the Issuer shall give notice thereof in reasonable detail to the Hospital and the Trustee and shall furnish to the Hospital and the Trustee (i) a favorable opinion of Independent Counsel as to compliance with the provisions of summarized subsection (a)(i) above, and (ii) a favorable opinion of Bond Counsel opining as to compliance with the provisions of summarized subsection (a)(ii) above. The Issuer promptly shall furnish such additional information with respect to any such transaction as the Hospital or the Trustee may reasonably request.

**Events of Default Defined**

(a) The following shall be "Events of Default" under the Loan Agreement:

(i) the failure by the Hospital to pay or cause to be paid on the date due, the amounts specified to be paid pursuant to summarized subsections (a), (b) and (c) under the heading "Loan Payment and Other Amounts Payable";

(ii) the failure by the Hospital to observe and perform any covenant contained in Sections 8.2, 8.4, 8.5, and 8.8 of the Loan Agreement;

(iii) any representation or warranty of the Hospital in the Loan Agreement or in the Bond Purchase Agreement shall prove to have been false or misleading in any material respect and the same shall have a materially adverse effect upon the Hospital, the Project, or the exclusion of interest on the Series 2020 Bonds from gross income for federal income tax purposes;

(iv) the failure by the Hospital to observe and perform any covenant, condition or agreement under the Loan Agreement on its part to be observed or performed (except obligations referred to in summarized subsections (a)(i), (ii) or (iii) above) for a period of thirty (30) days after receiving written notice, specifying such failure and requesting that it be remedied, given to the Hospital by the Issuer or the Trustee; provided, however, that if such default cannot be cured within thirty (30) days but the Hospital is proceeding diligently and in good faith to cure such default, then the Hospital shall be permitted an additional ninety (90) days within which to remedy the default;

(v) the dissolution or liquidation of the Hospital; or the failure by the Hospital to release, stay, discharge, lift or bond within sixty (60) days any execution, garnishment, judgment or attachment of such consequence as may impair its ability to carry on its operations; or the failure by the Hospital generally to pay its debts as they become due; or an assignment by the Hospital for the benefit of creditors; the commencement by the Hospital (as the debtor) of a case in Bankruptcy or any proceeding under any other insolvency law; or the commencement of a case in Bankruptcy or any proceeding under any other insolvency law against the Hospital (as the debtor) and a court having jurisdiction

in the premises enters a decree or order for relief against the Hospital as the debtor in such case or proceeding, or such case or proceeding is consented to by the Hospital or remains undismissed for sixty (60) days, or the Hospital consents to or admits the material allegations against it in any such case or proceeding; or a trustee, receiver or agent (however named) is appointed or authorized to take charge of substantially all of the property of the Hospital for the purpose of enforcing a lien against such Property or for the purpose of general administration of such Property for the benefit of creditors (the term "dissolution or liquidation of the Hospital" as used in this subsection shall not be construed to include any transaction permitted by the Loan Agreement);

(vi) an Event of Default under or a default on the part of the Hospital of its obligations under the Indenture or the Loan Agreement shall have occurred and be continuing;

(vii) the invalidity, illegality or unenforceability of any of the Bond Documents, provided the same does not permit the Issuer or the Trustee, as the case may be, to recognize the material benefits of the respective documents; or

(viii) the failure by the Hospital to observe and perform any covenant contained in Sections 6.3, 6.4, 6.5, 8.6, 8.12, 8.13, 8.14, and 9.3 of the Loan Agreement for a period of thirty (30) days after receiving written notice, specifying such failure and requesting that it be remedied, given to the Hospital by the Issuer or the Trustee.

(b) Notwithstanding the provisions of summarized subsection (a) above, if by reason of force majeure any party to the Loan Agreement shall be unable in whole or in part to carry out its obligations under the Loan Agreement (other than its obligations under summarized subsections (a), (b) or (c) under the heading "Loan Payments and Other Amounts Payable") 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, such obligations under the Loan Agreement of the party giving such notice (and only such obligations), so far as they are affected by such force majeure, shall be suspended during continuance of the inability, which shall include a reasonable time for the removal of the effect thereof. The term "force majeure" as used in the Loan Agreement shall include, without limitation, acts of God, strikes, lockouts or other industrial disturbances, acts of public enemies, acts, priorities or orders of any kind of the government of the United States of America or of the State or any of their departments, agencies, governmental subdivisions, or officials, 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, shortages of labor or materials or delays of carriers, partial or entire failure of utilities, shortage of energy or any other cause or event not reasonably within the control of the party claiming such inability and not due to its fault. The party claiming such inability shall remove the cause for the same with all reasonable promptness. 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 and other industrial disturbances by acceding to the demands of the opposing party or parties.

**Remedies on Default**

(a) Whenever any Event of Default shall have occurred and be continuing, the Issuer or the Trustee may take, to the extent permitted by law, any one or more of the following remedial steps:

(i) declare, by written notice to the Hospital, to be immediately due and payable, whereupon the same shall become immediately due and payable: (A) all unpaid Loan Payments payable pursuant to summarized subsection (a) under the heading "Loan Payments and Other Amounts Payable" and pursuant to the Promissory Note in amount equal to the aggregate unpaid principal balance of all Series 2020 Bonds together with all interest which has accrued and will accrue thereon to the date of payment and all premium, if any, (B) all unpaid Loan Payments payable pursuant to summarized subsection (b) under the heading "Loan Payments and Other Amounts Payable" and pursuant to the provisions under the heading "Hold Harmless Provisions", and (C) all other payments due under the Loan Agreement; provided, however, that if an Event of Default specified in summarized subsection (a)(v) under the heading "Events of Default Defined" shall have occurred, such Loan Payments and other payments due under the Loan Agreement shall become immediately due and payable without notice to the Hospital or the taking of any other action by the Trustee;

(ii) (a) apply any undisbursed money in the Project Fund and Renewal Fund to the payment of the costs and expenses incurred in connection with the enforcement of the rights and remedies of the Trustee and the Issuer, and (b) apply any undisbursed monies in the Project Fund, the Renewal Fund, and any other Fund or Account under the Indenture (other than those sums attributable to Unassigned Rights and except for the monies and investments from time to time in the Rebate Fund) to the payment of the outstanding principal amount of the Series 2020 Bonds and premium, if any, and accrued and unpaid interest on the Bonds; or

(iii) take any other action at law or in equity that may appear necessary or desirable to collect the payments then due or thereafter to become due under the Loan Agreement and to enforce the obligations, agreements or covenants of the Hospital under the Loan Agreement.

(b) Reserved.

(c) Any sums payable to the Issuer as a consequence of any action taken pursuant to this summarized section (other than those sums attributable to Unassigned Rights and except for the moneys and investments from time to time in the Rebate Fund) shall be paid to the Trustee and applied to the payment of the Series 2020 Bonds.

(d) No action taken pursuant to this summarized section shall relieve the Hospital from its obligation to make all payments required by the Loan Agreement and pursuant to the Promissory Note.

(e) Reserved.

(f) The Issuer shall have all of the rights, powers and remedies of a secured party under the Uniform Commercial Code of New York, including, without limitation, the right to seize or otherwise dispose of any or all of the Collateral described in the Loan Agreement, and to receive the payment of or take possession of the Collateral or the proceeds thereof. Upon the occurrence and during the continuation of an Event of Default by the Hospital under the Loan Agreement, the Hospital agrees that it will not commingle any moneys or other proceeds received by it in connection with any Collateral with any other moneys, funds or accounts of the Hospital.

**Remedies Cumulative**

No remedy conferred in the Loan Agreement upon or reserved to the Issuer or the Trustee is intended to be exclusive of any other available remedy, but each and every such remedy shall be cumulative and in addition to every other remedy given under the Loan Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Trustee, as appropriate, to exercise any remedy reserved to it in the Loan Agreement, it shall not be necessary to give any notice, other than such notice as may be expressly required in the Loan Agreement.

**Agreement to Pay Attorneys' Fees and Expenses**

(a) In the event the Hospital should default under any of the provisions of the Loan Agreement and the Issuer should employ attorneys or incur other expenses for the collection of amounts payable under the Loan Agreement or the enforcement of performance or observance of any obligations or agreements on the part of the Hospital contained in the Loan Agreement, the Hospital shall, on demand therefor, pay to the Issuer the reasonable fees of such attorneys and such other reasonable out-of-pocket expenses so incurred.

(b) In the event the Hospital should default under any of the provisions of the Loan Agreement and the Trustee should employ attorneys or incur other expenses for the collection of amounts payable under the Loan Agreement or the enforcement of performance or observance of any obligations or agreements on the part of the Hospital contained in the Loan Agreement, the Hospital shall, on demand therefor, pay to the Trustee the reasonable fees of such attorneys and such other reasonable out-of-pocket expenses so incurred.

**No Additional Waiver Implied by One Waiver**

In the event any agreement contained in the Loan Agreement should be breached by any party and thereafter waived by any other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Loan Agreement.

**Early Termination of Loan Agreement**

The Hospital shall have the option to terminate the Loan Agreement at any time that the Series 2020 Bonds are subject to redemption in whole under the Indenture and upon filing with the Issuer and the Trustee a certificate signed by an Authorized Representative of the Hospital stating the Hospital's intention to do so pursuant to this summarized section and the date upon which such payment shall be made (which date shall not be less than thirty (30) nor more than ninety (90) days from the date such certificate is filed) and upon compliance with the requirements set forth in the Loan Agreement.

**Conditions to Early Termination of Loan Agreement**

In the event the Hospital exercises its option to terminate the Loan Agreement in accordance with the provisions of the Loan Agreement, the Hospital shall make the following payments:

(a) To the Trustee for the account of the Issuer: an amount certified by the Trustee which, when added to the total amount on deposit with the Trustee for the account of the Issuer and the Hospital and available for such purpose, will be sufficient to pay the principal of, Redemption Price of, and interest to maturity or the earliest practicable redemption date, as the case may be, on the Series 2020 Bonds, all expenses of redemption and the Trustee's fees and expenses.

(b) To the Issuer: an amount certified by the Issuer sufficient to pay all unpaid fees and expenses of the Issuer incurred under the Bond Documents.

(c) To the appropriate Person: an amount sufficient to pay all other fees, expenses or charges, if any, due and payable or to become due and payable under the Bond Documents.

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**APPENDIX D**

**FORM OF THE MASTER INDENTURE**
**AND THE SUPPLEMENTAL INDENTURE**

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# MASTER TRUST INDENTURE

by and between

BROOKHAVEN MEMORIAL HOSPITAL MEDICAL CENTER, INC.,
D/B/A LONG ISLAND COMMUNITY HOSPITAL

and

U.S. BANK NATIONAL ASSOCIATION,
as Master Trustee

Dated as of October 1, 2020

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THIS MASTER TRUST INDENTURE, dated for convenience of reference as of the 1st day of October, 2020, by and between Brookhaven Memorial Hospital Medical Center, Inc., d/b/a Long Island Community Hospital, a New York not-for-profit corporation ("LICH"), and U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, and being duly qualified to accept and administer the trusts created hereby (the "Master Trustee"),

**W I T N E S E T H:**

WHEREAS, LICH is authorized and deems it necessary and desirable to enter into this Master Indenture for the purpose of providing for the issuance from time to time of Obligations (as defined herein) to finance or refinance health care facilities or for other lawful and proper corporate purposes of LICH; and

WHEREAS, all acts and things necessary to constitute this Master Indenture a valid indenture and agreement according to its terms have been done and performed, LICH has duly authorized the execution and delivery of this Master Indenture, and LICH, in the exercise of the legal rights and powers vested in it, executes this Master Indenture and proposes to make, execute, issue and deliver Obligations hereunder; and

WHEREAS, the Master Trustee agrees to accept and administer the trusts created hereby, and

WHEREAS, to secure the performance and observance of the covenants and agreements set forth in this Master Indenture, LICH hereby grants a mortgage on certain of its Property to the Master Trustee, and LICH does hereby sell, assign, transfer, pledge and grant a security interest to the Master Trustee in all of its right, title and interest to all funds and accounts established under this Master Trust Indenture, including all moneys and investment therein and income thereon, and in all of its right, title and interest in and to its Gross Receipts (as defined herein). All such mortgaged property and security shall be held by the Master Trustee in trust for the equal and ratable benefit and security of the holders of Obligations issued hereunder without preference or priority (except as specifically permitted herein) of any one Obligation over any other Obligation;

NOW, THEREFORE, in consideration of the premises, of the acceptance by the Master Trustee of the trusts hereby created, and of the giving of consideration for and acceptance of Obligations issued hereunder by the registered owners thereof, and for the purpose of fixing and declaring the terms and conditions upon which Obligations are to be issued, authenticated, delivered and accepted by all persons who shall from time to time be or become registered owners thereof, LICH covenants and agrees with the Master Trustee, for the equal and proportionate benefit of the respective registered owners from time to time of Obligations issued hereunder, as follows:

## ARTICLE I

## DEFINITIONS AND OTHER PROVISIONS CONCERNING INTERPRETATION

Section 1.01 Definitions. For the purposes hereof unless the context otherwise indicates, the following words and phrases shall have the following meanings:

"Additional Indebtedness" means any Indebtedness incurred by any Member of the Obligated Group subsequent to the issuance of the initial Obligations under this Master Indenture or incurred by any other Member of the Obligated Group subsequent to or contemporaneously with its becoming a Member of the Obligated Group.

"Affiliate" means a corporation, partnership, joint venture, association, business trust or similar entity organized under the laws of the United States of America or any state thereof which is directly or indirectly controlled by a Member or the Obligated Group Representative or their respective successors or assigns or by any Person which directly or indirectly controls a Member or the Obligated Group Representative. For purposes of this definition, control means the power to direct the management and policies of a Person through the ownership of not less than a majority of its voting securities or the right to designate or elect not less than a majority of the members of its board of directors or other governing board or body by contract or otherwise.

"Audited Financial Statements" means, as to a Member of the Obligated Group, financial statements for a twelve-month period, or for such other period for which an audit has been performed, prepared in accordance with GAAP, which have been audited and reported upon by independent certified public accountants. Audited Financial Statements of the Obligated Group shall also consist of, in an additional information section, unaudited combining financial statements for the same twelve-month period from which the accounts of any Affiliate which is not a Member of the Obligated Group have been eliminated and to which the accounts of any Member of the Obligated Group which is not already included have been added.

"Authorized Representative" shall mean, with respect to the Obligated Group Representative, the Chairperson of its Governing Body or its chief executive officer, senior vice president for finance or its chief financial officer, and, with respect to each Member of the Obligated Group, the Chairperson of its Governing Body or its president, chief executive officer, senior vice president for finance, chief financial officer or any other person or persons designated an Authorized Representative of such Member by an Officer's Certificate of the Obligated Group Representative or such Member of the Obligated Group, respectively, signed by the Chairperson of its Governing Body or its presidents or its chief executive officer or chief financial officer and filed with the Master Trustee.

"Balloon Long-Term Indebtedness" means Long-Term Indebtedness other than a Demand Obligation 20% or more of the principal amount of which is due in a single year, which portion of the principal is not required by the documents pursuant to which such Indebtedness is issued to be amortized by redemption prior to such date.

"Book Value" when used in connection with Property, Plant and Equipment or other Property of any Person, means the value of such property, net of accumulated depreciation, as it is carried on the books of such Person in conformity with GAAP, and when used in connection with Property, Plant and Equipment or other Property of the Obligated Group, means the aggregate of the values so determined with respect to such Property, Plant and Equipment or other Property of the Obligated Group determined in such a manner that no portion of such value of Property, Plant and Equipment or other Property is included more than once.

"Capital Addition" means any addition, improvement or extraordinary repair to or replacement of any Property of a Member of the Obligated Group, whether real, personal or mixed, the cost of which is properly capitalized under generally accepted accounting principles.

"Code" means the Internal Revenue Code of 1986, as amended.

"Consultant" means a firm or firms, selected by the Obligated Group Representative, which is not, and no member, stockholder, director, officer, trustee or employee of which is, an officer, director, trustee or employee of the Obligated Group Representative or any Member of the Obligated Group or any Affiliate, and which is a professional management consultant or other financial institution of national repute for having the skill and experience necessary to render the particular report required by the provision hereof in which such requirement appears and which is not unacceptable to the Master Trustee.

"Corporate Charter" means, with respect to any corporation, the articles of incorporation, certificate of incorporation, corporate charter, membership agreement, partnership agreement or other organic document pursuant to which such corporation is organized and existing under the laws of the United States of America or any state thereof.

"Corporate Trust Office" means the office of the Master Trustee at which its principal corporate trust business is conducted, which at the date hereof is located in New York, New York.

"Credit Facility" means a financial guaranty insurance policy, line of credit, letter of credit, standby bond purchase agreement or similar credit enhancement or liquidity facility established in connection with the issuance of Indebtedness to provide credit or liquidity support for such Indebtedness.

"Credit Facility Issuer" means the firm, association, corporation or other Person, if any, which has issued a Credit Facility that provides credit or liquidity support with respect to Indebtedness or Related Bonds.

"Cross-over Date" means, with respect to Cross-over Refunding Indebtedness, the last date on which the principal portion of the related Cross-over Refunded Indebtedness is to be paid or redeemed from the proceeds of such Cross-over Refunding Indebtedness.

"Cross-over Refunded Indebtedness" means Indebtedness refunded by Cross-over Refunding Indebtedness.

"Cross-over Refunding Indebtedness" means Indebtedness issued for the purpose of refunding other Indebtedness if the proceeds of such refunding Indebtedness are irrevocably deposited in escrow to secure the payment on the applicable redemption date or dates or maturity date of the refunded Indebtedness, and the earnings on such escrow deposit are required to be applied to pay interest on such refunding Indebtedness or refunded Indebtedness until the Cross-over Date.

"Current Assets of the Obligated Group" means current assets as shown on the most recent Audited Financial Statements of the Obligated Group.

"Current Liabilities of the Obligated Group" means current liabilities as shown on the most recent Audited Financial Statements of the Obligated Group.

"Defeasance Securities" has the meaning ascribed to such term or the term Government Obligations in the applicable Related Bond Indenture.

"Defeased Municipal Obligations" means obligations of state or local government municipal bond issuers rated the highest rating by S&P, Fitch or Moody's, respectively, provision for the payment of the principal of and interest on which shall have been made by irrevocable deposit with a trustee or escrow agent of (i) noncallable, nonprepayable Government Obligations or (ii) evidences of ownership of a proportionate interest in specified noncallable, nonprepayable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity as custodian, the maturing principal of and interest on such Government Obligations or evidences of ownership, when due and payable, shall provide sufficient money to pay the principal of, redemption premium, if any, and interest on such obligations of state or local government municipal bond issuers.

"Defeased Obligations" means Obligations issued under a Supplement that has been discharged, or provision for the discharge of which has been made, pursuant to the terms of such Supplement.

"Demand Obligation" means any Indebtedness the payment of all or a portion of which is subject to the demand of the holder thereof.

"Department of Health" means the New York State Department of Health.

"Derivative Agreement" means, without limitation,

(a) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract;

(b) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices;

(c) any contract to exchange cash flows or payments or series of payments;

(d) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; and

(e) any other type of contract or arrangement that the Member of the Obligated Group entering into such contract or arrangement determines is to be used, or is intended to be used, to manage or reduce the cost of Indebtedness, to convert any element of Indebtedness from one form to another, to maximize

or increase investment return, or minimize investment risk or to protect against any type of financial risk or uncertainty.

"Derivative Period" means the period during which a Derivative Agreement is in effect.

"Escrowed Interest" means amounts of interest on Long-Term Indebtedness for which moneys or Defeasance Securities have been deposited in escrow (the "Escrowed Interest Deposit") which Escrowed Interest Deposit has been determined by an independent accounting firm to be sufficient to pay such Escrowed Interest.

"Escrowed Principal" means amounts of principal on Long-Term Indebtedness for which moneys or Defeasance Securities have been deposited in escrow (the "Escrowed Principal Deposit") which Escrowed Principal Deposit has been determined by an independent accounting firm to be sufficient to pay such Escrowed Principal.

"Equipment" means any equipment, machinery or other personal property whether owned or leased and treated as a capital asset in the Audited Financial Statements of the Members of the Obligated Group.

"Event of Default" means any one or more of those events set forth in Section 4.01 of this Master Indenture.

"Excluded Property" means any real Property that is not Health Care Facilities of the Obligated Group.

"Fiscal Year" means the fiscal year of LICH, which shall be the period commencing on January 1 of any year and ending on December 31 of such year unless the Master Trustee is notified in writing by LICH of a change in such period, in which case the Fiscal Year shall be the period set forth in such notice; provided, however that for purposes of making historical calculation determinations set forth in the Master Indenture on a Fiscal Year basis, or for purposes of combinations or consolidation of accounting information, with respect to those Members whose actual fiscal year is different from December 31, the actual fiscal year of such Members which ended within the Fiscal Year of LICH shall be used.

"Fitch" means Fitch 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 written notice to the Master Trustee.

"Foundation" means Brookhaven Health Care Services Corporation d/b/a Long Island Community Hospital Health Care Services Foundation.

"Foundation Guaranty" means any guaranty issued by the Foundation and outstanding from time to time for the benefit of the holders of Related Bonds.

"GAAP" means generally accepted accounting principles in effect from time to time in the United States and applicable to entities such as LICH.

"Governing Body" means, when used with respect to any Member of the Obligated Group and the Obligated Group Representative, its board of directors, board of trustees, or other board or group of individuals by, or under the authority of which, corporate powers of such Member of the Obligated Group or the Obligated Group Representative are exercised.

"Government Obligation" means a direct obligation of the United States of America, an obligation the timely payment of principal of, and interest on, which are fully and unconditionally guaranteed by the United States of America, an obligation (other than an obligation subject to variation in principal repayment) to which the full faith and credit of the United States of America is pledged, an obligation of any of the following instrumentalities or agencies of the United States of America: (a) Federal Home Loan Bank System; (b) Export-Import Bank of the United States; (c) Federal Financing Bank; (d) Government National Mortgage Association; (e) Farmers Home Administration; (f) Federal Home Loan Mortgage Company; (g) Federal Housing Administration; (h) Private Export Funding Corp.; (i) Federal National Mortgage Association, and (j) upon the approval of the Applicable Credit Facility Issuers, (A) an obligation of any federal agency and a certificate or other instrument which evidences the ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, direct obligations of the United States of America or (B) an obligation of any other agency or instrumentality of the United States of America created by Act of Congress, provided such obligation is rated at least "A" by S&P and Moody's at all times;

"Governmental Restrictions" means federal, state or other applicable governmental laws or regulations, affecting any Member of the Obligated Group and its health care facilities including but not limited to (a) Articles 28 and 28-B of the Public Health Law, and (b) those placing restrictions and limitations on the (i) fees and charges to be fixed, charged and collected by any Member of the Obligated Group or (ii) the amount or timing of the receipt of such fees or charges.

"Gross Receipts" shall mean all receipts, revenues, income and other moneys received or receivable by or on behalf of an Obligated Group Member, including without limitation contributions, donations, pledges and payments to any Member of the Obligated Group under the terms of a Long Term Lease Agreement, whether in the form of cash, securities or other personal property, and the rights to receive the same whether in the form of accounts, payment intangibles, contract rights, general intangibles, health-care-insurance receivables, 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 existing or hereafter coming into existence and whether now owned or hereafter acquired; provided, however, Gross Receipts shall not include: (i) gifts, grants, bequests, donations, and contributions heretofore or hereafter made, designated at the time of the making thereof by the donor or maker as being for a specific purpose contrary to (A) paying debt service on an Obligation or (B) meeting any commitment of a Member under a Loan Agreement; (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, derived from Excluded Property; and (iii) insurance proceeds relating to assets subject to a capital lease permitted under

the Master Indenture or subject to an operating lease as to which any Member of the Obligated Group is the lessee.

"Gross Receipts Revenue Fund" means the fund established pursuant to Section 4.03 hereof.

"Guaranty" means any obligation of any Member of the Obligated Group guaranteeing in any manner, directly or indirectly, any obligation of any Person that is not a Member of the Obligated Group which obligation of such other Person would, if such obligation were the obligation of a Member of the Obligated Group, constitute Indebtedness hereunder. For the purposes of this Master Indenture, the aggregate annual principal and interest payments on any indebtedness in respect of which any Member of the Obligated Group shall have executed and delivered its Guaranty shall, so long as no payments are required to be made thereunder and so long as such Guaranty constitutes a contingent liability under GAAP, be deemed to be equal to 20% of the amount which would be payable as principal of and interest on the indebtedness for which a Guaranty shall have been issued during the Fiscal Year for which any computation is being made (calculated in the same manner as the Long-Term Debt Service Coverage Ratio), provided that if there shall have occurred a payment by a Member of the Obligated Group on such Guaranty, then, during the period commencing on the date of such payment and ending on the day which is one year after such other Person resumes making all payments on such guaranteed obligation, 100% of the amount payable for principal and interest on such guaranteed indebtedness during the period for which the computation is being made shall be taken into account. Any Guaranty that is an obligation of more than one Member of the Obligated Group shall be counted only once for purposes of any test herein.

"Health Care Facilities" means the Property now or hereafter used by any Member of the Obligated Group to provide for the care, maintenance and treatment of patients or to otherwise provide health care and health-related services, including any facility or facilities licensed or regulated under Article 28 of the Public Health Law. 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.

"Holder" means an owner of any Obligation issued in other than bearer form.

"Income Available for Debt Service" means, with respect to the Obligated Group, as to any period of 12 consecutive calendar months, its excess of revenues over expenses before depreciation, amortization and interest expense on Long-Term Indebtedness, as determined in accordance with GAAP consistently applied; provided, however, that (1) no determination thereof shall take into account (a) any gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business, (b) unrealized gains and losses on investments of a Member of the Obligated Group or (c) losses resulting from any reappraisal, revaluation or write-down of assets for such period, and (2) revenues shall not include earnings from the investment of Escrowed Interest or earnings constituting Escrowed Interest to the extent that such earnings are applied to the payment of principal or interest on Long-Term Indebtedness which is excluded from the determination of Long-Term Debt Service Requirement on Related Bonds secured by such Long-Term Indebtedness.

"Indebtedness" means (i) all indebtedness of Members of the Obligated Group for borrowed money, (ii) all installment sales, conditional sales, financing lease and capital lease obligations incurred or assumed by any Member of the Obligated Group, and (iii) all Guaranties, whether constituting Long-Term Indebtedness or Short-Term Indebtedness. Indebtedness shall not include obligations of any Member of the Obligated Group to another Member of the Obligated Group which are conditional upon the availability of funds.

"Insurance Consultant" means a firm or Person which is not, and no member, stockholder, director, trustee, officer or employee of which is, an officer, director, trustee or employee of any Member of the Obligated Group or an Affiliate, which is qualified to survey risks and to recommend insurance coverage for hospitals, health-related facilities and services and organizations engaged in such operations and which is selected by the Obligated Group Representative and is not unacceptable to the Master Trustee; provided that, except with respect to the review of self-insurance programs or any captive insurance company, the term "Insurance Consultant" shall include qualified in house risk management officers employed by any Member of the Obligated Group or an Affiliate.

"LDC" means Town of Brookhaven Local Development Corporation.

"LICH" means Brookhaven Memorial Hospital Medical Center, Inc., d/b/a Long Island Community Hospital.

"Lien" means any mortgage, Long-Term Lease Agreement deed of trust or pledge of, security interest in or encumbrance on any Property of any Member of the Obligated Group which secures any Indebtedness or any other obligation of any Member of the Obligated Group or which secures any obligation of any Person, other than an obligation to any Member of the Obligated Group.

"Long-Term Debt Service Coverage Ratio" means for any period of time the ratio determined by dividing Income Available for Debt Service by Maximum Annual Debt Service. Notwithstanding anything else in this Master Indenture to the contrary, for so long as a Foundation Guaranty is outstanding, any calculation of Long-Term Debt Service Coverage Ratio shall be inclusive of the Foundation as if were a Member of the Obligated Group.

"Long-Term Debt Service Requirement" means, for any period of twelve (12) consecutive calendar months for which such determination is made, the aggregate of the payments to be made in respect of principal and interest (whether or not separately stated) on Outstanding Long-Term Indebtedness of the Obligated Group during such period, also taking into account:

(i) with respect to Balloon Long-Term Indebtedness which is not amortized by the terms thereof (a) the amount of principal which would be payable in such period if such principal were amortized from the date of incurrence thereof over a period of thirty (30) years on a level debt service basis at an interest rate equal to the rate borne by such Indebtedness on the date calculated, except that if the date of calculation is within twelve (12) months of the actual maturity of such Indebtedness, the full amount of principal payable at maturity shall be included in such calculation or (b) principal payments or deposits with respect to Indebtedness secured by an irrevocable letter of credit issued by,

or an irrevocable line of credit with, a bank rated at least "A" by Moody's, Fitch or S&P, or insured by an insurance policy issued by any insurance company rated at least "A" by Alfred M. Best Company or its successors in Best's Insurance Reports or its successor publication, nominally due in the last Fiscal Year in which such Indebtedness matures may, at the option of the Member of the Obligated Group which issued such Indebtedness, be treated as if such principal payments or deposits were due as specified in any loan or reimbursement agreement issued in connection with such letter of credit, line of credit or insurance policy or pursuant to the repayment provisions of such letter of credit, line of credit or insurance policy, and interest on such Indebtedness after such Fiscal Year shall be assumed to be payable pursuant to the terms of such loan or reimbursement agreement or repayment provisions;

(ii) with respect to Long-Term Indebtedness which is Variable Rate Indebtedness, the interest on such Indebtedness shall be calculated at the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period), except that with respect to new Variable Rate Indebtedness (and the incurrence thereof) the interest rate for such Indebtedness for the initial interest rate period shall be the initial rate at which such Indebtedness is issued and thereafter shall be calculated as set forth above;

(iii) with respect to any Credit Facility, to the extent that such Credit Facility has not been used or drawn upon, the principal and interest relating to such Credit Facility shall not be included in the Long-Term Debt Service Requirement;

(iv) with respect to any guaranties, in accordance with the Definition of "Guaranty" in Section 1.01 hereof;

(v) with respect to Indebtedness for which a Member of the Obligated Group shall have entered into a Derivative Agreement in respect of all or a portion of such Indebtedness (as evidenced by a certificate filed with the Master Trustee so specifying that the Derivative Agreement relates to all or a portion of such Indebtedness, which certification may be provided at the time of or after the issuance of such Indebtedness), the principal or notional amount of such Derivative Agreement shall be disregarded, and interest on such Indebtedness during any Derivative Period and for so long as the counterparty of the Derivative Agreement has not defaulted on its payment obligations thereunder shall be calculated by adding (x) the amount of interest payable by a Member of the Obligated Group on such underlying Indebtedness pursuant to its terms (provided that, with respect to new Variable Rate Indebtedness, and the incurrence thereof, the interest rate for such Indebtedness for the initial interest rate period shall be the initial rate at which such Indebtedness is issued), and (y) the amount of interest payable by such Member of the Obligated Group under the Derivative Agreement (provided that, with respect to new Variable Rate Indebtedness, and the incurrence thereof, the interest rate for such Derivative Agreement for the initial interest rate period shall be the initial rate at which interest is payable under such Derivative Agreement), and subtracting (z) the amount

of interest payable to the Member of the Obligated Group by the counterparty of the Derivative Agreement at the rate specified in the Derivative Agreement (provided that, with respect to new Variable Rate Indebtedness, and the incurrence thereof, the interest rate for such Derivative Agreement for the initial interest rate period shall be the initial rate at which interest is payable under such Derivative Agreement); provided, however, that to the extent that the counterparty of any Derivative Agreement is in default thereunder, the amount of interest payable by the Member of the Obligated Group shall be the interest calculated as if such Derivative Agreement had not been executed;

(vi) with respect to a Derivative Agreement that has not been certified as relating to underlying Indebtedness which has been entered into by any Member of the Obligated Group and which is secured by an Obligation, the principal or notional amount of such Derivative Agreement shall be disregarded (for so long as the Member of the Obligated Group is not required to make any payment other than interest payments thereon) and interest on such Derivative Agreement during any Derivative Period, for so long as the counterparty of the Derivative Agreement has not defaulted on its payment obligations thereunder, shall be calculated by taking (y) the amount of interest payable by such Member of the Obligated Group at the rate specified in the Derivative Agreement and subtracting (z) the amount of interest payable by the counterparty of the Derivative Agreement at the rate specified in the Derivative Agreement; and

(vii) notwithstanding anything herein to the contrary, any so-called mark to market charge or credit attributable to any Derivative Agreement under Statement of Financial Accounting Standards No. 133 or otherwise shall be excluded from calculation of the revenues and expenses, in each case, of each Member of the Obligated Group and all related definitions and financial covenants herein for all purposes of this Indenture. Furthermore, notwithstanding anything else herein to the contrary, any portion of any Indebtedness of any Member for which an Derivative Agreement has been obtained by such Member shall be deemed to bear interest for the period of time that such Derivative Agreement is in effect at a net rate which takes into account the interest payments made by such Member on such Indebtedness and the payments made or received by such Member on such Derivative Agreement; provided that the long-term credit rating of the provider of such Derivative Agreement (or any guarantor thereof) is in one of the three highest rating categories of any rating agency (without regard to any refinements of gradation of rating category by numerical modifier or otherwise). In addition, so long as any Indebtedness is deemed to bear interest at such net rate taking into account an Derivative Agreement, any payments made by a Member on such Derivative Agreement shall be excluded from expenses and any payments received by a Member on such Derivative Agreement shall be excluded from revenues, in each case, for all purposes of this Indenture.

provided, however, that Escrowed Interest and Escrowed Principal shall be excluded from the determination of Long-Term Debt Service Requirement; provided, further, however, that in connection with the calculation of "Long-Term Debt Service Requirement", in no event shall any payments to be made in respect of principal and/or interest on any Outstanding Long-Term Indebtedness of the Obligated Group during such period be counted more than once.

"Long-Term Indebtedness" means all Indebtedness (other than Indebtedness for which the timely payment of the principal of and interest on which has been provided for from the deposit of Defeasance Securities) having a maturity longer than one year incurred or assumed by any Member of the Obligated Group, including without duplication:

(i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one year;

(ii) leases which are required to be capitalized in accordance with GAAP having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year;

(iii) installment sale or conditional sale contracts having an original term in excess of one year;

(iv) Short-Term Indebtedness if a commitment by a financial lender exists to provide financing to retire such Short-Term Indebtedness and such commitment provides for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness; and

(v) the current portion of Long-Term Indebtedness.

"Long-Term Lease Agreement" means any lease agreement of Property, whether real, personal or mixed or Equipment, for a term of one year or longer, including without limitation, the Stony Brook Lease.

"Master Indenture" means this Master Trust Indenture, including any amendments or supplements hereto.

"Master Trustee" means U.S. Bank National Association, and its successors in the trusts created under this Master Indenture.

"Maximum Annual Debt Service" means the highest Long-Term Debt Service Requirement for the current or any succeeding Fiscal Year.

"Member of the Obligated Group" or "Member" means LICH and any other Person becoming a Member of the Obligated Group pursuant to Section 3.11 hereof.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation 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 written notice to the Master Trustee.

"Mortgage" means (i) the mortgage or mortgages granted by LICH to the Master Trustee from time to time to secure the obligations of LICH to the Master Trustee with respect to the initial Obligations and all such other Obligations as may be issued from time to time in accordance with the provisions of this Master Indenture, and (ii) any other mortgage encumbering additional

property added as collateral for Obligations granted by any Member of the Obligated Group to secure all Obligations issued pursuant to this Master Indenture.

"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.

"New Group " means all such Persons who agree to (i) become jointly and severally obligated under a Replacement Master Indenture for any obligations thereunder, and (ii) otherwise comply with the provisions of such Replacement Master Indenture.

"Non-Recourse Indebtedness" means any Indebtedness incurred to finance the purchase of Property secured exclusively by a Lien on such Property or the revenues or net revenues produced by such Property or both, the liability for which is effectively limited to the Property subject to such Lien with no recourse, directly or indirectly, to any other Property of any Member of the Obligated Group.

"Obligated Group" means, collectively, the Members of the Obligated Group.

"Obligated Group Representative" shall mean LICH or its successor.

"Obligation" means the evidence of particular Indebtedness issued from time to time under this Master Indenture as a joint and several obligation of each Member of the Obligated Group. "Obligation" may also include the evidence of a particular obligation of each Member of the Obligated Group under a Derivative Agreement.

"Officer's Certificate" means a certificate signed by the Authorized Representative of such Member of the Obligated Group or the Obligated Group Representative as the context requires. Each Officer's Certificate presented pursuant to this Master Indenture shall state that it is being delivered pursuant to (and shall identify the section or subsection of), and shall incorporate by reference and use in all appropriate instances all terms defined in, this Master Indenture. Each Officer's Certificate shall state (i) that the terms thereof are in compliance with the requirements of the section or subsection pursuant to which such Officer's Certificate is delivered or shall state in reasonable detail the nature of any non-compliance and the steps being taken to remedy such non-compliance and (ii) that it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

"Operating Assets" means any or all land, leasehold interests, buildings, machinery, equipment, hardware, inventory, Health Care Facilities and other tangible and intangible Property owned or operated by a Member of the Obligated Group and used in its respective trade or business, whether separately or together with other such assets, but not including cash, investment securities and other Property held for investment purposes.

"Opinion of Bond Counsel" means an opinion in writing signed by an attorney or firm of attorneys experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds and who is acceptable to each Related Bond Issuer.

"Opinion of Counsel" means an opinion in writing signed by an attorney or firm of attorneys, acceptable to the Master Trustee, who may be counsel for the Obligated Group Representative or any Member of the Obligated Group or other counsel acceptable to the Master Trustee.

"Other Swap Payments" shall have the meaning given in Section 4.04 hereof.

"Outstanding" means, as of any date of determination, (i) when used with reference to Obligations, all Obligations theretofore issued or incurred and not paid and discharged, other than (A) Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation, (B) Defeased Obligations and (C) Obligations in lieu of which other Obligations have been authenticated and delivered or have been paid pursuant to the provisions of the Supplement regarding mutilated, destroyed, lost or stolen Obligations unless proof satisfactory to the Master Trustee has been received that any such Obligation is held by a bona fide purchaser, and (ii) when used with reference to Indebtedness other than Indebtedness evidenced by an Obligation, all Indebtedness theretofore issued or incurred and not paid and discharged, other than Indebtedness deemed paid and no longer outstanding under the documents pursuant to which such Indebtedness was incurred; provided, however, that for purposes of determining whether the Holders of the requisite principal amount of Obligations have concurred in any demands, direction, request, notice, consent, waiver or other action under this Master Indenture, Obligations or Related Bonds that are owned by the Obligated Group Representative or any Member of the Obligated Group or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with such Member or the Obligated Group Representative shall be deemed not to be Outstanding, provided further, however, that for the purposes of determining whether the Master Trustee shall be protected in relying on any such direction, consent, or waiver, only such Obligations or Related Bonds which the Master Trustee has actual notice or knowledge are so owned shall be deemed to be not Outstanding.

"Permitted Liens" shall have the meaning given in Section 3.05 hereof.

"Permitted Sale Leaseback" shall have the meaning given in Section 3.14 hereof.

"Person" means an individual, association, unincorporated organization, limited liability company, corporation, partnership, joint venture, business trust or a government or an agency or a political subdivision thereof, or any other entity.

"Projected Period" means (i) in the case of Indebtedness incurred to finance a Capital Addition or any repair to Operating Assets, each of the two full Fiscal Years following the date such Capital Addition or repair is estimated to be installed or completed and (ii) in the case of Indebtedness incurred for any other purpose, each of the two full Fiscal Years following the date such Indebtedness is proposed to be incurred.

"Property" means any and all rights, titles and interests in and to any and all property whether real or personal, tangible or intangible and wherever situated.

"Property, Plant and Equipment" means all Property of the Members of the Obligated Group which is property, plant and equipment under GAAP.

"Public Health Law" means the New York Public Health Law, as shall be amended from time to time and the rules and regulations promulgated from time to time by the Department of Health pursuant to the Public Health Law.

"Regularly Scheduled Swap Payments" shall have the meaning given in Section 4.04 hereof.

"Related Bond Indenture" means any indenture, bond resolution or other comparable instrument pursuant to which a series of Related Bonds is issued.

"Related Bond Issuer" means any state, territory or possession of the United States or any municipal corporation or political subdivision formed under the laws thereof or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof which is the issuer of any issue of Related Bonds.

"Related Bonds" means the revenue bonds or other obligations issued by a "Related Bond Issuer", pursuant to a Related Bond Indenture, the proceeds of which are loaned or otherwise made available to the Obligated Group Representative or a Member of the Obligated Group in consideration of the execution, authentication and delivery of an Obligation to or for the order of such governmental issuer.

"Related Bond Trustee" means the trustee and its successors in the trusts created under any Related Bond Indenture.

"Related Credit Facility Issuer" means the Credit Facility Issuer with respect to any issue of Related Bonds.

"Related Loan Agreement" means any loan agreement, lease agreement or any similar instrument relating to the loan of proceeds of Related Bonds to a Member of the Obligated Group.

"Release Parcel" shall have the meaning given in Section 3.13 hereof.

"Remaining Parcel" shall have the meaning given in Section 3.13 hereof.

"Replacement Master Indenture" means a master trust indenture entered into by a New Group and a master trustee that, inter alia, (i) provides that all Outstanding Obligations shall be deemed to be a note or obligation issued under and entitled to the security and benefits of such Replacement Master Indenture, without the necessity of any amendment, exchange or replacement of such Obligation(s); or (ii) provides for the exchange or replacement of all Outstanding Obligations with notes or obligations issued under and entitled to the benefits of such Replacement Master Indenture.

"Responsible Officer" means, when used with respect to the trustee, any officer within the corporate trust department of the trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the trustee who customarily performs functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such

person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this indenture.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw Hill Companies Inc., its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by written notice to the Master Trustee.

"Series 2020 Bonds" means, collectively, the Town of Brookhaven Local Development Corporation Revenue Bonds (Long Island Community Hospital Project), Series 2020A and the Town of Brookhaven Local Development Corporation Taxable Revenue Bonds (Long Island Community Hospital Project), Series 2020B.

"Short-Term Indebtedness" means all Indebtedness having a maturity of one year or less, other than the current portion of Long-Term Indebtedness, incurred or assumed by any Member of the Obligated Group, 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 GAAP 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.

"Stony Brook Lease" means, if consummated, the lease by LICH, as lessor, of LICH's hospital facility to the State University of New York, as lessee, acting through Stony Brook University Hospital pursuant to an affiliation of LICH with Stony Brook University Hospital,

"Subordinated Debt" means Indebtedness the payment of which is evidenced by instruments, or issued under an indenture or other document, containing specific provisions subordinating such Indebtedness to the Obligations, including following any event of insolvency by the debtor or following acceleration of such Indebtedness.

"Supplement" means an indenture supplemental to, and authorized and executed pursuant to the terms of, this Master Indenture.

"Tax-Exempt Organization" means a Person organized under the laws of the United States of America or any state thereof which is (i) an organization described in Section 501(c)(3) of the Code or is treated as an organization described in Section 501(c)(3) of the Code, and (ii) exempt from federal income taxes under Section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

"Total Operating Revenues" means, with respect to the Obligated Group, as to any period of time, total operating revenues less all deductions from revenues, as determined in accordance with GAAP consistently applied.

"Transfer" means any act or occurrence the result of which is to dispossess any Person of any asset or interest therein, including specifically, but without limitation, the forgiveness of any debt.

"Variable Rate Indebtedness" means any portion of Indebtedness the interest rate on which has not been established at a fixed or constant rate to maturity.

Section 1.02 Interpretation. (a) Any reference herein to any officer or member of the Governing Body of a Member of the Obligated Group or the Obligated Group Representative shall include those succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

(b) Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa, and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender.

(c) Where the character or amount of any asset, liability or item of revenue or expense is required to be determined or any consolidation, combination or other accounting computation is required to be made for the purposes hereof or of any agreement, document or certificate executed and delivered in connection with or pursuant to this Master Indenture, the same shall be done in accordance with GAAP at the time in effect, to the extent applicable, except where such principles are inconsistent with the requirements hereof or of such agreement, document or certificate. If there is a change in GAAP and the Obligated Group shall determine that the change in such principles materially affects any consolidation, combination or other accounting computation required by this Master Indenture, or any other related agreement, document or certificate, any such consolidation, combination or other accounting computation shall be made (i) in accordance with GAAP currently in effect, or (ii) at the sole option of the Obligated Group as described below, to reflect adjustments generally consistent with GAAP in effect at the time of original execution and delivery of this Master Indenture, in which case such adjusted version, or the portion thereof, shall be used for the specified calculation, consolidation or combination required under this Master Indenture, or such agreement, document or certificate. If the Obligated Group elects to provide an adjustment to such consolidation, combination or other accounting computation, the Obligated Group Representative shall deliver an Officer's Certificate to the Master Trustee describing why then-current GAAP are inconsistent with the intent of the parties on the date of execution and delivery of this Master Indenture (including, but not limited to, to exclude the effect of "FASB ASC Topic 842, Leases" relating to treatment of leases formerly classified as operating leases under GAAP), the nature and effect of the adjustments made thereto and the effects thereof."

(d) Headings of articles and sections herein and in the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(e) Provisions calling for the redemption of Obligations or the calling of Obligations for redemption do not mean or include the payment of Obligations at their stated maturity or maturities.

(f) Provisions calling for or referring to the delivery by each Member of the Obligated Group of financial statements for any given period shall be deemed satisfied if the combined or consolidated financial statements for such period, prepared in accordance with GAAP, of such entities are so delivered.

(g) Provisions calling for or referring to a calculation, with respect to the Obligated Group in accordance with GAAP, shall be deemed not to require the consolidation of accounts of entities that are not Members of the Obligated Group, as the case may be, even if GAAP would require such consolidation.

(h) Provisions calling for a forecast shall be deemed satisfied by a forecast which shall be compiled or examined based upon the most likely outcome of a stated set of assumptions that, in the opinion of the Obligated Group Representative, are reasonable.

## ARTICLE II

## INDEBTEDNESS, AUTHORIZATION, ISSUANCE AND TERMS OF OBLIGATIONS

Section 2.01 Amount of Indebtedness. Subject to the terms, limitations and conditions established in this Master Indenture, each Member of the Obligated Group may incur Indebtedness by issuing Obligations hereunder or by creating Indebtedness under any other document. The principal amount of Indebtedness created under other documents and the number and principal amount of Obligations evidencing Indebtedness that may be created hereunder are not limited, except as limited by the provisions hereof, including Section 3.06, or of any Supplement. Each Member of the Obligated Group is jointly and severally liable for each and every Obligation issued hereunder.

Section 2.02 Designation of Obligations. Obligations shall be issued in such forms as may from time to time be created by Supplements permitted hereunder. Each Obligation or series of Obligations shall be created by a different Supplement and shall be designated in such a manner as will differentiate such Obligation from any other Obligation.

Section 2.03 Appointment of Obligated Group Representative. Each Member of the Obligated Group, by becoming a Member of the Obligated Group, irrevocably appoints the Obligated Group Representative as its agent and true and lawful attorney in fact and grants to the Obligated Group Representative (a) full and exclusive power to execute Supplements authorizing the issuance of Obligations or series of Obligations, (b) full power to execute Obligations for and on behalf of the Obligated Group and each Member of the Obligated Group, (c) full power to execute Supplements on behalf of the Obligated Group pursuant to Section 6.01 and 6.02 hereof and (d) full power to prepare, or authorize the preparation of, any and all documents, certificates or disclosure materials reasonably and ordinarily prepared in connection with the issuance of Obligations hereunder, or Related Bonds associated therewith, and to execute and deliver such items to the appropriate parties in connection therewith.

Section 2.04 Execution and Authentication of Obligations. All Obligations shall be executed for and on behalf of all of the Members of the Obligated Group by an Authorized Representative of the Obligated Group Representative. The signature of any such Authorized Representative may be mechanically or photographically reproduced on the Obligation. If any Authorized Representative whose signature appears on any Obligation ceases to be such Authorized Representative before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such Authorized Representative had remained in office until such delivery. Each Obligation may be mechanically or photographically authenticated by a Responsible Officer of the Master Trustee, without which authentication no Obligation shall be entitled to the benefits hereof.

The Master Trustee's authentication certificate shall be substantially in the following form:

MASTER TRUSTEE'S AUTHENTICATION CERTIFICATE

The undersigned Master Trustee hereby certifies that this Obligation No. _____ is one of the Obligations described in the within-mentioned Master Indenture.

_____
Master Trustee

By:_____
Authorized Officer

Section 2.05 Supplement Creating Obligations. The Obligated Group Representative, on behalf of each Member of the Obligated Group and the Master Trustee, may from time to time enter into a Supplement in order to create an Obligation hereunder. Such Supplement shall, with respect to an Obligation evidencing Indebtedness created thereby, set forth the date thereof, and the date or dates on which the principal of and premium, if any, and interest on such Obligation shall be payable, the provisions regarding discharge thereof, and the form of such Obligation and such other terms and provisions as shall conform with the provisions hereof. Any such Obligation shall be secured pari passu by the security interest in and pledge of Gross Receipts granted under this Master Indenture and by the Mortgage, and may be secured by such other Properties and revenues of the Members of the Obligated Group as may be permitted under this Master Indenture as a Permitted Lien or under the provisions of a Supplement.

Section 2.06 Conditions to Issuance of Obligations Hereunder. With respect to Indebtedness created hereunder issued subsequent to Obligations No. 1, simultaneously with or prior to the execution, authentication and delivery of Obligations evidencing such Indebtedness pursuant to this Master Indenture:

(a) All requirements and conditions to the issuance of such Obligations, if any, set forth in the Supplement or in this Master Indenture shall have been complied with and satisfied, as provided in an Officer's Certificate of the Obligated Group Representative, a certified copy of which shall be delivered to the Master Trustee upon the issuance of the Obligations; and

(b) The issuer of such Obligations shall have delivered to the Master Trustee an Opinion of Counsel to the effect that (1) registration of such Obligations under the Securities Act of 1933, as amended, and qualification of this Master Indenture or the Supplement under the Trust Indenture Act of 1939, as amended, is not required, or, if such registration or qualification is required, that all applicable registration and qualification provisions of said acts have been complied with, and (2) the Master Indenture and the Obligations are valid, binding and enforceable obligations of the Members of the Obligated Group in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance and other laws affecting creditors' rights generally and usual equity principles and other customary exceptions.

Section 2.07 Issuance of Obligations in Forms Other than Notes. Obligations may be issued hereunder in a form other than a promissory note to evidence any type of Indebtedness or Derivative Agreement that itself is in a form other than a promissory note including without limitation, deeming such Indebtedness or Derivative Agreement or certain payments due thereunder to be an Obligation. Consequently, the Related Supplement pursuant to which any Obligation is issued may provide for such supplements or amendments to the provisions hereof as are necessary or appropriate to permit the issuance of such Obligation hereunder and as are not inconsistent with the intent hereof that all Obligations issued hereunder be equally and ratably secured by the lien on the trust estate created hereunder except to the extent that an Obligation provides for subordination of some or all of the payment obligations thereunder and/or subordination of security therefor. Any Derivative Agreement (or any particular payments thereunder) which is or are authenticated as an Obligation under this Master Indenture shall be equally and ratably secured by any lien created under this Master Indenture with all other Obligations except as otherwise provided in this Master Indenture; provided, however, that any such Obligation shall be deemed outstanding under this Master Indenture solely for the purpose of receiving payment under this Master Indenture and shall not be entitled to exercise any rights under this Master Indenture, including without limitation the right to vote or control remedies, and any Obligation issued to secure any Derivative Agreement shall not be deemed to be Outstanding for any purpose under Article VI, other than the right to receive payment of amounts due thereunder equally and ratably with all other Obligations.

## ARTICLE III

## PARTICULAR COVENANTS OF THE OBLIGATED GROUP

Section 3.01 Security; Restrictions on Encumbering Property; Payment of Principal and Interest. (a) Any Obligation issued pursuant to this Master Indenture shall be a general obligation of each Member of the Obligated Group. To secure, among other things, the prompt payment of the principal of, redemption premium, if any, and the interest on all Obligations issued from time to time under the Master Indenture, and the performance by the Member of the Obligated Group of its other obligations hereunder and under the Master Indenture, the Mortgage by the Member of the Obligated Group has been granted to the Master Trustee. Each Member of the Obligated Group hereby pledges, assigns and grants to the Master Trustee a security interest in its Gross Receipts or, at the time of admission, shall pledge, assign and grant to the to the Master Trustee a security interest in its Gross Receipts. Upon receipt, all such security shall be held in trust for the holders from time to time of all Obligations issued and Outstanding hereunder, without preference or priority of any one Obligation over any other Obligation.

If any Event of Default under subsections (a), (d), (e) or (f) of Section 4.01 hereof shall have occurred, any Gross Receipts then on deposit in any fund or account of a Member of the Obligated Group (unless such account has been pledged as security as permitted in this Master Indenture), and any Gross Receipts thereafter received, shall immediately, upon receipt, be transferred into the Gross Receipts Revenue Fund established pursuant to Section 4.03 hereof. Upon receipt, all such Gross Receipts shall be held by the Master Trustee in trust for the Holders from time to time of all Obligations issued and Outstanding hereunder, without preference or priority of any one Obligation over any other Obligation. Prior to its receipt of a request from the Master Trustee pursuant to Section 4.03(c) of this Master Indenture, any Member of the Obligated Group may transfer, or pledge as security, all or any part of its Gross Receipts free of such security interest, as permitted pursuant to the provisions of this Master Indenture. In the event of such transfer or pledge, upon the request of a Member of the Obligated Group, the Master Trustee shall execute a release of its security interest with respect to the assets so transferred.

In addition to the preceding paragraph, upon an Event of Default under subsections (a), (d), (e) or (f) of Section 4.01 hereof, the Members of the Obligated Group hereby agree to take no action inconsistent with the pledge, assignment and deposit of Gross Receipts contemplated hereby, and to cooperate in all respects to assure the deposit of such Gross Receipts in the Gross Receipts Revenue Fund.

With respect to all Obligations issued, executed and delivered under this Master Indenture, there shall be delivered to the Master Trustee financing statements evidencing the security interests of the Master Trustee in the Gross Receipts of the Members of the Obligated Group in the form required by the New York Uniform Commercial Code with copies sufficient in number for filing in the office of the Secretary of State of the State of New York.

Each Member of the Obligated Group shall also execute and deliver to the Master Trustee from time to time such amendments or supplements to this Master Indenture as may be necessary or appropriate to include as security hereunder the Gross Receipts. In addition, each Member of the Obligated Group covenants that it will prepare and file such financing statements or amendments to or terminations of existing financing statements which shall, in the Opinion of Counsel, be necessary to comply with applicable law or as required due to changes in the Obligated Group, including, without limitation, (i) any Person becoming a Member of the Obligated Group pursuant to Section 3.11 of this Master Indenture, or (ii) any Member of the Obligated Group ceasing to be a Member of the Obligated Group pursuant to Section 3.12 of this Master Indenture. In particular, each Member of the Obligated Group covenants that it will, at least thirty (30) days prior to the expiration of any financing statement, prepare and file such continuation statements of existing financing statements as shall, in the Opinion of Counsel, be necessary to continue the security interest created hereunder pursuant to applicable law and shall provide to the Master Trustee written notice of such filing. If the Master Trustee shall not have received such notice at least twenty-five (25) days prior to the expiration date of any such financing statement, the Master Trustee shall prepare and file or cause each Member of the Obligated Group to prepare and file such continuation statements in a timely manner to assure that the security interest in Gross Receipts shall remain perfected.

(b) Each Member of the Obligated Group covenants that it will not pledge or grant a security interest in (except for Permitted Liens as set forth in Section 3.05 hereof) any of its Property.

(c) Each Obligation shall be a joint and several general obligation of each Member of the Obligated Group. Each Member of the Obligated Group covenants to promptly pay or cause to be paid the principal of, premium, if any, and interest on each Obligation issued pursuant to this Master Indenture at the place, on the dates and in the manner provided in this Master Indenture and in said Obligation according to the terms thereof whether at maturity, upon proceedings for redemption, by acceleration or otherwise.

(d) Each Member of the Obligated Group covenants that, if an Event of Default shall have occurred and be continuing, it will, upon request of the Master Trustee, deliver or direct to be delivered to the Master Trustee all Gross Receipts until such Event of Default has been cured, such Gross Receipts to be applied in accordance with Sections 4.03 and 4.04 of this Master Indenture.

Section 3.02 Covenants as to Corporate Existence, Maintenance of Properties, Etc.. Each Member of the Obligated Group hereby covenants:

(a) Except as otherwise expressly provided herein, to preserve its corporate or other legal existence and all its material rights and licenses to the extent necessary or desirable in the operation of its business and affairs and be qualified to do business in each jurisdiction where its ownership of Property or the conduct of its business requires such qualifications; provided, however, that nothing herein contained shall be construed to obligate it to retain or preserve any of its rights or licenses, no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(b) At all times to cause its Property, or cause the lessee under any Long-Term Lease of the Property to cause the Property, in all material respects to be maintained, preserved and kept in good repair, working order and condition and all needed and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing contained in this subsection shall be construed to (i) prevent it from ceasing to operate any portion of its Property, if in its judgment (evidenced, in the case of such a cessation other than in the ordinary course of business by an opinion or certificate of a Consultant) it is advisable not to operate the same, or if it intends to sell or otherwise dispose of the same and within a reasonable time endeavors to effect such sale or other disposition, or (ii) to obligate it to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(c) To do all things reasonably necessary to conduct its affairs and carry on its business and operations in such manner as to comply in all material respects with any and all applicable laws of the United States and the several states thereof (including, but not limited to, the Public Health Law for as long as there are Related Bonds of the LDC or its predecessors outstanding) and duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its Properties; provided, nevertheless, that nothing 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 or the applicability thereof to it shall be contested in good faith.

(d) To pay promptly when due all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its Property; provided, however, that it shall have the right to contest in good faith any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof.

(e) To pay promptly or otherwise satisfy and discharge all of its Indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Obligations created and Outstanding hereunder) whose validity, amount or collectability is being contested in good faith.

(f) At all times to comply in all material respects with all terms, covenants and provisions of any Liens at such time existing upon its Property or any part thereof or securing any of its Indebtedness.

(g) To procure and maintain all necessary licenses and permits and maintain accreditation of its Health Care Facilities (if any, and other than those of a type for which accreditation is not available) by the Joint Commission on Accreditation of Healthcare Organizations or other applicable recognized accrediting body; provided, however, that it need not comply with this Section 3.02(g) if and to the extent that its Governing Body shall have determined in good faith, evidenced by a resolution of the Governing Body, that such compliance is not in its best interests and that lack of such compliance would not materially impair its ability to pay its Indebtedness when due or if LICH has entered into the Stony Brook Lease and Stony Brook University Hospital is required under the Stony Brook Lease to procure and maintain all necessary licenses and permits and maintain accreditation with respect to the Health Care Facilities leased by LICH to Stony Brook University Hospital pursuant to the Stony Brook Lease.

(h) So long as this Master Indenture shall remain in force and effect, each Member of the Obligated Group which is a Tax-Exempt Organization at the time it becomes a Member of the Obligated Group agrees that, so long as all amounts due or to become due on any Related Bond have not been fully paid to the holder thereof, it shall not take any action or suffer any action to be taken by others, including any action which would result in the alteration or loss of its status as a Tax-Exempt Organization, or fail to take any action which failure, in the Opinion of Bond Counsel, would result in the interest on any Related Bonds becoming included in the gross income of the holder thereof for federal income tax purposes.

Section 3.03 Insurance. Each Member of the Obligated Group agrees that it will maintain, or cause to be maintained, insurance (including one or more self-insurance programs considered to be adequate) covering such risks in such amounts and with such deductibles and co-insurance provisions as, in the judgment of its Governing Body, are adequate to protect it and its Property and operations.

The Obligated Group Representative shall engage an Insurance Consultant to review the insurance requirements of the Members of the Obligated Group from time to time (but not less frequently than biennially). If the Insurance Consultant makes recommendations for the increase

of any coverage, the applicable Member of the Obligated Group shall increase or cause to be increased such coverage in accordance with such recommendations, subject to a good faith determination of the Governing Body of such Member that such recommendations, in whole or in part, are in the best interests of the Obligated Group. If the Insurance Consultant makes recommendations for the decrease or elimination of any coverage, the Member of the Obligated Group may decrease or eliminate such coverage in accordance with such recommendations, subject to a good faith determination of the Governing Body of the Obligated Group Representative that such recommendations, in whole or in part, are in the best interests of the Obligated Group. Notwithstanding anything in this Section to the contrary, each Member of the Obligated Group shall have the right, without giving rise to an Event of Default solely on such account, (i) to maintain insurance coverage below that most recently recommended by the Insurance Consultant, if the Obligated Group Representative furnishes to the Master Trustee a report of the Insurance Consultant to the effect that the insurance so provided affords either the greatest amount of coverage available for the risk being insured against at rates which in the judgment of the Insurance Consultant are reasonable in connection with reasonable and appropriate risk management, or the greatest amount of coverage necessary by reason of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or (ii) to adopt alternative risk management programs which the Insurance Consultant determines to be reasonable, including, without limitation, to self-insure in whole or in part individually or in connection with other institutions, to participate in programs of captive insurance companies, to participate with other health care institutions in mutual or other cooperative insurance or other risk management programs, to participate in state or federal insurance programs, to take advantage of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or to establish or participate in other alternative risk management programs; all as may be approved by the Insurance Consultant as reasonable and appropriate risk management by the Obligated Group. If any Member of the Obligated Group shall be self-insured for any coverage, the report of the Insurance Consultant mentioned above shall state whether the anticipated funding of any self-insurance fund is actuarially sound, and if not, the required funding to produce such result and such coverage shall be reviewed by the Insurance Consultant not less frequently than annually.

Section 3.04 Insurance and Condemnation Proceeds. (a) Unless otherwise provided in the Mortgages or any Related Indenture or Related Loan Agreement, amounts that do not exceed 20% of the Book Value of the Property, Plant and Equipment of the Obligated Group received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss relating to the Health Care Facilities or as condemnation awards relating to the Health Care Facilities may be used in such manner as the recipient may determine, including, without limitation, applying such moneys to the payment or prepayment of any Indebtedness in accordance with the terms thereof and of any pertinent Supplement.

(b) Unless otherwise provided in the Mortgages or any Related Indenture or Related Loan Agreement, amounts that exceed 20% of the Book Value of the Property, Plant and Equipment of the Obligated Group received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss relating to the Health Care Facilities or as condemnation awards relating to the Health Care Facilities shall be applied to repair or replace the Property (either Property serving the same function or other Property that, in the judgment of the Governing Body, is of equal usefulness) to which such proceeds relate or to the payment or prepayment of Indebtedness in accordance with the terms thereof and of any pertinent Supplement; provided,

however, such amounts may be used in such manner as the recipient may determine, if the recipient notifies the Master Trustee in writing and within 12 months after the casualty loss or taking, delivers to the Master Trustee:

(i) (A) An Officer's Certificate of the Obligated Group Representative certifying the forecasted Long-Term Debt Service Coverage Ratio for each of the two Fiscal Years following the date on which such proceeds or awards are forecasted to have been fully applied, which Long-Term Debt Service Coverage Ratio for each such period is not less than 1.50, as shown by pro forma financial statements for each such period, accompanied by a statement of the relevant assumptions including assumptions as to the use of such proceeds or awards, upon which such pro forma statements are based; and (B) if the amount of such proceeds or awards received with respect to any casualty loss or condemnation exceeds 30% of the Book Value of the Property, Plant and Equipment of the Obligated Group, a written report of a Consultant confirming such certification; or

(ii) A written report of a Consultant stating the Consultant's recommendations, including recommendations as to the use of such proceeds or awards, to cause the Long-Term Debt Service Coverage Ratio for each of the periods described in paragraph (i) of this Section 3.04(b) to be not less than 1.20, or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest practicable level; and an Officer's Certificate of the Obligated Group Representative certifying that the recipient will use such proceeds in accordance with the recommendations contained in the Consultant's report.

Each Member of the Obligated Group agrees that it will use such proceeds or awards, to the extent permitted by law and any Mortgage, only in accordance with the assumptions described in subsection (i), or the recommendations described in subsection (ii), of this Section.

Section 3.05 Limitations on Creation of Liens. (a) Each Member of the Obligated Group agrees that it will not create or suffer to be created or permit the existence of any Lien on Property now owned or hereafter acquired by it other than Permitted Liens.

(b) Permitted Liens shall consist of the following:

(i) Liens arising by reason of good faith deposits by any Member of the Obligated Group in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Member of the Obligated Group to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(ii) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member of the Obligated Group to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with

workers' compensation, unemployment insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(iii) Any judgment lien against any Member of the Obligated Group so long as such judgment is being contested in good faith and execution thereon is stayed;

(iv) (A) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (B) any liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen, laborers, suppliers or vendors, have been due for less than 180 days; and (C) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof.

(v) Any Lien which is existing on the date of authentication and delivery of the initial Obligation issued under this Master Indenture, which is set forth on Schedule A attached hereto, provided that no such Lien may be increased, extended, renewed or modified to apply to any Property of any Member of the Obligated Group not subject to such Lien on such date or to secure Indebtedness not Outstanding as of the date hereof, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien hereunder;

(vi) Any Liens of a new Member or a successor to an existing Member that is permitted to remain outstanding after such new Member or successor becomes a Member of the Obligated Group pursuant to Sections 3.09(e) or 3.11(e) hereof;

(vii) Any Lien securing Non-Recourse Indebtedness permitted by Section 3.06(d) hereof;

(viii) Any Lien on Property acquired by a Member of the Obligated Group if the indebtedness secured by the Lien is Additional Indebtedness permitted under the provisions of Section 3.06 hereof, and if an Officer's Certificate is delivered to the Master Trustee certifying that (A) the Lien and the indebtedness secured thereby were created and incurred by a Person other than the Member of the Obligated Group, and (B) the Lien was not created for the purpose of enabling the Member of the Obligated Group to avoid the limitations hereof on creation of Liens on Property of the Obligated Group;

(ix) So long as no Event of Default exists under this Master Indenture, any Lien on accounts receivable and the proceeds from the sale thereof securing

Indebtedness or Derivative Agreements, which conforms to the limitations contained in Section 3.06;

(x) Any Lien on Property (including moveable equipment) that secures Indebtedness or Derivative Agreements that conforms to the limitations contained in Section 3.06, and that does not exceed in aggregate 10% of the Book Value of all Property as reflected in the most recent Audited Financial Statements;

(xi) Any Lien on Equipment used at a Health Care Facility provided the Indebtedness secured by such Lien was incurred in accordance with Section 3.06 hereof;

(xii) Any Lien in favor of a creditor or a trustee on the proceeds of Indebtedness and any earnings thereon prior to the application of such proceeds and such earnings; banker's liens or rights of setoff; or liens securing standby letters of credit or other liquidity or credit enhancement that provides liquidity or credit enhancement for Indebtedness otherwise permitted hereunder;

(xiii) 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;

(xiv) Any Lien in favor of a trustee or other agent on the proceeds of Indebtedness and any earnings thereon created by the irrevocable deposit of such monies for the purpose of refunding or defeasing Indebtedness;

(xv) Any Lien securing all Obligations on a parity basis, including the Lien created by this Master Indenture on Gross Receipts securing all Obligations and by a Mortgage;

(xvi) Liens on moneys deposited by patients or others with any Member of the Obligated Group as security for or as prepayment for the cost of patient care;

(xvii) Liens on Property received by any Member of the Obligated Group through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(xviii) Liens on Property due to rights of third party payors for recoupment of amounts paid to any Member of the Obligated Group;

(xix) Any Lien on Excluded Property; and

(xx) The Stony Brook Lease.

Section 3.06 Limitations on Indebtedness. Each Member of the Obligated Group covenants and agrees that it will not incur any Additional Indebtedness if such Indebtedness could not be incurred pursuant to any one of subsections (a) to (h) inclusive, of this Section 3.06.

(a) Long-Term Indebtedness may be incurred if prior to incurrence of the Long-Term Indebtedness there is delivered to the Master Trustee:

(i) An Officer's Certificate of the Obligated Group Representative certifying that:

(A) The cumulative principal amount of all then outstanding Long-Term Indebtedness incurred pursuant to this subsection 3.06(a)(i)(A), together with the Indebtedness then to be issued does not exceed 20% of Total Operating Revenues as reflected in the most recently Audited Financial Statements, or

(B) The Long-Term Debt Service Coverage Ratio for the most recent period of twelve (12) full consecutive calendar months preceding the date of delivery of the certificate of the Obligated Group Representative for which there are Audited Financial Statements available, taking all Long-Term Indebtedness incurred after such period and the proposed Long-Term Indebtedness into account as if such Long-Term Indebtedness had been incurred at the beginning of such period, is not less than 1.20; or

(ii) (1) an Officer's Certificate of the Obligated Group Representative demonstrating that the Long-Term Debt Service Coverage Ratio for the period mentioned in subsection (a)(i)(B) of this Section 3.06, excluding the proposed Long-Term Indebtedness, is at least 1.20 and (2) a written report of a Consultant demonstrating that the forecasted Long-Term Debt Service Coverage Ratio is not less than 1.25 for (x) in the case of Long-Term Indebtedness (other than a Guaranty) to finance Capital Additions, the full Fiscal Year succeeding the date on which such Capital Additions are forecasted to be in operation or (y) in the case of Long-Term Indebtedness not financing Capital Additions or in the case of a Guaranty, the full Fiscal Year succeeding the date on which the Indebtedness is incurred, as shown by pro forma financial statements for the Obligated Group for each such period, accompanied by a statement of the relevant assumptions upon which such pro forma financial statements for the Obligated Group are based; provided, however, that compliance with the tests set forth in this Section 3.06(a)(ii) may be evidenced by a certificate of the Obligated Group Representative in lieu of a Consultant's report where the Long-Term Debt Service Coverage Ratio set forth in this Section 3.06(a)(ii)(2) is equal to or greater than 1.35; provided, however, that if the report of a Consultant states that Governmental Restrictions have been imposed which make it impossible for the coverage requirements of this subsection to be met, then such coverage requirements shall be reduced to the maximum coverage permitted by such Governmental Restrictions but in no event less than 1.00.

(b) Long-Term Indebtedness incurred for the purpose of refunding any Outstanding Long-Term Indebtedness may be incurred if, prior to the incurrence of such Long-Term Indebtedness, (i) the Long-Term Indebtedness to be incurred does not constitute Cross-over Refunding Indebtedness, there is delivered to the Master Trustee (A) an Officer's Certificate of the Obligated Group Representative demonstrating that Maximum Annual Debt Service will not increase by more than 20% after the incurrence of such proposed refunding Long-Term Indebtedness and after giving effect to the disposition of the proceeds thereof and (B) an Opinion of Counsel stating that upon the incurrence of such Proposed Long-Term Indebtedness and application of the proceeds thereof, the Outstanding Long-Term Indebtedness to be refunded thereby will no longer be Outstanding; or (ii) the Indebtedness proposed to be issued is Cross-over

Refunding Indebtedness, there is delivered to the Master Trustee a certificate of the Obligated Group Representative stating that the total Maximum Annual Debt Service on the proposed Cross-over Refunding Indebtedness and the Related Cross-over Refunded Indebtedness, immediately after the issuance of the proposed Cross-over Refunding Indebtedness, will not exceed the Maximum Annual Debt Service on the Cross-over Refunded Indebtedness alone, immediately prior to the issuance of the Cross-over Refunding Indebtedness, by more than 10%.

(c) Short-Term Indebtedness may be incurred subject to the limitation that the aggregate of all Short-Term Indebtedness shall not at any time exceed 5% of Total Operating Revenues as reflected in the Audited Financial Statements of the Obligated Group for the most recent period of twelve consecutive months for which Audited Financial Statements are available; provided, however, that there shall be a period of at least 10 consecutive calendar days during each such period of twelve consecutive calendar months for which Audited Financial Statements are available during which Short-Term Indebtedness shall not exceed 3% of Total Operating Revenues. For purposes of this Section 3.06(c), a Guaranty of Short-Term Indebtedness shall be valued at 20% of the aggregate principal amount of the Short-Term Indebtedness guaranteed so long as no payments are required to be made thereunder and so long as such Guaranty constitutes a contingent liability under GAAP; provided that in the event such Guaranty shall be drawn upon, such Guaranty shall be valued at 100% of the aggregate principal amount of the Short-Term Indebtedness guaranteed. For the purpose of calculating compliance with the tests set forth in this subsection 3.06(c), Short-Term Indebtedness secured by accounts receivable shall not be taken into account except to the extent provided in subsection 3.06(f) hereof.

(d) Non-Recourse Indebtedness may be incurred without limit.

(e) Subordinated Debt may be incurred without limit.

(f) Short-Term Indebtedness secured by accounts receivable may be incurred within the limitations imposed on the pledge or sale of accounts receivable, as provided in the last paragraph of this Section 3.06; provided that at the time of incurrence, the outstanding principal amount of such Short-Term Indebtedness is less than or equal to the fair market value of the accounts receivable pledged to secure such Short-Term Indebtedness. At any time that the outstanding principal amount of such Short-Term Indebtedness is greater than the fair market value of the accounts receivable pledged to secure such Short-Term Indebtedness, the excess amount shall be treated as Short-Term Indebtedness for the purposes of the tests set forth in subsection 3.06(c) hereof.

(g) Indebtedness may be incurred in an amount limited to the cost of completion for the purpose of financing the completion of the acquisition or construction of a Capital Addition with respect to which Indebtedness has theretofore been incurred, provided there shall be delivered to the Master Trustee in connection with the issuance of the Indebtedness (i) a certificate of the Obligated Group Representative to the effect that the Obligated Group Representative did reasonably expect at the time the initial Indebtedness was incurred that the proceeds of such Indebtedness, together with other available funds, would be sufficient to complete the Capital Addition, (ii) a licensed architect's or licensed engineer's certificate to the effect that the proceeds of such additional Indebtedness will be sufficient to complete the Capital Addition and (iii) the

amount of such Indebtedness is limited to the costs identified in (i) above plus necessary reserves and costs related to issuance of such Indebtedness.

(h) Indebtedness incurred in connection with the Series 2020 Bonds.

Indebtedness incurred pursuant to any one of subsections (a)(i) or (a)(ii) of this Section 3.06 may be reclassified as Indebtedness incurred pursuant to any other of such subsections if the tests set forth in the subsection to which such Indebtedness is to be reclassified are met at the time of such reclassification.

Indebtedness containing a "put" or "tender" provision pursuant to which the holder of such Indebtedness may require that such Indebtedness be purchased prior to its maturity shall not be considered Balloon Long-Term Indebtedness, solely by reason of such "put" or "tender" provision, and the put or tender provision shall not be taken into account in testing compliance with any debt incurrence test pursuant to this Section 3.06.

Accounts receivable of any Member or Members may be sold, pledged, assigned or otherwise disposed or encumbered in accordance herewith in an aggregate amount not exceeding 20% of the three month average outstanding accounts receivable of the Obligated Group that are one hundred and twenty days old or less as calculated in accordance with GAAP.

Section 3.07 Long-Term Debt Service Coverage Ratio. (a) The Members of the Obligated Group covenant to set rates and charges for their facilities, services and products such that the Long-Term Debt Service Coverage Ratio, calculated at the end of each Fiscal Year, will not be less than 1.15 for such prior Fiscal Year.

(b) If at any time the Long-Term Debt Service Coverage Ratio required by subsection (a) hereof, as derived from the most recent Audited Financial Statements for the most recent Fiscal Year, is not met, the Obligated Group covenants to retain a Consultant within thirty (30) days of the delivery of the aforementioned Audited Financial Statements to make recommendations to increase such Long-Term Debt Service Coverage Ratio in the following Fiscal Year to the level required or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest level attainable. Any Consultant so retained shall be required to submit such recommendations within forty-five (45) days after being so retained. Each Member of the Obligated Group agrees that it will, to the extent permitted by Governmental Restrictions, follow the recommendations of the Consultant. So long as a Consultant shall be retained and each Member of the Obligated Group shall follow such Consultant's recommendations to the extent permitted by such Governmental Restrictions, this Section shall be deemed to have been complied with even if the Long-Term Debt Service Coverage Ratio for the following Fiscal Year is below the required level; provided, however, that the Obligated Group shall not be required to retain a Consultant to make recommendations pursuant to this subsection (b) more frequently than biennially.

(c) Notwithstanding anything else in this Master Indenture to the contrary, for so long as a Foundation Guaranty is outstanding, any calculation of Long-Term Debt Service Coverage Ratio shall be inclusive of the Foundation as if were a Member of the Obligated Group.

Section 3.08 Sale, Lease or Other Disposition of Property; Disposition of Cash and Investments; Unsecured Loans to Non-Members; Sale of Accounts. (a) Each Member of the Obligated Group agrees that it will not Transfer Property, other than in the ordinary course of business or pursuant to the Stony Brook Lease, in any Fiscal Year (or other 12-month period for which Audited Financial Statements are available) except for Transfers of Property:

(i) To any Person provided such Property has become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property.

(ii) To another Member of the Obligated Group without limit.

(iii) To any Person provided there shall be delivered to the Master Trustee prior to such Transfer an Officer's Certificate certifying that the Obligated Group is in compliance with Section 3.07 hereof and the Long-Term Debt Service Coverage Ratio, adjusted to exclude the revenues and expenses derived from the Operating Assets proposed to be disposed of, for the most recent period of twelve (12) full consecutive calendar months preceding the date of delivery of the Officer's Certificate for which the Audited Financial Statements have been reported upon by independent certified public accountants and such Long-Term Debt Service Coverage Ratio is not less than 1.25 and not less than eighty percent (80%) of what it would have been were such Transfer not to take place.

(iv) To any Person if the aggregate Book Value of the Property Transferred pursuant to this subsection (iv) in the current Fiscal Year does not exceed 10% of the Book Value of all Property of the Obligated Group as shown in the Audited Financial Statements for the most recent Fiscal Year.

(v) To any Person if the Property Transferred pursuant to this subsection (v) was transferred at fair market value; provided further, however, that with respect to transfers of real property, fair market value shall be based on a written appraisal prepared by an appraiser with experience in valuing similar assets.

(vi) To a Person which at the time of the Transfer is not a Member of the Obligated Group or successor corporation pursuant a merger or consolidation permitted by the Master Indenture, without limit, if such Person or successor corporation shall, at the time of such Transfer, become a Member of the Obligated Group pursuant to the Master Indenture.

(b) Any Member of the Obligated Group will have the right to sell, pledge, assign or otherwise dispose of its accounts receivable, with or without recourse, if such Member of the Obligated Group shall receive as consideration for such sale, pledge, assignment or other disposition cash, services or Property equal to the fair market value of the accounts receivable so sold, as certified to the Master Trustee in an Officer's Certificate of such Member of the Obligated Group and if such sale, pledge, assignment or other disposition meets the limitations contained in

the last paragraph of Section 3.06 hereof regarding the aggregate limit on the pledge, sale or other disposition or encumbrance of accounts receivable.

(c) Nothing contained in this Section 3.08 is intended to prohibit the Transfer of Property, including cash, for payment of goods and services in the ordinary course of business of, or for the acquisition of Property by, the Members of the Obligated Group.

(d) No Member of the Obligated Group shall make any Transfer pursuant to this Section 3.08 of Property financed with the proceeds of Related Bonds that are exempt from federal income taxation without first delivering to the Master Trustee an Opinion of Counsel, addressed to the Master Trustee, to the effect that the proposed Transfer would not adversely affect the validity of any Related Bond or any exclusion from gross income for federal income taxation purposes of interest payable thereon to which such Related Bond would otherwise be entitled.

Section 3.09 Consolidation; Merger; Sale or Conveyance. (a) Each Member of the Obligated Group covenants that it will not merge or consolidate with, or sell or convey (except pursuant to the Stony Brook Lease) all or substantially all of its assets to any Person unless:

(i) Either a Member of the Obligated Group will be the successor corporation, or if the successor corporation is not a Member of the Obligated Group, such successor corporation shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such successor corporation to assume the due and punctual payment of the principal of, premium, if any, and interest on all Outstanding Obligations issued under this Master Indenture according to their tenor and the due and punctual performance and observance of all the covenants and conditions of this Master Indenture and any Supplement hereto; and

(ii) No Member of the Obligated Group immediately after such merger or consolidation, or such sale or conveyance, would be in default in the performance or observance of any covenant or condition of this Master Indenture; and

(iii) If all amounts due or to become due on any Related Bond which bears interest which is not includable in the gross income of the recipient thereof under the Code have not been fully paid to the holder thereof, there shall have been delivered to the Master Trustee an Opinion of Bond Counsel, addressed to the Master Trustee, to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on any date of the delivery of such Related Bond, would not adversely affect the exclusion of interest payable on such Related Bond from the gross income of the holder thereof for purposes of federal income taxation; and

(iv) There is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Representative demonstrating that (A) if such merger, consolidation or sale of assets had occurred at the beginning of the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements are available, the Long-Term Debt Service Coverage Ratio for such period would have been not less than 1.15, (B) if such merger, consolidation or sale of assets had occurred at the end of the most recent period of twelve (12) full consecutive calendar months for which Audited Financial

Statements are available (which period of twelve (12) full consecutive months shall have ended not more than eighteen calendar months prior to the date of the Officer's Certificate), the conditions described in Section 3.06(a)(i)(B) hereof would have been satisfied for the incurrence of an additional one dollar ($1.00) of Additional Indebtedness, (C) the unrestricted net assets plus temporarily restricted net assets of the successor, resulting or acquiring corporation, as the case may be, after giving effect to said merger or consolidation, or sale or conveyance of assets is not less than 80% of the unrestricted net assets plus temporarily restricted net assets of the Member of the Obligated Group which was merged into, consolidated with or whose assets were acquired by, such successor corporation as reflected in the most recent Audited Financial Statements, and (D) that after such merger or consolidation or sale or conveyance of assets, no Member of the Obligated Group will be in default in the performance of any covenant contained in this Master Indenture.

(b) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall comply with the requirements of Section 3.11 hereof and shall succeed to and be substituted for its predecessor, as a Member of the Obligated Group. Such successor corporation thereupon may cause to be signed, and may issue in its own name Obligations issuable hereunder; and upon the order of such successor corporation and subject to all the terms, conditions and limitations in this Master Indenture prescribed, the Master Trustee shall authenticate and shall deliver Obligations that such successor corporation shall have caused to be signed and delivered to the Master Trustee. All Outstanding Obligations so issued by such successor corporation hereunder shall in all respects have the same security position and benefit under this Master Indenture as Outstanding Obligations theretofore or thereafter issued in accordance with the terms of this Master Indenture as though all of such Obligations had been issued hereunder without any such consolidation, merger, sale or conveyance having occurred.

(c) In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued under this Master Indenture as may be appropriate.

(d) In the event that the Officer's Certificate described in subparagraph (a)(iv) hereof has been delivered, the Master Trustee may accept an Opinion of Counsel (not an employee of a Member of the Obligated Group or an Affiliate in this case) as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of this Section and that it is proper for the Master Trustee under the provisions of Article VI and of this Section to join in the execution of any instrument required to be executed and delivered by this Section.

(e) Any Indebtedness previously incurred by the Person or successor corporation becoming a Member of the Obligated Group in accordance with the provisions of this Section 3.09 shall be permitted to remain outstanding, and any lien or security interest securing such Indebtedness shall be permitted to remain in effect, regardless of whether such Indebtedness could have been incurred pursuant to the provisions of Sections 3.06 hereof immediately after such Person or successor corporation became a Member of the Obligated Group.

(f) All references herein to successor corporations shall be deemed to include the surviving corporation in a merger.

Section 3.10 Filing of Audited Financial Statements; Certificate of No Default; Other Information. The Obligated Group covenants that it will:

(a) Within thirty (30) days after receipt of the audit report mentioned below but in no event later than one hundred fifty (150) days after the end of each Fiscal Year, file with the Master Trustee and with each Holder who may have so requested in writing or on whose behalf the Master Trustee may have so requested, a copy of the Audited Financial Statements as of the end of such fiscal reporting period accompanied by the opinion of independent certified public accountants. Such Audited Financial Statements shall be prepared in accordance with GAAP and shall include such statements necessary for a fair presentation of financial position, statement of activity and changes in net assets and cash flows of such fiscal reporting period.

(b) Within thirty (30) days after receipt of the audit report mentioned above but in no event later than one hundred fifty (150) days after the end of each Fiscal Year, file with the Master Trustee and with each Holder who may have so requested or on whose behalf the Master Trustee may have so requested, an Officer's Certificate stating the Long-Term Debt Service Coverage Ratio for such fiscal reporting period and stating whether, to the best knowledge of the signers, any Member of the Obligated Group is in default in the performance of any covenant contained in this Master Indenture and, if so, specifying each such default of which the signers may have knowledge.

(c) If an Event of Default shall have occurred and be continuing, (i) file with the Master Trustee such other financial statements and information concerning its operations and financial affairs (or of any consolidated or Obligated Group of companies, including its consolidated or combined Affiliates, including any Member of the Obligated Group) as the Master Trustee may from time to time reasonably request, excluding specifically donor records, patient records and personnel records and (ii) provide access to its facilities for the purpose of inspection by the Master Trustee during regular business hours.

(d) Within thirty (30) days after its receipt thereof, file with the Master Trustee a copy of each report which any provision of this Master Indenture requires to be prepared by a Consultant or an Insurance Consultant.

(e) Unless otherwise expressly provided, the Master Trustee shall be under no obligation to analyze, review or make any credit decisions with respect to any financial statements, reports, notices, certificates or documents received under this Section3.10, but shall hold such financial statements reports, notices, certificates and documents solely for the benefit of, and review by, each Holder and such other parties to whom the Master Trustee may provide such information pursuant to this Master Trust Indenture.

(f) Notwithstanding anything herein to the contrary, for so long as the Stony Brook Lease is in effect, the provisions of this Section 3.10 shall cease to be effective.

Section 3.11 Parties Becoming Members of the Obligated Group. Persons which are not Members of the Obligated Group may, with the prior written consent of the Obligated Group Representative, become Members of the Obligated Group, if:

(a) The Person or successor corporation which is becoming a Member of the Obligated Group shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee containing the agreement of such Person or successor corporation (i) to become a Member of the Obligated Group under this Master Indenture and any Supplements and thereby become subject to compliance with all provisions of this Master Indenture and any Supplements pertaining to a Member of the Obligated Group, and the performance and observance of all covenants and obligations of a Member of the Obligated Group hereunder, (ii) and unconditionally and irrevocably guarantee to the Master Trustee and each other Member of the Obligated Group that all Obligations issued and then Outstanding or to be issued and Outstanding hereunder will be paid in accordance with the terms thereof and of this Master Indenture when due.

(b) Each instrument executed and delivered to the Master Trustee in accordance with subsection (a) of this Section, shall be accompanied by an Opinion of Counsel, addressed to and satisfactory to the Master Trustee, each Related Bond Issuer and each Related Credit Facility Issuer, to the effect that such instrument has been duly authorized, executed and delivered by such Person or successor corporation and constitutes a valid and binding obligation enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy laws, insolvency laws, other laws affecting creditors' rights generally, equity principles, laws dealing with fraudulent conveyances, limitations on the ability of one charity to make guarantees in favor of other entities, and subject to other customary exceptions acceptable to the Master Trustee and that the obligations of such Person or successor corporation created thereunder include the requirements described in subsection (a).

(c) If all amounts due or to become due on any Related Bond which bears interest which is not includable in the gross income of the recipient thereof under the Code have not been paid to the Holders thereof, there shall be filed with the Master Trustee, (i) an Opinion of Bond Counsel, addressed to the Master Trustee, to the effect that the consummation of such transaction would not adversely affect the exclusion of the interest on any such Related Bond from the gross income of the holder thereof for purposes of federal income taxation and (ii) an Opinion of Counsel, addressed to the Master Trustee, to the effect that the consummation of such transaction would not require the registration of any Obligations under the Securities Act of 1933, as amended or the Supplements under the Trust Indenture Act of 1939, as amended, or if such registration is required, that all applicable registration and qualification provisions of said acts have been complied with.

(d) An Officer's Certificate of the Obligated Group Representative shall be provided to the Master Trustee demonstrating that (i) after giving effect to the admission of such Person as a Member of the Obligated Group, the unrestricted net assets plus temporarily restricted net assets of the Obligated Group including such Person is not less than 80% of the unrestricted net assets plus temporarily restricted net assets of the Obligated Group at the end of the Fiscal Year immediately preceding the year in which such Person shall become a member of the Obligated Group, (ii) the conditions described in Section 3.06(a)(i)(B) hereof have been satisfied for the

incurrence of an additional one dollar ($1.00) of Additional Indebtedness, assuming that the Person or corporation which is becoming a Member of the Obligated Group had become a Member at the beginning of the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements are available (which period of twelve (12) full consecutive months shall have ended not more than eighteen (18) calendar months prior to the date of the Officer's Certificate) and (iii) 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 Master Indenture.

(e) Any Indebtedness previously incurred by a new Member of the Obligated Group shall be permitted to remain outstanding, and any lien or security interest securing such Indebtedness shall be permitted to remain in effect, if such Indebtedness could have been incurred pursuant to the provisions of Sections 3.06 hereof immediately after such Person became a Member of the Obligated Group.

Section 3.12 Withdrawal from the Obligated Group. (a) No Member of the Obligated Group may withdraw from the Obligated Group without the prior written consent of the Obligated Group Representative; and provided further, that prior to the taking of such action, there is delivered to the Master Trustee:

(i) If all amounts due on any Related Bonds which bear interest which is not includable in the gross income of the recipient thereof under the Code have not been paid to the holders thereof, there shall be delivered to the Master Trustee an Opinion of Bond Counsel, addressed to the Master Trustee, to the effect that under then existing law such Member's withdrawal from the Obligated Group, whether or not contemplated on any date of delivery of any Related Bond, would not cause the interest payable on such Related Bond to become includable in the gross income of the recipient thereof under the Code;

(ii) The Obligated Group shall have provided one of the following:

(A) An Officer's Certificate of the Obligated Group Representative demonstrating that assuming such withdrawal and any payments or extinguishment of Obligations to be made in connection therewith had occurred at the beginning of the calculation periods described below:

(1) the Long-Term Debt Service Coverage Ratio of the remaining Members for each of the most recent two periods of twelve (12) full consecutive calendar months preceding the date of delivery of the certificate of the Obligated Group Representative for which there are Audited Financial Statements available taking all Long-Term Indebtedness incurred after such period into account is not less than 1.25; and

(2) either:

(w) the Long-Term Debt Service Coverage Ratio for the remaining Members for the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements are available would not, if

such withdrawal had occurred at the beginning of such period, be less than 1.50; or

(x) after giving effect to the withdrawal of such Member of the Obligated Group and any payment or extinguishment of Obligations to be made in connection therewith, the Ratio of Long-Term Indebtedness to Capital (where Capital is the total of unrestricted net assets, plus temporarily restricted net assets, plus Long-Term Indebtedness) of the remaining Members of the Obligated Group as of the end of the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements are available is not greater than it would have been had the withdrawal not occurred; or

(y) after giving effect to the withdrawal of such Member of the Obligated Group, the unrestricted net assets plus temporarily restricted net assets of the Obligated Group would not be less than 80% of the unrestricted net assets plus temporarily restricted net assets of the Obligated Group at the end of the Fiscal Year immediately preceding the year in which such Member of the Obligated Group withdraws from the Obligated Group; or

(z) a written report of a Consultant demonstrating that the forecasted average Long-Term Debt Service Coverage Ratio for the two periods of twelve full consecutive calendar months succeeding the proposed date of such withdrawal is greater than 1.35; provided, however, that compliance with the test set forth in this clause (z) may be evidenced by an Officer's Certificate of the Obligated Group Representative in lieu of a Consultant's report where the Long-Term Debt Service Coverage Ratio for each of the two periods of twelve full consecutive calendar months succeeding the proposed date of such withdrawal is greater than 1.50; or

(B) receipt by the Trustee of a Credit Enhancement, including evidence satisfactory to the Master Trustee from each rating agency then rating each such Related Bond and Obligation that, on the date the proposed withdrawal is to take effect, each such Related Bond and Obligation rated by such rating agency will be rated based on such credit enhancement not lower than "AA" (or the corresponding rating) by any rating agency.

(iii) an Opinion of Counsel, addressed to the Master Trustee, each Credit Facility Issuer and (to the extent any Related Bonds of the LDC remain Outstanding), to the LDC to the effect that such withdrawal is authorized by and complies with all Governmental Restrictions and the provisions of this Master Indenture and any agreements or other documents relating to this Master Indenture, the Obligations or the Related Bonds.

(iv) an Officer's Certificate of the Obligated Group Representative certifying that upon such withdrawal the remaining Members of the Obligated Group will not be in default in the performance of any covenant contained in this Master Indenture.

(b) Upon the withdrawal of any Member from the Obligated Group pursuant to subsection (a) of this Section, any guaranty by such Member pursuant hereto shall be released and discharged in full, the Master Trustee shall release or consent to the release of all collateral of such withdrawing Member held by or for the benefit of the Obligation Holders, and all liability of such Member of the Obligated Group with respect to all Obligations Outstanding under this Master Indenture shall cease.

"Credit Enhancement" means credit enhancement consisting of a surety bond, insurance policy, letter of credit or other form of credit enhancement from a financial institution generally regarded as responsible (in each case which is irrevocable and will remain in full force and effect for the entire period of time each such Related Bond or Obligation, as the case may be, remains outstanding (or which allows for the tender of the Related Bonds or Obligation, prior to the stated expiration of the Credit Enhancement) and provides for payment in full of principal and interest on such Related Bond or Obligation when due) or the Obligated Group has delivered, respectively, to each Related Bond Trustee for each outstanding Related Bond, each trustee for any outstanding Obligation which is not pledged to secure Related Bonds and each holder of an outstanding Obligation which is not pledged to secure Related Bonds and with respect to which there is no trustee, credit enhancement of the types described above in this subpart. "Credit Enhancement" shall also include FHA insurance of the underlying mortgage note if such mortgage note is security for the Related Bonds or Obligation.

Section 3.13 Permitted Release of Mortgaged Property. Notwithstanding anything in this Master Indenture to the contrary, and without limiting any other provision of the Mortgages, there is reserved to the Members of the Obligated Group, subject to fulfillment of the conditions contained in the second sentence of this paragraph (to the extent applicable), the right to obtain from the Mortgagee a release from the lien of the Mortgages of any real property which does not constitute Health Care Facilities ("Qualifying Release Parcel"). A Qualifying Release Parcel shall be released from the lien of the Mortgages provided that (a) the land and improvements that will remain a part of the Mortgaged Property after the release of the Qualifying Release Parcel (the "Remaining Parcel") complies with applicable zoning and land use requirements as set forth in a zoning title insurance endorsement, municipality-issued zoning letter, or zoning opinion of an architect or attorney (as selected by the Obligated Group), subject to customary exceptions and in such form as is reasonably acceptable to the Master Trustee. Upon receipt of a certification executed by the Members of the Obligated Group that the foregoing requirements (as applicable) have been satisfied (or will be satisfied as provided above following delivery of the release), the Master Trustee shall execute and deliver a partial release from the lien of the Mortgages (in recordable form) with respect to the Qualifying Release Parcel.

Section 3.14 Replacement of Master Indenture Obligations.

At the option of the Obligated Group Representative and without the consent of any Holders, Obligations may be surrendered by their Holders and delivered to the Master Trustee for cancellation upon receipt by the Master Trustee and the Holders of the Obligations of the following;

(a) a request of the Obligated Group Representative requesting such surrender and delivery and stating that an obligation or obligations are being issued to the Holder under a Replacement Master Indenture;

(b) a properly executed obligation (the "Replacement Obligation") for each Obligation issued under the Replacement Master Indenture and registered in the name of the Holder with the same tenor and effect as the previous Obligation of such Holder, duly authenticated by the master trustee under the Replacement Master Indenture;

(c) an Opinion of Counsel to the effect that each Replacement Obligation has been validly issued under the Replacement Master Indenture and constitutes a valid and binding obligation of the New Group;

(d) a copy of the Replacement Master Indenture, certified as a true and accurate copy by the master trustee under the Replacement Master Indenture; and

(e) any of the following:

(i) an Officer's Certificate showing that the New Group under the Replacement Master Indenture, after giving effect to the Replacement Obligations and assuming that the New Group constitutes the Obligated Group under the Master Indenture, could have incurred at least one dollar of Long Term Indebtedness pursuant to Section 3.06(a)(ii) of the Master Indenture immediately following the execution and delivery of the Replacement Master Indenture; AND

(A) an Officer's Certificate stating that each rating agency then maintaining a rating on any obligation or any related bond shall not be less than "A-" as a result of such replacement of the obligation and delivery of the Replacement Obligations; or

(B) an Officer's Certificate stating that each rating agency then maintaining a rating on any obligation or any related bond shall not be less than "BBB" as a result of such replacement of the obligation and delivery of the Replacement Obligations and that the security provisions and the financial covenants and ratios contained in this Master Indenture shall remain in place; and

(f) (i) an Opinion of Counsel to the effect that the conditions of this Section 3.14 have been satisfied, and (ii) Opinion of Bond Counsel to the effect that the Replacement Obligation will not, in and of itself, adversely affect the validity of the Related Bonds or result in the inclusion of the interest on any Related Bonds that were issued as tax-exempt bonds in gross income of the Holders thereof for purposes of federal income taxation.

Notwithstanding the provisions of this Section, no Replacement Obligation may extend the stated maturity of or time for paying interest on any Obligation surrendered to the Master Trustee or reduce the principal amount of or the redemption premium or rate of interest payable on such Obligation without the consent of each Holder of such Obligation evidencing and securing Indebtedness or the registered owners of all Related Bonds then Outstanding, as the case may be.

## ARTICLE IV

## DEFAULT AND REMEDIES

Section 4.01 Events of Default. Event of Default, as used herein, shall mean any of the following events:

(a) The Members of the Obligated Group shall fail to make any payment of the principal of, the premium, if any, or interest or other amounts on any Obligations issued and Outstanding hereunder within three (3) days of when and as the same shall become due and payable, whether at maturity, by proceedings for redemption, by acceleration or otherwise, in accordance with the terms thereof, of this Master Indenture or of any Supplement, unless otherwise indicated in the applicable Obligation;

(b) Failure on the part of the Obligated Group Members to attain a Debt Service Coverage Ratio of at least 1.00:1.00 pursuant to Section 3.07 hereof for any two consecutive Fiscal Years;

(c) Any Member of the Obligated Group shall fail duly to perform, observe or comply with any covenant or agreement on its part under this Master Indenture for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Members of the Obligated Group and the Obligated Group Representative by the Master Trustee, or to the Members of the Obligated Group and the Obligated Group Representative and the Master Trustee by the Holders of at least 25% in aggregate principal amount of Obligations then Outstanding or by the Credit Facility Issuer, if any, with respect to an Obligation or Related Bonds; provided, however, that if said failure be such that it cannot be corrected within thirty (30) days after the receipt of such notice, it shall not constitute an Event of Default if corrective action is instituted within such 30-day period and diligently pursued until the Event of Default is corrected;

(d) An event of default shall occur under a Related Bond Indenture, under a Related Loan Agreement, upon a Related Bond or under a Mortgage that secures any Obligation issued hereunder;

(e) (i) Any Member of the Obligated Group shall fail to make any required payment with respect to any Indebtedness (other than Obligations issued and Outstanding hereunder), which Indebtedness is in an aggregate principal amount greater than two percent (2%) of Total Operating Revenues for the most recent Fiscal Year whether such Indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or

(ii) there shall occur an event of default as defined in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any Indebtedness, which Indebtedness is in an aggregate principal amount greater than two percent (2%) of Total Operating Revenues for the most recent Fiscal Year whether such Indebtedness now exists or shall hereafter be created, which event of default shall not have been waived by the holder of such mortgage, indenture or instrument, and as a result of such failure to pay or other event of default such Indebtedness shall have been

accelerated; provided, however, that such default shall not constitute an Event of Default within the meaning of this Section if within 30 days (i) written notice is delivered to the Master Trustee, signed by the Obligated Group Representative, that such Member of the Obligated Group is contesting the payment of such Indebtedness and within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Indebtedness is commenced, any Member of the Obligated Group in good faith shall commence proceedings to contest the obligation to pay such Indebtedness and if a judgment relating to such Indebtedness has been entered against such Member of the Obligated Group (A) the execution of such judgment has been stayed or (B) sufficient moneys are escrowed with a bank or trust company for the payment of such Indebtedness;

(f) The entry of a decree or order by a court having jurisdiction in the premises for an order for relief against any Member of the Obligated Group, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such Member under the United States Bankruptcy Code or any other applicable federal or state law, or appointing a receiver, liquidator, custodian, assignee, or sequestrator (or other similar official) of such Member or of any substantial part of its Property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of ninety (90) consecutive days; and

(g) The institution by any Member of the Obligated Group of proceedings for an order for relief, or the consent by it to an order for relief against it, or the filing by it of a petition or answer or consent seeking reorganization, arrangement, adjustment, composition or relief under the United States Bankruptcy Code or any other similar applicable federal or state law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, custodian, assignee, trustee or sequestrator (or other similar official) of such Member of the Obligated Group or of any substantial part of its Property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due.

Section 4.02 Acceleration; Annulment of Acceleration. (a) Upon the occurrence and during the continuation of an Event of Default hereunder, the Master Trustee may and, upon the written request of the Holders of not less than 25% in aggregate principal amount of Obligations Outstanding, shall, by notice to the Members of the Obligated Group declare all Obligations Outstanding immediately due and payable, whereupon such Obligations shall become and be immediately due and payable, anything in the Obligations or in any other section of this Master Indenture to the contrary notwithstanding. In the event Obligations are accelerated there shall be due and payable on such Obligations an amount equal to the total principal amount of all such Obligations, plus all interest accrued thereon to the date of acceleration and, to the extent permitted by applicable law, which accrues to the date of payment.

(b) At any time after the principal of the Obligations shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, if (i) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay all matured installments of interest and interest on installments of principal and interest and principal or redemption prices then due (other than the principal then due only because of such declaration) of all Obligations

Outstanding; (ii) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay the charges, compensation, expenses, disbursements, advances, fees and liabilities of the Master Trustee; (iii) all other amounts then payable by the Obligated Group hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Master Trustee; and (iv) every Event of Default (other than a default in the payment of the principal of such Obligations then due only because of such declaration) shall have been remedied or waived pursuant to Section 4.09 hereof, then the Master Trustee may, and upon the written request of Holders of not less than 25% in aggregate principal amount of the Obligations Outstanding shall, annul such declaration and its consequences with respect to any Obligations or portions thereof not then due by their terms. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Section 4.03 Additional Remedies and Enforcement of Remedies. (a) Upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the Obligations Outstanding or upon the request of the Credit Facility Issuer, if any, with respect to any series of Obligations or Related Bonds, together with indemnification of the Master Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Holders hereunder by such suits, actions or proceedings as the Master Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(i) Enforcement of the right of the Holders to collect and enforce the payment of amounts due or becoming due under the Obligations;

(ii) Bring suit upon all or any part of the Obligations;

(iii) Civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Obligations to account as if it were the trustee of an express trust for the Holders;

(iv) Civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders;

(v) Enforcement of rights as a secured party under the Uniform Commercial Code of the State of New York;

(vi) Enforcement of any Mortgage granted by any Member of the Obligated Group to secure any one or more Obligations; and

(vii) Enforcement of any other right of the Holders conferred by law or hereby.

(b) Regardless of the happening of an Event of Default, the Master Trustee, if requested in writing by the Holders of not less than 25% in aggregate principal amount of the Obligations then Outstanding or the Credit Facility Issuer, if any, with respect to a series of Obligations or Related Bonds, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security hereunder by any acts which may be unlawful or in

violation hereof, or (ii) to preserve or protect the interests of the Holders, provided that such request and the action to be taken by the Master Trustee are not in conflict with any applicable law or the provisions hereof and, in the sole judgment of the Master Trustee, are not unduly prejudicial to the interest of the Holders not making such request.

(c) Upon the occurrence of an Event of Default pursuant to subsections (a), (d), (e) or (f) of Section 4.01 hereof, the Master Trustee shall, and upon the occurrence of any other Event of Default, the Master Trustee may realize upon any security interest which the Master Trustee may have in Gross Receipts and shall establish and maintain a Gross Receipts Revenue Fund into which shall be deposited all Gross Receipts as and when received. All amounts deposited into the Gross Receipts Revenue Fund shall be applied by the Master Trustee or made available to any alternate paying agent appointed pursuant to any Supplement for application (i) to the payment of the reasonable and necessary operating expenses of the Obligated Group, all in accordance with budgeted amounts proposed by the Obligated Group Representative, (ii) to the payment of the principal or redemption price of, and interest on all Obligations in accordance with their respective terms, and (iii) such other amounts as may be required by this Master Indenture and any Supplement hereto. Pending such application, all such moneys and investments in the Gross Receipts Revenue Fund shall be held for the equal and ratable benefit of all Obligations Outstanding; provided, that amounts held in the Gross Receipts Revenue Fund for making of debt service payments on or after the due date for Obligations shall be reserved and set aside solely for the purpose of making such payment. In addition, with regard to Gross Receipts, the Master Trustee may take any one or more of the following actions: (i) during normal business hours enter the offices or facilities of any Member of the Obligated Group and examine and make copies of the financial books and records of the Member relating to the Gross Receipts and take possession of all checks or other orders for payment of money and moneys in the possession of the Members of the Obligated Group representing Gross Receipts or proceeds thereof; (ii) notify any account debtors obligated on any Gross Receipts to make payment directly to the Master Trustee, (iii) following such notification to account debtors, collect, or, in good faith compromise, settle, compound or extend amounts payable as Gross Receipts which are in the form of accounts receivable or contract rights from each Member's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Member whether or not the full amount of any such account receivable or contract right owing shall be paid to the Master Trustee; (iv) forbid any Member to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Gross Receipts, or release, wholly or partly, any person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; or (v) endorse in the name of the applicable Member any checks or other orders for the payment of money representing any unpaid assigned Gross Receipts or the proceeds thereof.

Section 4.04 Application of Moneys after Default. During the continuance of an Event of Default, subject to the expenditure of moneys to make any payments required to permit any Member of the Obligated Group to comply with any requirement or covenant in any Related Indenture to cause Related Bonds the interest on which, immediately prior to such Event of Default, is excludable from the gross income of the recipients thereof for federal income tax purposes under the Code to retain such status under the Code, all Gross Receipts and other moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of this Article shall be applied, after the payment of any compensation, expenses, disbursements and

advances then owing to the Master Trustee pursuant to Section 5.05 hereof, in accordance with the provisions of Section 4.03(c) hereof and, with respect to the payment of Obligations thereunder, as follows:

(a) Unless all amounts due with respect to all Outstanding Obligations shall have become or have been declared due and payable:

First: To the payment to the Persons entitled thereto of all installments of interest then due on Obligations or regularly scheduled payments on an Obligation issued in connection with a Derivative Agreement ("Regularly Scheduled Swap Payments") in the order of the maturity of such installments or payments, and, if the amount available shall not be sufficient to pay in full all installments or payments due on any date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference;

Second: To the payment to the Persons entitled thereto of the unpaid principal installments of any Obligations or payments on an Obligation issued in connection with a Derivative Agreement other than Regularly Scheduled Swap Payments ("Other Swap Payments") which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all Obligations due on any date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Third: To the extent there exists a Credit Facility Issuer with respect to any series of Obligations or Related Bonds, amounts owed to such Credit Facility Issuer by the Obligated Group and not otherwise paid under clauses First and Second above.

Fourth: To the payment of all other Outstanding Obligations (including without limitation Obligations securing Derivative Agreements) ratably, according to the amounts due thereunder without any discrimination or preference.

(b) If all amounts due with respect to all Outstanding Obligations shall have become or have been declared due and payable, to the payment of all amounts then due and unpaid upon Obligations without preference or priority of principal or Other Swap Payments over interest or Regularly Schedule Swap Payments, or of interest or Regularly Scheduled Swap Payments over principal or Other Swap Payments, or of any installment of interest or payment of Regularly Scheduled Swap Payment over any other installment of interest or payment of Regularly Scheduled Swap Payments, or of any Obligation over any other Obligation, ratably, according to the amounts due respectively for principal, interest, and all amounts due under any Derivative Agreement, to the Persons entitled thereto without any discrimination or preference.

(c) If all amounts due with respect to all Outstanding Obligations shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article, then, subject to the provisions of subsection (b) of this Section in the event that all amounts due with respect to all Outstanding Obligations shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of subsection (a) of this Section.

Whenever moneys are to be applied by the Master Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Master Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Master Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Obligation until such Obligation shall be presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Moneys held in the Gross Receipts Revenue Fund shall be invested in Government Obligations which mature or are redeemable at the option of the holder not later than such times as shall be required to provide moneys needed to make the payments or transfers therefrom. Subject to the foregoing, such investments shall be made in accordance with a certificate of the Obligated Group Representative directing the Master Trustee to make specific investments. Unless otherwise provided in this Master Indenture, the Master Trustee shall sell or present for redemption, any Government Obligation so acquired whenever instructed to do so pursuant to an Officer's Certificate or whenever it shall be necessary to do so to provide moneys to make payments or transfers from the Gross Receipts Revenue Fund. The Master Trustee shall not be liable or responsible for making any such investment in the manner provided above and shall not be liable for any loss resulting from any such investment. Any investment income derived from any investment of moneys on deposit in the Gross Receipts Revenue Fund shall be credited to the Gross Receipts Revenue Fund and retained therein until applied to approved purposes.

Whenever all Obligations and interest thereon have been paid under the provisions of this Section and all expenses and charges of the Master Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive the same; if no other Person shall be entitled thereto, then the balance shall be paid to the Members of the Obligated Group, their respective successors, or as a court of competent jurisdiction may direct.

Section 4.05 Remedies Not Exclusive. No remedy by the terms hereof conferred upon or reserved to the Master Trustee or the Holders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or existing at law or in equity or by statute on or after the date hereof.

Section 4.06 Remedies Vested in the Master Trustee. All rights of action (including the right to file proof of claims) hereunder or under any of the Obligations may be enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Master Trustee may be brought in its name as the Master Trustee without the necessity of joining as plaintiffs or defendants any Holders. Subject to the provisions of Section 4.04 hereof, any recovery or judgment shall be for the equal benefit of the Holders.

Section 4.07 Holders' Control of Proceedings. If an Event of Default shall have occurred and be continuing, the Holders of not less than a majority in aggregate principal amount of

Obligations then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Master Trustee and accompanied by indemnity satisfactory to the Master Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions hereof or for the appointment of a receiver or any other proceedings hereunder, provided that such direction is not in conflict with any applicable law or the provisions hereof, and is not unduly prejudicial to the interest of any Holders not joining in such direction, and provided further, that the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability, in the sole judgment of the Master Trustee, and provided further that nothing in this Section shall impair the right of the Master Trustee in its discretion to take any other action hereunder which it may deem proper and which is not inconsistent with such direction by the Holders; provided, further, that the Credit Facility Issuer, if any, with regard to any series of Obligations or any series of Related Bonds secured by Obligations, and not the Holders, shall have the right to control proceedings with respect thereto in the manner described in this Section.

Section 4.08 Termination of Proceedings. In case any proceeding taken by the Master Trustee on account of an Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Master Trustee or to the Holders, then the Members of the Obligated Group, the Master Trustee and the Holders shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Master Trustee and the Holders shall continue as if no such proceeding had been taken.

Section 4.09 Waiver of Event of Default. (a) No delay or omission of the Master Trustee or of any Holder to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article to the Master Trustee and the Holders, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Master Trustee, with the consent of the Credit Facility Issuer, if any, of any affected Obligations or Related Bonds may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions hereof, or before the completion of the enforcement of any other remedy hereunder.

(c) Notwithstanding anything contained herein to the contrary, the Master Trustee, upon the written request of the Holders of not less than a majority of the aggregate principal amount of Obligations then Outstanding, with the consent of the Credit Facility Issuer, if any, of any affected Obligations or Related Bonds, shall waive any Event of Default hereunder and its consequences; provided, however, that, except under the circumstances set forth in subsection (b) of Section 4.02 hereof, a default in the payment of the principal of, premium, if any, or interest on any Obligation, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Obligations (with respect to which such payment default exists) at the time Outstanding.

(d) In case of any waiver by the Master Trustee of an Event of Default hereunder, the Members of the Obligated Group, the Master Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Section 4.10 Appointment of Receiver. Upon the occurrence of any Event of Default described in subsections (a), (d), (e) and (f) of Section 4.01 hereof, unless the same shall have been waived as herein provided, the Master Trustee shall be entitled as a matter of right if it shall so elect, (i) forthwith and without declaring the Obligations to be due and payable, (ii) after declaring the same to be due and payable, or (iii) upon the commencement of an action to enforce the specific performance hereof or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of the Master Trustee or the Holders, to the appointment of a receiver or receivers of any or all of the Property of the Obligated Group with such powers as the court making such appointment shall confer. Each Member of the Obligated Group, respectively, hereby consents and agrees, and will if requested by the Master Trustee consent and agree at the time of application by the Trustee for appointment of a receiver of its Property, to the appointment of such receiver of its Property and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of and operate and deal with such Property and the revenues, profits and proceeds therefrom, with like effect as the Member of the Obligated Group could do so, and to borrow money and issue evidences of indebtedness as such receiver.

Section 4.11 Remedies Subject to Provisions of Law. All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this instrument or the provisions hereof invalid or unenforceable under the provisions of any applicable law.

Section 4.12 Notice of Default. The Master Trustee shall, within ten (10) days after it has actual knowledge of the occurrence of an Event of Default, mail, by first class mail, to S&P and all Holders, all Related Bond Issuers and all Related Bond Trustees as the names and addresses of such Holders, all such Related Bond Issuers and all such Related Bond Trustees appear upon the books of the Master Trustee, notice of such Event of Default known to the Master Trustee, unless such Event of Default shall have been cured before the giving of such notice; provided that, except in the case of default in the payment of the principal of or premium, if any, or interest on any of the Obligations and the Events of Default specified in subsections (e) and (f) of Section 4.01, the Master Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or any responsible officer of the Master Trustee in good faith determines that the withholding of such notice is in the interests of the Holders.

## ARTICLE V

## THE MASTER TRUSTEE

Section 5.01 Certain Duties and Responsibilities.

(a) Except during the continuance of an Event of Default:

(i) The Master Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Master Indenture, and no implied covenants or obligations shall be read into this Master Indenture against the Master Trustee; and

(ii) In the absence of negligence or willful misconduct on its part, the Master Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Master Trustee and conforming to the requirements of this Master Indenture; but in the case of any 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 Master Indenture.

(b) In case an Event of Default has occurred and is continuing, the Master Trustee shall exercise such of the rights and powers vested in it by this Master Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Master Indenture shall be construed to relieve the Master Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this Subsection shall not be construed to limit the effect of Subsection (a) of this Section;

(ii) the Master Trustee shall not be liable for any error of judgment made in the absence of negligence or willful misconduct by a chairman or vice-chairman of the board of directors, the chairman or vice-chairman of the executive committee of the board of directors, the president, any vice president (however designated), the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller and any assistant controller or any other officer or employee of the Master Trustee customarily performing functions similar to those performed by any of the above designated officers or with respect to a particular matter, any other officer or employee to whom such matter is referred because of his knowledge of and familiarity with the particular subject, unless it shall be proved that the Master Trustee was negligent in ascertaining the pertinent facts;

(iii) the Master Trustee shall not be liable with respect to any action taken or omitted to be taken by it in the absence of negligence and/or willful misconduct in accordance with the direction of the Holders of a majority in principal amount of the

Outstanding 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 Master Indenture, except under the circumstances set forth in Subsection (c) of Section 4.09 hereof requiring the consent of the Holders of all the Obligations at the time Outstanding; and

(iv) no provision of this Master Indenture shall require the Master Trustee to expend or risk its own funds or otherwise incur any financial or other, liability, directly or indirectly, 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 Master 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 5.02 Certain Rights of Master Trustee. Except as otherwise provided in Section 5.01:

(a) The Master Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note 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, direction or statement of any Member of the Obligated Group mentioned herein shall be sufficiently evidenced by an Officer's Certificate and any action of the Governing Body may be sufficiently evidenced by a copy of a resolution certified by the secretary or an assistant secretary of the Member of the Obligated Group to have been duly adopted by the Governing Body and to be in full force and effect on the date of such certification and delivered to the Master Trustee.

(c) Whenever in the administration of this Master Indenture the Master Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate.

(d) The Master Trustee may consult with counsel or an independent auditor and the written advice of such counsel or independent auditor or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(e) The Master Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Master Indenture whether on its own motion or at the request or direction of any of the Holders pursuant to this Master Indenture which shall be in the opinion of the Master Trustee likely to involve expense or liability not otherwise provided for herein, unless there shall have been offered and furnished to the Master Trustee reasonable security or indemnity

satisfactory to the Master Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction or otherwise in connection herewith.

(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, note 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, records and premises of any Member of the Obligated Group, personally or by agent or attorney, upon reasonable prior notice to such Member.

(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.

Section 5.03 Right to Deal in Obligations and Related Bonds and with Members of the Obligated Group. Except as otherwise permitted under a Related Bond Resolution, the Master Trustee may in good faith buy, sell or hold and deal in any Obligations and Related Bonds with like effect as if it were not such Master Trustee and may commence or join in any action which a Holder or holder of a Related Bond is entitled to take and may otherwise deal with Members of the Obligated Group with like effect as if the Master Trustee were not the Master Trustee; provided, however, that if the Master Trustee has or shall acquire any conflicting interest, it shall, within 90 days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign as Master Trustee.

Section 5.04 Removal and Resignation of the Master Trustee. The Master Trustee may resign on its motion or may be removed at any time by an instrument or instruments in writing signed by the Holders of not less than a majority of the principal amount of Obligations then Outstanding or, if no Event of Default shall have occurred and be continuing, by an instrument in writing signed by the Obligated Group Representative. No such resignation or removal shall become effective unless and until a successor Master Trustee (or temporary successor trustee as provided below) has been appointed and has assumed the trusts created hereby. Written notice of such resignation or removal shall be given to the Members of the Obligated Group and to each Holder by first class mail at the address then reflected on the books of the Master Trustee and such resignation or removal shall take effect upon the appointment and qualification of a successor Master Trustee. A successor Master Trustee may be appointed by the Obligated Group Representative or, if no such appointment is made by the Obligated Group Representative within thirty (30) days of the date notice of resignation or removal is given, the Holders of not less than a majority in aggregate principal amount of Obligations Outstanding. In the event a successor Master Trustee has not been appointed and qualified within sixty (60) days of the date notice of resignation is given, the Master Trustee, any Member of the Obligated Group or any Holder may apply to any court of competent jurisdiction for the appointment of a temporary successor Master Trustee to act until such time as a successor is appointed as above provided.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Master Trustee shall be a trust company or bank having the

powers of a trust company as to trusts, qualified to do and doing trust business in one or more states of the United States of America and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least $50,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

Every successor Master Trustee howsoever appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to each Member of the Obligated Group an instrument in writing, accepting such appointment hereunder, and thereupon such successor Master Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to such successor Master Trustee all the rights, powers and trusts of such predecessor. The predecessor Master Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Master Trustee. The predecessor Master Trustee shall promptly deliver all material records relating to the trust or copies thereof and, on request, communicate all material information it may have obtained concerning the trust to the successor Master Trustee.

Each successor Master Trustee, not later than ten (10) days after its assumption of the duties hereunder, shall mail a notice of such assumption to each registered Holder.

Section 5.05 Compensation and Reimbursement. Each Member of the Obligated Group respectively, agrees:

(a) To pay the Master Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall be agreed to in writing between the Obligated Group Representative and the Master Trustee, but shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust).

(b) Except as otherwise expressly provided herein, to reimburse the Master Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Master Trustee, including fees on collection and enforcement, in accordance with any provision of this Master Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and its agents), except any such expense, disbursement or advance as may be attributable to its negligence or willful misconduct.

(c) To indemnify the Master Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust or its duties hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

As security for the performance of the Members of the Obligated Group under this Section, the Master Trustee shall have a lien prior to any Obligations upon all property and funds held or collected by the Master Trustee as such, except funds held in trust for the payment of principal of or interest or premiums on Obligations.

Section 5.06 Recitals and Representations. The recitals, statements and representations contained herein, or in any Obligation (excluding the Master Trustee's authentication on the

Obligations) shall be taken and construed as made by and on the part of the Members of the Obligated Group, respectively, and not by the Master Trustee, and the Master Trustee neither assumes nor shall be under any responsibility for the correctness of the same.

The Master Trustee makes no representation as to, and is not responsible for, the validity or sufficiency hereof, of the Obligations, or the validity or sufficiency of insurance to be provided. The Master Trustee shall be deemed not to have made representations as to the security afforded hereby or hereunder or as to the validity or sufficiency of such document. The Master Trustee shall not be concerned with or accountable to anyone for the use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof. The Master Trustee shall have no duty of inquiry with respect to any default or Events of Default described herein without actual knowledge of or receipt by the Master Trustee of written notice of a default or an Event of Default from a Member of the Obligated Group or any Holder.

Section 5.07 Separate or Co-Master Trustee. At any time or times, for the purpose of meeting any legal requirements of any jurisdiction, the Master Trustee shall have power to appoint, and, upon the request of the Holders of at least 25% in aggregate principal amount of Obligations Outstanding, shall appoint, one or more Persons approved by the Master Trustee either to act as co-trustee or co-trustees, jointly with the Master Trustee, or to act as separate trustee or separate trustees, and to vest in such person or persons, in such capacity, such rights, powers, duties, trusts or obligations as the Master Trustee may consider necessary or desirable, subject to the remaining provisions of this Section.

Every co-trustee or separate trustee shall, to the extent permitted by law but to such extent only, be appointed subject to the following terms, namely:

(a) The Obligations shall be authenticated and delivered solely by the Master Trustee.

(b) All rights, powers, trusts, duties and obligations conferred or imposed upon the trustees shall be conferred or imposed upon and exercised or performed by the Master Trustee, or separate trustee or separate trustees jointly, as shall be provided in the instrument appointing such co-trustee or co-trustees or separate trustee or separate trustees, except to the extent that, under the law of any jurisdiction in which any particular act or acts are to be performed, the Master Trustee shall be incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co-trustee or co-trustees or separate trustee or separate trustees.

(c) Any request in writing by the Master Trustee to any co-trustee or separate trustee to take or to refrain from taking any action hereunder shall be sufficient warrant for the taking, or the refraining from taking, of such action by such co-trustee or separate trustee.

(d) Any co-trustee or separate trustee may, to the extent permitted by law, delegate to the Master Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise.

(e) The Master Trustee at any time, by any instrument in writing, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section. Upon the request of the Master Trustee, the Members of the Obligated Group shall join with the Master

Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal.

(f) No trustee or any paying agent hereunder shall be personally liable by reason of any act or omission of any other trustee or paying agent hereunder, nor will the act or omission of any trustee or paying agent hereunder be imputed to any other trustee or paying agent.

(g) Any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing delivered to the Master Trustee shall be deemed to have been delivered to each such co-trustee or separate trustee.

(h) Any moneys, papers, securities or other items of personal property received by any such co-trustee or separate trustee hereunder shall forthwith, so far as may be permitted by law, be turned over to the Master Trustee.

Upon the acceptance in writing of such appointment by any such co-trustee or separate trustee, it or he shall be vested with such rights, powers, duties or obligations, as shall be specified in the instrument of appointment jointly with the Master Trustee (except insofar as local law makes it necessary for any such co-trustee or separate trustee to act alone) subject to all the terms hereof. Every such acceptance shall be filed with the Master Trustee. To the extent permitted by law, any co-trustee or separate trustee may, at any time by an instrument in writing, constitute the Master Trustee its or his attorney-in-fact and agent, with full power and authority to perform all acts and things and to exercise all discretion on its or his behalf and in its or his name.

In case any co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, all rights, powers, trusts, duties and obligations of said co-trustee or separate trustee shall, so far as permitted by law, vest in and be exercised by the Master Trustee unless and until a successor co-trustee or separate trustee shall be appointed in the manner herein provided.

Section 5.08 Disclosure. The Master Trustee is authorized to disclose to a central repository of information and data regarding municipal bond issues such material as shall be required to be disclosed in accordance with applicable regulations and guidelines regarding such disclosure, including without limitation the American Bankers Association Corporate Trust Disclosure Guidelines for Master Trustees, and the Members of the Obligated Group shall in connection with any such disclosure pay the reasonable compensation and expenses of the Master Trustee, including the fees and expense of its counsel, incurred in connection with such disclosure and shall provide the Master Trustee with such indemnification as shall be reasonably satisfactory to the Master Trustee.

## ARTICLE VI

## SUPPLEMENTS AND AMENDMENTS

Section 6.01 Supplements Not Requiring Consent of Holders. Each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee may, without the consent of or notice to any of the Holders enter into one or more Supplements for one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission herein so long as the Master Trustee has been provided an Opinion of Counsel reasonably acceptable to the Master Trustee to such effect.

(b) To correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising hereunder and which shall not materially and adversely affect the interests of the Holders.

(c) To grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them subject to the provisions of Section 6.02(a).

(d) To qualify this Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect.

(e) To create and provide for the issuance of Indebtedness as permitted hereunder, so long as no Event of Default has occurred and is continuing under the Master Trust Indenture.

(f) To obligate a successor to any Member of the Obligated Group as provided in Section 3.11.

(g) To comply with the provisions of any federal or state securities law.

(h) So long as no Event of Default has occurred and is continuing under this Master Indenture and so long as no event which with notice or the passage of time or both would become an Event of Default under this Master Indenture has occurred and is continuing, to make any change to the provisions of this Master Indenture if the following conditions are met:

(i) the Obligated Group Representative delivers to the Master Trustee prior to the date such amendment is to take effect (i) evidence satisfactory to the Master Trustee to the effect that there exists for each Related Bond or Obligation, Credit Enhancement (as defined in Section 3.12) and (ii) evidence satisfactory to the Master Trustee from each rating agency then rating each such Related Bond and Obligation that, on the date the proposed change is to take effect, each such Related Bond and Obligation rated by such rating agency will be rated based on such credit enhancement not lower than the rating applicable to such Related Bond or Obligation on the day prior to the effective date of such change; and

(ii) with respect to each outstanding Related Bond, an Opinion of Bond Counsel (which counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are not unacceptable to the Master Trustee) to the effect that the proposed change will not adversely affect the validity of any Related Bond or any exclusion from gross income for federal income taxation purposes of interest payable thereon to which such Bond would otherwise be entitled.

(i) To make any changes relating (1) to the application of generally accepted accounting principles ("GAAP") or the definition or determination of Book Value, Indebtedness (which for the avoidance of doubt includes all definitions incorporating the definition of Indebtedness, including, without limitation, Long-Term Debt Service Requirement, Balloon Long-Term Indebtedness, Long-Term Indebtedness and Short-Term Indebtedness), or Income Available for Debt Service, or (2) to the provisions of Article III hereof, in each case, that are necessary to address a change in GAAP that solely in and of itself would cause any Member of the Obligated Group to be in default of any of the covenants set forth in Article III or provide for similar financial and economic measures of the performance of the Members of the Obligated Group.

Section 6.02 Supplements Requiring Consent of Holders. (a) Other than Supplements referred to in Section 6.01 hereof and subject to the terms and provisions and limitations contained in this Article, the Holders of not less than 51% in aggregate principal amount of Obligations then Outstanding shall have the right, with the consent of each Credit Facility Issuer, from time to time, anything contained herein to the contrary notwithstanding, to consent to and approve the execution by each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Trustee of such Supplements as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein; provided, however, nothing in this Section shall permit or be construed as permitting a Supplement which would:

(i) Effect a change in the times, amounts or currency of payment of the principal of, premium, if any, and interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of the Holder of such Obligation;

(ii) Except as otherwise permitted in this Master Indenture or an existing Supplement, permit the preference or priority of any Obligation over any other Obligation, without the consent of the Holders of all Obligations then Outstanding; or

(iii) Reduce the aggregate principal amount of Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Obligations then Outstanding.

(b) If at any time each Member of the Obligated Group shall request the Master Trustee to enter into a Supplement pursuant to this Section, which request is accompanied by a copy of the resolution or other action of its Governing Body certified by its secretary or assistant secretary or if it has no secretary or assistant secretary, its comparable officer, and the proposed Supplement and if within such period, not exceeding three years, as shall be prescribed by each Member of the Obligated Group following the request, the Master Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Obligations specified in subsection (a) of this Section 6.02 for the Supplement in question which instrument or instruments shall refer to the proposed Supplement and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof as on file with the Master Trustee, thereupon, but not otherwise, the Master Trustee

may execute such Supplement in substantially such form, without liability or responsibility to any Holder, whether or not such Holder shall have consented thereto.

(c) Any such consent shall be binding upon the Holder giving such consent and upon any subsequent Holder of such Obligation and of any Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Obligation giving such consent or by a subsequent Holder thereof by filing with the Master Trustee, prior to the execution by the Master Trustee of such Supplement, such revocation and, if such Obligation is transferable by delivery, proof that such Obligation is held by the signer of such revocation in the manner permitted by Section 8.01 of this Master Indenture. At any time after the Holders of the required principal amount or number of Obligations shall have filed their consents to the Supplement, the Master Trustee shall make and file with each Member of the Obligated Group a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(d) If the Holders of the required principal amount of the Obligations Outstanding shall have consented to and approved the execution of such Supplement as herein provided, no Holder shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Master Trustee or any Member of the Obligated Group from executing the same or from taking any action pursuant to the provisions thereof

Section 6.03 Execution and Effect of Supplements. (a) In executing any Supplement permitted by this Article, the Master Trustee shall be entitled to receive and to rely upon an Opinion of Counsel stating that the execution of such Supplement is authorized or permitted hereby. The Master Trustee may but shall not be obligated to enter into any such Supplement which affects the Master Trustee's own rights, duties or immunities.

(b) Except as otherwise set forth in such Supplement, upon the execution and delivery of any Supplement in accordance with this Article, the provisions hereof shall be modified in accordance therewith and such Supplement shall form a part hereof for all purposes and every Holder of an Obligation theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

(c) Any Obligation authenticated and delivered after the execution and delivery of any Supplement in accordance with this Article may, and if required by the issuer of such Obligation or the Master Trustee shall, bear a notation in form approved by the Master Trustee as to any matter provided for in such Supplement. If the issuer of any series of Obligations then Outstanding or the Master Trustee shall so determine, new Obligations so modified as to conform in the opinion of the Master Trustee and the Governing Body of such issuer to any such Supplement may be prepared and executed by the issuer and authenticated and delivered by the Master Trustee in exchange for and upon surrender of Obligations then Outstanding.

## ARTICLE VII

## SATISFACTION AND DISCHARGE OF INDENTURE

Section 7.01 Satisfaction and Discharge of Indenture. If (i) the Obligated Group Representative shall deliver to the Master Trustee for cancellation all Obligations theretofore authenticated (other than any Obligations which shall have been mutilated, destroyed, lost or stolen and which shall have been replaced or paid as provided in the Supplement) and not theretofore cancelled, or (ii) all Obligations not theretofore cancelled or delivered to the Master Trustee for cancellation shall have become due and payable and money sufficient to pay the same shall have been deposited with the Master Trustee, or (iii) all Obligations that have not become due and payable and have not been cancelled or delivered to the Master Trustee for cancellation shall be Defeased Obligations, and if in all cases the Members of the Obligated Group shall also pay or cause to be paid all other sums payable hereunder by the Members of the Obligated Group or any thereof, then this Master Indenture shall cease to be of further effect, and the Master Trustee, on demand of the Members of the Obligated Group and at the cost and expense of the Members of the Obligated Group, shall execute proper instruments acknowledging satisfaction of and discharging this Master Indenture. Each Member of the Obligated Group, respectively, hereby agrees to reimburse the Master Trustee for any costs or expenses theretofore and thereafter reasonably and properly incurred by the Master Trustee in connection with this Master Indenture or such Obligations.

Section 7.02 Payment of Obligations after Discharge of Lien. Notwithstanding the discharge of the lien hereof as in this Article provided, the Master Trustee shall nevertheless retain such rights, powers and duties hereunder as may be necessary and convenient for the payment of amounts due or to become due on the Obligations and the registration, transfer, exchange and replacement of Obligations as provided herein.

Nevertheless, any moneys held by the Master Trustee or any paying agent for the payment of the principal of, premium, if any, or interest on any Obligation remaining unclaimed for five years after the principal of all Obligations has become due and payable, whether at maturity or upon proceedings for redemption or by declaration as provided herein, shall then be paid to the Members of the Obligated Group, as their interests may appear, and the Holders of any Obligations not theretofore presented for payment shall thereafter be entitled to look only to the Members of the Obligated Group for payment thereof as unsecured creditors and all liability of the Master Trustee with respect to such moneys shall thereupon cease.

## ARTICLE VIII

## CONCERNING THE HOLDERS

Section 8.01 Evidence of Acts of Holders. (a) In the event that any request, direction or consent is requested or permitted hereunder of the Holders of any Obligation securing an issue of Related Bonds, the registered owners of such Related Bonds then outstanding shall be deemed to be such Holders for the purpose of any such request, direction or consent in the proportion that the aggregate principal amount of such series of Related Bonds then outstanding held by each such owner of Related Bonds bears to the aggregate principal amount of all Related Bonds of such series

then outstanding; provided however that if any portion of such Related Bonds is secured by a Credit Facility that is also secured by a separate Obligation issued hereunder, the principal amount of the Obligation that secures the Related Bonds deemed outstanding for purposes of any such request, direction or consent shall be reduced by the amount of Related Bonds that are secured by such Credit Facility for the purpose of any such request, direction or consent and the Holders of the Related Bonds that are secured by such Credit Facility shall not be consulted or counted.

(b) As to any request, direction, consent or other instrument provided hereby to be signed and executed by the Holders, such action may be in any number of concurrent writings, shall be of similar tenor, and may be signed or executed by such Holders in person or by agent appointed in writing.

(c) Proof of the execution of any such request, direction, consent or other instrument or of the writing appointing any such agent and of the ownership of Obligations, if made in the following manner, shall be sufficient for any of the purposes hereof and shall be conclusive in favor of the Master Trustee and the Members of the Obligated Group, with regard to any action taken by them, or either of them, under such request, direction or consent or other instrument, namely:

(i) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments in such jurisdiction, that the person signing such writing acknowledged before him the execution thereof, or by the affidavit of a witness of such execution; and

(ii) The ownership of Related Bonds may be proved by the registration books for such Related Bonds maintained pursuant to the Related Bond Indenture.

(d) Nothing in this Section shall be construed as limiting the Master Trustee to the proof herein specified, it being intended that the Master Trustee may accept any other evidence of the matters herein stated which it may deem sufficient.

(e) Any action taken or suffered by the Master Trustee pursuant to any provision hereof upon the request or with the assent of any person who at the time is the Holder of any Obligation, shall be conclusive and binding upon all future Holders of the same Obligation.

(f) In the event that any request, direction or consent is requested or permitted hereunder of the Holders of an Obligation that constitutes a Guaranty, for purposes of any such request, direction or consent, the principal amount of such Obligation shall be deemed to be the stated principal amount of such Obligation.

Section 8.02 Obligations or Related Bonds Owned by Members of Obligated Group. In determining whether the Holders of the requisite aggregate principal amount of Obligations have concurred in any demand direction, request, notice, consent, waiver or other action under this Master Indenture, Obligations or Related Bonds that are owned by any Member of the Obligated Group or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with such Member shall be disregarded and deemed not to be Outstanding or outstanding under the Related Bond Indenture, as the case may be, for the purpose of any such

determination, provided that for the purposes of determining whether the Master Trustee shall be protected in relying on any such direction, consent or waiver, only such Obligations or Related Bonds which the Master Trustee has actual notice or knowledge are so owned shall be so disregarded and deemed not to be outstanding. Obligations or Related Bonds so owned that have been pledged in good faith may be regarded as Outstanding or outstanding under the Related Bond Indenture, as the case may be, for purposes of this Section, if the pledgee shall establish to the satisfaction of the Master Trustee the pledgee' s right to vote such Obligations or Related Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by or under direct or indirect common control with any Member of the Obligated Group. In case of a dispute as to such right, any decision by the Master Trustee taken upon the advice of counsel shall be full protection to the Master Trustee.

Section 8.03 Instruments Executed by Holders Bind Future Holders. At any time prior to (but not after) the Master Trustee takes action in reliance upon evidence, as provided in Section 8.01 hereof, of the taking of any action by the Holders of the percentage in aggregate principal amount of Obligations specified herein in connection with such action, any Holder of such an Obligation or Related Bond that is shown by such evidence to be included in Obligations the Holders of which have consented to such action may, by filing written notice with the Master Trustee and upon proof of holding as provided in Section 8.01, revoke such action so far as concerns such Obligation or Related Bond. Except upon such revocation any such action taken by the Holder of an Obligation or Related Bond in any direction, demand, request, waiver, consent, vote or other action of the Holder of such Obligation or Related Bond which by any provision hereof is required or permitted to be given shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Obligation or Related Bond, and of any Obligation or Related Bond issued in lieu thereof, whether or not any notation in regard thereto is made upon such Obligation or Related Bond. Any action taken by the Holders of the percentage in aggregate principal amount of Obligations specified herein in connection with such action shall be conclusively binding upon each Member of the Obligated Group, the Master Trustee and the Holders of all of such Obligations or Related Bonds.

## ARTICLE IX

## MISCELLANEOUS PROVISIONS

Section 9.01 Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Master Indenture or the Obligations issued hereunder is intended or shall be construed to give to any Person other than each Member of the Obligated Group, the Master Trustee, any Credit Facility Issuer and the Holders hereunder any legal or equitable right, remedy or claim under or in respect to this Master Indenture or any covenants, conditions and provisions herein contained; this Master Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties mentioned in this Section.

Section 9.02 Severability. If any one or more sections, clauses, sentences or parts hereof shall for any reason be questioned in any court of competent jurisdiction and shall be adjudged invalid or unenforceable, such judgment shall not affect, impair or invalidate the remaining

provisions hereof, or the Obligations issued pursuant hereto, but shall be confined to the specific sections, clauses, sentences and parts so adjudged.

Section 9.03 Holidays. Except to the extent a Supplement or an Obligation provides otherwise:

(a) Subject to subsection (b) of this Section 9.03, when any action is provided herein to be done on a day or within a time period named, and the day or the last day of the period falls on a day on which banking institutions in the jurisdiction where the Corporate Trust Office is located are authorized by law to remain closed, the action may be done on the next ensuing day not a day on which banking institutions in such jurisdiction are authorized by law to remain closed with effect as though done on the day or within the time period named.

(b) When the date on which principal of or interest or premium on any Obligation is due and payable is a day on which banking institutions at the place of payment are authorized by law to remain closed, payment may be made on the next ensuing day on which banking institutions at such place are not authorized by law to remain closed with the same effect as though payment were made on the due date, and, if such payment is made, no interest shall accrue from and after such due date.

Section 9.04 Governing Law. This Master Indenture and any Obligations issued hereunder are contracts made under the laws of the State of New York and shall be governed by and construed in accordance with such laws.

Section 9.05 Counterparts. This Master Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 9.06 Immunity of Individuals. No recourse shall be had for the payment of the principal of, premium, if any, or interest on any Obligations issued hereunder or for any claim based thereon or upon any obligation, covenant or agreement herein against any past, present or future officer, member, employee or agent of any Member of the Obligated Group, and all such liability of any such individual as such is hereby expressly waived and released as a condition of and in consideration for the execution hereof and the issuance of Obligations issued hereunder.

Section 9.07 Binding Effect. This instrument shall inure to the benefit of and shall be binding upon each Member of the Obligated Group, the Master Trustee and their respective successors and assigns subject to the limitations contained herein.

Section 9.08 Notices. (a) Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be deemed sufficiently given or served if by hand or overnight courier or by Electronic Means, if followed by mail as provided hereafter, and if given in writing, mailed by first class mail, postage prepaid and addressed as follows:

(i) If to any Member of the Obligated Group, addressed to the Obligated Group Representative at its principal place of business, which on the date hereof is: Long Island Community Hospital, 101 Hospital Road, Patchogue, New York 11772, Attention: Senior Vice President, Finance, with a copy to General

Counsel, Long Island Community Hospital, 101 Hospital Road, Patchogue, New York 11772.

(ii) If to the Master Trustee, addressed to it at U.S. Bank National Association, 100 Wall Street, Suite 600, New York, New York 10005.

(i) If to any registered Holder, any Related Bond Issuer and any Related Bond Trustee addressed to such Holder, such Related Bond Issuer and such Related Bond Trustee at the address shown on the books of the Master Trustee kept pursuant hereto.

(b) Any Member of the Obligated Group, or the Master Trustee may from time to time by notice in writing to the other and to the registered Holders and any Related Bond Issuer and any Related Bond Trustee, designate a different address or addresses for notice hereunder.

With regard to Electronic Means, the 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 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 Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The Obligated Group understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the 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 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 Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the 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 Trustee, including without limitation the risk of the 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 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 Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

IN WITNESS WHEREOF, Brookhaven Memorial Hospital Medical Center, Inc., d/b/a Long Island Community Hospital has caused these presents to be signed in its name and on its behalf by its duly authorized officer and to evidence its acceptance of the trusts hereby created, the Master Trustee has caused these presents to be signed in its name and on its behalf by its duly authorized officer, all of as of the day and year first above written.

BROOKHAVEN MEMORIAL HOSPITAL MEDICAL CENTER, INC., D/B/A LONG ISLAND COMMUNITY HOSPITAL

By: _____
Vice President and Chief Financial Officer

U.S. BANK NATIONAL ASSOCIATION,
as Master Trustee

By: _____
Vice President

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**SCHEDULE A**

**SCHEDULE OF PERMITTED LIENS**

SUPPLEMENTAL INDENTURE FOR OBLIGATION NO. 1

by and between

BROOKHAVEN MEMORIAL HOSPITAL MEDICAL CENTER, INC., doing business as Long Island Community Hospital

and

U.S BANK NATIONAL ASSOCIATION,
as Master Trustee

Dated as of October 1, 2020

Supplementing the
Master Trust Indenture, dated as of October 1, 2020

Related to
$59,135,000 Town of Brookhaven Local Development Corporation
Revenue Bonds Long Island Community Hospital Project), Series 2020A

$16,915,000 Town of Brookhaven Local Development Corporation
Taxable Revenue Bonds Long Island Community Hospital Project), Series 2020B

THIS SUPPLEMENTAL INDENTURE FOR OBLIGATION No. 1, dated as of October 1, 2020 (this "Supplement"), by and between Brookhaven Memorial Hospital Medical Center, Inc. doing business as Long Island Community Hospital, a New York not-for-profit corporation ("LICH"), and U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, as master trustee (the "Master Trustee") under the Master Trust Indenture, dated as of October 1, 2020, (the "Master Indenture"), by and between the Master Trustee and LICH, as the Obligated Group Representative and the sole Member of the Obligated Group.

WITNESSETH:

WHEREAS, LICH has entered into the Master Indenture which provides for the issuance, by any Member of the Obligated Group, of Obligations thereunder, upon the Obligated Group and the Master Trustee entering into an indenture supplemental to the Master Indenture to create indebtedness;

WHEREAS, LICH desires to issue Obligation No. 1 (the "Related Obligation") hereunder to evidence its obligations arising under the Master Indenture with respect to the Town of Brookhaven Local Development Corporation (the "LDC") Revenue Bonds (Long Island Community Hospital Project), Series 2020A (the "Series 2020A Bonds") issued by the LDC in the aggregate principal amount of $59,135,000 and the LDC's Taxable Revenue Bonds (Long Island Community Hospital Project), Series 2020B (the "Series 2020B Bonds", and together with the Series 2020B Bonds, the "Series 2020 Bonds") issued by the LDC in the aggregate principal amount of $16,915,000;

WHEREAS, LICH has entered into the Loan Agreement dated as of October 1, 2020, by and between the LDC and LICH (the "Loan Agreement") providing for, among other things, payments by LICH sufficient to cover its debt service and other costs associated with the Series 2020 Bonds;

WHEREAS, the Related Obligation and all Obligations to be issued from time to time under the Master Indenture will be secured by each Mortgage (as defined in the Master Indenture) on an equal and ratable basis;

WHEREAS, all acts and things necessary to constitute this Supplement a valid indenture and agreement according to its terms have been done and performed, and the Member has duly authorized the execution and delivery hereof and of the Related Obligation;

NOW, THEREFORE, in consideration of the premises, of the acceptance by the Master Trustee of the trusts hereby created, and of the giving of consideration for and acceptance of the Related Obligation by the Holders thereof, the Obligated Group covenants and agrees with the Master Trustee, for the benefit of the Holders from time to time of the Related Obligation, as follows:

Section 1. Definitions. All terms used herein that are defined in the Master Indenture shall have the meanings assigned to them therein unless otherwise defined below. For the purposes hereof unless the context otherwise indicates the following words and phrases shall have the following meanings:

"Authorized Officer" means (i) in the case of the LDC, the Chairman, the Chief Executive Officer, all members of the LDC and any other person authorized by a resolution or the by-laws of the LDC, from time to time, to perform any specific act or execute any specific document; (ii) in the case of a Member of the Obligated Group, the person or persons authorized by a resolution or the by-laws of such Member to perform any act or execute any document; and (iii) in the case of the Master Trustee, the President, a Vice President, an Assistant Vice President, a Corporate Trust Officer, a Trust Officer or an Assistant Trust Officer of the Master Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of such Master Trustee or the by-laws of such Master Trustee;

"Bond Trustee" means U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, and any successor to its duties under the Related Bond Indenture.

"Bondholder" means the registered owner of any Bonds.

"Bonds" means the LDC's Revenue Bonds (Long Island Community Hospital Project), Series 2020, and any other bonds issued and outstanding under the Related Bond Indenture.

"Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

"Foundation" shall mean Brookhaven Health Care Services Corporation.

"Guaranty" shall mean the Guaranty Agreement from the Foundation to the Master Trustee guarantying all payments when due on the Related Obligation dated as of October 1, 2020.

"LDC" means the Town of Brookhaven Local Development Corporation.

"Member of the Obligated Group" or "Member" means LICH and any other Person that has become a Member of the Obligated Group pursuant to the Master Indenture and has not subsequently withdrawn in accordance with the provisions of the Master Indenture. Currently, LICH is the only Member of the Obligated Group.

"Obligated Group" means, collectively, the Members of the Obligated Group.

"Person" means an individual, association, unincorporated organization, limited liability company, corporation, partnership, joint venture, business trust or a government or an agency or a political subdivision thereof, or any other entity.

"Related Bond Indenture" means the Indenture of Trust by and between the LDC and the Bond Trustee with respect to the Series 2020 Bonds dated as of October 1, 2020, and as supplemented or amended from time to time.

"Related Obligation" means the Obligation No. 1 issued pursuant hereto.

"Stony Brook" means The State University of New York acting through its Stony Brook University Hospital.

"Stony Brook Lease" shall have the meaning assigned in the Master Indenture.

"Supplement" means this Supplemental Indenture.

Section 2. Issuance of the Related Obligation. There is hereby created and authorized to be issued the Related Obligation in the aggregate principal amount of Seventy-Six Million Fifty Thousand Dollars ($76,050,000) designated "The LICH Obligated Group Obligation No. 1". The Related Obligation shall be dated as of October 29, 2020, and shall be payable in such amounts, at such times and in such manner and shall have such other terms and provisions as are set forth in the form of Obligation No. 1 attached hereto as Appendix A.

The aggregate principal amount of the Related Obligation is limited to the amount stated in this Section except for any Obligation authenticated and delivered in lieu of another Obligation as provided herein with respect to any Obligation destroyed, lost, or, subject to the provisions of Section 6 of this Supplement, upon transfer of registration of the Related Obligation.

Section 3. Mortgages. To secure, among other things, the prompt payment of the principal of, redemption premium, if any, and the interest on all Obligations issued from time to time under the Master Indenture, and the performance by the Member of the Obligated Group of its other obligations hereunder and under the Master Indenture, the Member of the Obligated Group has granted the Mortgages to the Master Trustee. Such Mortgages shall secure the Related Obligation .

Section 4. Payments on the Related Obligation; Credits. (a) Payments on the Related Obligation are payable in any coin or currency of the United States of America which on the payment date is legal tender for the payment of public and private debts. Except as provided in subsections (b) and (c) of this Section with respect to credits, payments on the Related Obligation shall be made at the times and in the amounts specified in the Related Obligation in immediately available funds by the Members depositing the same with or to the account of the Bond Trustee at or prior to the day such payments shall become due or payable under the Related Bond Indenture (or the next preceding Business Day (as defined in the Related Bond Indenture) if such date is not a Business Day) and giving notice to the Master Trustee of each payment on the Related Obligation, specifying the amount paid and identifying such payment as a payment on the Related Obligation. In no event shall payments made from a debt service reserve fund on Related Bonds, except to the extent such payment may be made to redeem all Outstanding Related Bonds in accordance with the terms of the Related Bond Indenture, be treated as credits under subsections (b) and (c) for payment of the Related Obligation.

(b) The Obligated Group shall receive credit for payment on the Related Obligation, in addition to any credits resulting from payment or prepayment from other sources, including payments made under the Master Indenture, made directly to the Bond Trustee by any Member of the Obligated Group pursuant to the Related Obligation.

(c) The Obligated Group shall receive credit for payment on the Related Obligation, in addition to any credits resulting from payment or prepayment from other sources, including payments made under the Master Indenture, as follows:

(i) On installments of interest on the Related Obligation in an amount equal to moneys deposited in the Interest Account of the Bond Fund created under the Related Bond Indenture which amounts are available to pay interest on the Series 2020 Bonds and to the extent such amounts have not previously been credited against payments on the Related Obligation.

(ii) On installments of principal on the Related Obligation in an amount equal to moneys deposited in the Principal Account of the Bond Fund created under the Related Bond Indenture which amounts are available to pay principal of the Series 2020 Bonds and to the extent such amounts have not previously been credited against payments on the Related Obligation.

(iii) On installments of principal of and interest on the Related Obligation in an amount equal to the principal amount of Series 2020 Bonds which have been called by the Bond Trustee for redemption prior to maturity and for the redemption of which sufficient amounts in cash are on deposit in the Interest Account of the Bond Fund and the Principal Account of the Bond Fund created under the Related Bond Indenture to the extent such amounts have not been previously credited against payments on the Related Obligation, and interest on such Series 2020 Bonds from and after the date fixed for redemption thereof. Such credits shall be made against the installments of principal of and interest on the Related Obligation which would be due, but for such call for redemption, to pay principal of and interest on such Series 2020 Bonds when due at maturity.

(iv) On installments of principal of and interest, respectively, on the Related Obligation in an amount equal to the principal amount of Series 2020 Bonds acquired by any Member of the Obligated Group and delivered to the Bond Trustee and cancelled. Such credits shall be made against the installments of principal of and interest on the Related Obligation which would be due, but for such cancellation, to pay principal of and interest on Series 2020 Bonds at maturity.

(d) The Obligated Group shall receive credit for payment on the Related Obligation, resulting from payment on the Guaranty, made directly to the Bond Trustee by the Foundation.

Section 5. Prepayment of the Related Obligation. (a) So long as all amounts which have become due under the Related Obligation have been paid, the Members may from time to time pay in advance all or part of the amounts to become due under the Related Obligation. Prepayment may be made by payments of cash and/or surrender of Series 2020 Bonds, as contemplated by Section 4 hereof. All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of Series 2020 Bonds) shall, upon receipt, be deposited with the Related Bond Trustee in the Interest Account of the Bond Fund and the Principal Account of the Bond Fund and, at the request of and as determined by the Authorized Representative, used for the redemption or purchase of

Outstanding Series 2020 Bonds in the manner and subject to the terms and conditions set forth in the Related Bond Indenture. Notwithstanding any such prepayment or surrender of Series 2020 Bonds, as long as any Series 2020 Bond remains Outstanding or any additional payments required to be made hereunder remain unpaid, the Members shall not be relieved of their obligations hereunder.

(b) Prepayments made under subsection (a) of this Section shall be credited against amounts to become due on the Related Obligation as provided in Section 4 hereof.

(c) The Obligated Group may also prepay all of its Indebtedness under the Related Obligation by providing for the payment of all Series 2020 Bonds in accordance with Article III, Article IV and Article VII of the Related Bond Indenture and the Series 2020 Bonds.

Section 6. Stony Brook Lease. LICH may enter into the Stony Brook Lease upon such terms as it shall deem advisable so long as the Stony Brook Lease provides for the payment by Stony Brook of debt service on all Obligations issued under the Master Indenture and of LICH under the related Loan Agreements when due and payable pursuant to their respective terms.

During the period when the Stony Brook Lease is in effect and Stony Brook is not in default on its payment obligations under the Stony Brook Lease, the following provisions of the Master Indenture shall be suspended as provided below:

(a) Section 3.04 Insurance and Condemnation Proceeds. The certificates and consultant reports required under Section 3.04(b)(i) and (ii) need not be provided so long as Stony Brook affirms its obligation to make payments under the Stony Brook Lease.

(b) Section 3.06 Limitations on Indebtedness.

The provisions relating to the limits on incurrence of Indebtedness in Section 3.06 shall be modified as described in the following sentence during the term of the Stony Brook Lease and Indebtedness may be incurred so long as Stony Brook affirms in writing in a certificate to the Master Trustee its obligation to make payments at least equal to all amounts owed on such Additional Indebtedness. During the term of the Stony Brook Lease Audited Financial Statements shall be deemed to be the Brookhaven Division of Stony Brook P&L including depreciation and interest expense.

(c) Section 3.07 Long-Term Debt Service Coverage Ratio. Section 3.07 and the requirement that the Member of the Obligated Group maintain a Long Term Debt Service Coverage Ratio shall be suspended during the term of the Stony Brook Lease.

(d) Section 4.01 (b). Section 4.01(b) and the requirement that the Obligated Group Members attain a Debt Service Coverage Ratio shall be suspended during the term of the Stony Brook Lease. In the event that the Stony Brook Lease is terminated, the reinstated requirements related to Section 4.01(b) shall not begin

again until the first Fiscal Year following the year that the test is required under Section 3.07 of the Master Indenture.

Immediately upon the receipt by LICH of a notice of termination of the Stony Brook Lease from Stony Brook, the suspension of the foregoing provisions of the Master Indenture shall cease and the provisions as so reinstated shall remain in full force and effect so long as the Series 2020 Bonds are Outstanding provided that the covenant to maintain a Debt Service Coverage Ratio under Section 3.07 shall not be calculated until the end of the first Fiscal Year which is at least eighteen months after the termination of the Stony Brook Lease.

Section 7. Registration, Numbers, Negotiability and Transfer of the Related Obligation.

(a) The Related Obligation shall be registered on the register to be maintained by the Master Trustee for that purpose at the Corporate Trust Office of the Master Trustee. Except as provided in subsection (b) of this Section, so long as any Series 2020 Bond remains Outstanding (within the meaning of that term as used in the Related Bond Indenture), the Related Obligation shall consist of a single Obligation registered in the name of the Bond Trustee and no transfer of the Related Obligation shall be registered under this Supplement except for transfers to successors designated in writing to the Master Trustee.

(b) Upon the principal of all Obligations Outstanding being declared immediately due and payable upon and during the continuance of an Event of Default, the Related Obligation may be transferred and such transfer registered, if and to the extent the Master Trustee requests that the restrictions of subsection (a) of this Section on transfers be terminated.

(c) The Related Obligation shall be transferable only upon presentation of the Related Obligation at the Corporate Trust Office of the Master Trustee by the registered owner or by its duly authorized attorney. Such transfer shall be without charge to the owner thereof, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the owner requesting such transfer as a condition precedent to the exercise of such privilege. Upon any such transfer, the Authorized Representative shall execute and the Master Trustee shall authenticate and deliver in exchange for the Related Obligation a new Obligation registered in the name of the transferee.

(d) Prior to due presentment by the owner for registration of transfer, the Members and the Master Trustee may deem and treat the Person in whose name the Related Obligation is registered as the absolute owner for all purposes; and neither the Members nor the Master Trustee shall be affected by any notice to the contrary. All payments made to the registered owner shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable on the Related Obligation.

Section 8. Mutilation, Destruction and Loss of the Related Obligation. If (i) the Related Obligation is surrendered to the Master Trustee in a mutilated condition, or the Authorized Representative and the Master Trustee receive evidence to their satisfaction of the destruction or loss of the Related Obligation and (ii) there is delivered to the Authorized Representative and the Master Trustee such security or indemnity as may be required by them to hold them and the

Members harmless, then, in the absence of proof satisfactory to the Authorized Representative and the Master Trustee that the Related Obligation has been acquired by a bona fide purchaser and upon the Holder paying the reasonable expenses of the Members, the Authorized Representative and the Master Trustee, the Authorized Representative shall execute and the Master Trustee shall authenticate and deliver, in exchange for such mutilated, lost or destroyed Obligation, a new Obligation of like principal amount, date and tenor. Every mutilated Obligation so surrendered to the Master Trustee shall be cancelled by it and delivered to, or upon the order of, the Members. If any such mutilated, destroyed or lost Obligation has become or is about to become due and payable, the Related Obligation may be paid when due instead of delivering a new Obligation.

Section 9. Execution and Authentication of the Related Obligation. The Related Obligation shall be executed for and on behalf of the Members by the Authorized Representative. The signature of any such Authorized Representative may be mechanically or photographically reproduced on the Related Obligation. If any such signatory whose signature appears on the Related Obligation ceases to be such Authorized Representative of the Obligated Group before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such signatory had remained in such capacity until such delivery. The Related Obligation shall be manually authenticated by an Authorized Officer of the Master Trustee, without which authentication the Related Obligation shall not be entitled to the benefits hereof.

Section 10. Right to Redeem. The Related Obligation shall be subject to prepayment, prior to the maturity, on the dates and in the amounts of any Series 2020 Bonds redeemed or purchased as provided in the Related Bond Indenture. The Related Obligation shall be prepaid in whole or in part, in an amount equal to the Redemption Price of the Series 2020 Bond (i) called for redemption pursuant to the Related Bond Indenture or (ii) purchased for cancellation by the bond registrar.

Section 11. Partial Redemption of the Related Obligation. Upon the call for redemption, and the surrender of the Related Obligation for redemption in part only, the Members shall cause to be executed and the Master Trustee shall authenticate and deliver to or upon the written order of the Holder thereof, at the expense of the Members, a new Obligation in principal amount equal to the unredeemed portion of the Related Obligation, which old Related Obligation so surrendered to the Master Trustee pursuant to this Section shall be cancelled by it and delivered to, or upon the order of, the Members.

The Authorized Representative may agree with the Holder of the Related Obligation that such Holder may, in lieu of surrendering the Related Obligation for a new fully registered Related Obligation, endorse on the Related Obligation a notice of such partial redemption, which notice shall set forth, over the signature of such Holder, the payment date, the principal amount redeemed and the principal amount remaining unpaid. Such partial redemption shall be valid upon payment of the amount thereof to the registered owner of the Related Obligation and the Obligated Group and the Master Trustee shall be fully released and discharged from all liability to the extent of such payment irrespective of whether such endorsement shall or shall not have been made upon the reverse of the Related Obligation by the owner thereof and irrespective of any error or omission in such endorsement.

Section 12. Effect of Call for Redemption. On any date designated for redemption of the Series 2020 Bonds, in whole or in part, the Related Obligation shall become and be due and payable in an amount equal to the redemption or purchase price to be paid on the Series 2020 Bonds on such date. If on the date fixed for redemption of the Related Obligation, moneys for payment of the redemption or purchase price and accrued interest on the Series 2020 Bonds are held by the Bond Trustee, interest on the Related Obligation shall cease to accrue and said Related Obligation shall cease to be entitled to any benefit or security under the Master Indenture to the extent of said redemption and the amount of the Related Obligation so called for redemption shall be deemed paid and no longer Outstanding.

Section 13. Additional Covenants.

The Obligated Group agrees not to (i) consent to any assignment or transfer of the obligations under the Stony Brook Lease or (ii) take any action that would result in an abatement of rent under the Stony Brook Lease or otherwise impair the security for the Series 2020 Bonds.

Section 14. Minimum Operating Funds and Flagship Covenant. LICH agrees to maintain unrestricted funds available for the payment of any amounts that are payable on the Series 2020 Obligation equal to $15,000,000. Such funds shall be maintained so long as the Series 2020 Bonds are Outstanding.

LICH agrees to remain a Member of the Obligated Group so long as the Series 2020 Bonds are Outstanding. Unrestricted funds of the Foundation may be used in meeting the foregoing calculation. Such calculation shall be provided to the Master Trustee annually (the "testing date") and can be spent without restriction between testing dates other than the requirement that LICH and the Foundation be in compliance on the next testing date.

Section 15. Discharge of Supplement. Upon payment by the Obligated Group of a sum, in cash or Government Obligations (as defined in the Related Bond Indenture), or both, sufficient, together with any other cash and Government Obligations held by the Bond Trustee and available for such purpose, to cause all Outstanding Series 2020 Bonds to be deemed to have been paid within the meaning of Sections 7.01 and 7.02 of the Related Bond Indenture and to pay all other amounts referred to in Section s 7.01 and 7.02 of the Related Bond Indenture, accrued and to be accrued to the date of discharge of the Related Bond Indenture, the Related Obligation shall be deemed to have been paid and to be no longer Outstanding under the Master Indenture and this Supplement shall be discharged.

Section 16. Ratification of Master Indenture. As supplemented hereby, the Master Indenture is in all respects ratified and confirmed and the Master Indenture as so supplemented hereby shall be read, taken and construed as one and the same instrument.

Section 17. Severability. If any provision of this Supplement shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case and any jurisdiction or jurisdictions or in all jurisdictions, or in all cases, because it conflicts with any other provision or provisions hereof or any constitution, statute, rule or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question

inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses, sections or subsections contained in this Supplement shall not affect the remaining portions of this Supplement or any part thereto.

Section 18. Counterparts. This Supplement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 19. Governing Law. This Supplement shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, each of the Members has caused these presents to be signed in its name and on its behalf by the Authorized Representative of the Obligated Group and to evidence its acceptance of the trusts hereby created, the Master Trustee has caused these presents to be signed in its name and on its behalf by its duly authorized officer, all as of the day and year first above written.

BROOKHAVEN MEMORIAL HOSPITAL MEDICAL CENTER, INC.
D/B/A LONG ISLAND COMMUNITY HOSPITAL

By: _____
Vice President and Chief Financial Officer

U.S. BANK NATIONAL ASSOCIATION, as Master Trustee

By: _____
Vice President

Acknowledged by:

U.S. BANK NATIONAL ASSOCIATION,
as Bond Trustee

By:_____
Vice President

**APPENDIX A**

**LONG ISLAND COMMUNITY HOSPITAL**

**Obligation No. 1**

**Dated: October 29, 2020**

KNOW ALL MEN BY THESE PRESENTS that Brookhaven Memorial Hospital Medical Center, Inc. doing business as Long Island Community Hospital, a New York not-for-profit corporation (the "Obligated Group" or the "Member" thereof), organized and existing under the laws of the State of New York, for value received hereby acknowledges themselves jointly and severally obligated to, and promise to pay to U.S. Bank National Association, as Bond Trustee, or registered assigns, the principal of Seventy-Six Million Fifty Thousand Dollars ($76,050,000) and to pay interest thereon from the date hereof an amount equal to the interest due on the Series 2020 Bonds (as defined below). Principal, purchase price, and interest on this Obligation are payable at the times and in the amounts as are required for payments on the Series 2020 Bonds under the Related Bond Indenture (as defined below).

This Obligation No. 1 is a single Obligation of the Obligated Group limited to Seventy-Six Million Fifty Thousand Dollars ($76,050,000) in principal amount, designated as "Long Island Community Hospital Obligated Group Obligation No. 1" ("Obligation No. 1") issued under and pursuant to Supplemental Indenture for Obligation No. 1, dated as of October 1, 2020 (the "Supplement"), supplementing the Master Trust Indenture, dated as of October 1, 2020, by and among the Obligated Group and U.S. Bank National Association, as master trustee (the "Master Trustee"). The Master Trust Indenture, as so supplemented and amended, is hereinafter called the "Master Indenture." This Obligation No. 1, together with all other Obligations Outstanding under the Master Indenture, is, except as provided in the Master Indenture or the Supplement, equally and ratably secured by the provisions of the Master Indenture. As provided by Section 2.01 of the Master Indenture, each Member of the Obligated Group (as defined in the Master Indenture) is jointly and severally liable for this Obligation No. 1.

Principal hereof, interest hereon and any applicable redemption premium, are payable in any coin or currency of the United States of America which on the payment date is legal tender for the payment of public and private debts. The principal hereof, premium, if any, and interest hereon shall be payable in clearing house funds by the Obligated Group depositing the same with or to the account of the Series 2020 Bond Trustee (as hereinafter defined) at or prior to the opening of business on the day such payments shall become due and payable and the Obligated Group shall give notice of payment to the Master Trustee as provided in the Supplement.

This Obligation No. 1 evidences and secures the indebtedness of the Obligated Group resulting from making available to Brookhaven Memorial Hospital Medical Center, Inc. Long Island Community Hospital, as a Member of the Obligated Group, the proceeds of the issuance and sale of revenue bonds of the Town of Brookhaven Local Development Corporation (the "Related Bond Issuer"), aggregating Seventy-Six Million Fifty Thousand Dollars ($76,050,000) in principal amount, Town of Brookhaven Local Development Corporation Revenue Bonds (Long Island Community Hospital Project), Series 2020A (the "Series 2020A Bonds") and Taxable

Revenue Bonds (Long Island Community Hospital Project), Series 2020B (the "Series 2020B Bonds", and together with the Series 2020B Bonds, the "Series 2020 Bonds"), and issued under and pursuant to the Section 1411 of the New York Not-for-Profit Law and the Indenture of Trust dated as of October 1, 2020 (collectively, the "Related Bond Indenture"), for the purposes described in the Related Bond Indenture. U.S. Bank National Association is appointed the bond trustee (the "Series 2020 Bond Trustee") under the Related Bond Indenture.

The Obligated Group shall receive credit for payment on Obligation No. 1, in addition to any credits resulting from payment or prepayment from other sources, including payments made under the Master Indenture, as follows: (i) on installments of interest on Obligation No. 1 in an amount equal to moneys deposited in the Bond Fund created under the Related Bond Indenture which amounts are available to pay interest on the Series 2020 Bonds and to the extent such amounts have not previously been credited against payments on Obligation No. 1; (ii) on installments of principal on Obligation No. 1 in an amount equal to moneys deposited in the Bond Fund created under the Related Bond Indenture, which amounts are available to pay principal of the Series 2020 Bonds and to the extent such amounts have not previously been credited on Obligation No. 1; (iii) on installments of principal and interest on Obligation No. 1 in an amount equal to the principal of and interest on Series 2020 Bonds which have been called by the Series 2020 Bond Trustee for redemption prior to maturity to the extent that there are sufficient amounts for the redemption of such Series 2020 Bonds in cash on deposit in the Bond Fund created under the Related Bond Indenture and to the extent that such amounts have not previously been credited on Obligation No. 1; provided that such credits shall be made against the installments of principal and interest on Obligation No. 1 which would be due, but for such call for redemption, to pay principal and interest of such Series 2020 Bonds when due at maturity; and (iv) on installments of principal and interest on Obligation No. 1 in an amount equal to the principal amount of and interest on Series 2020 Bonds acquired by any Member of the Obligated Group and delivered to the Series 2020 Bond Trustee for cancellation or purchased by the Series 2020 Bond Trustee and cancelled; provided that such credits shall be made against the installments of principal and interest on Obligation No. 1 which would be due, but for the cancellation of such Series 2020 Bonds, to pay principal and interest of such Series 2020 Bonds when due at maturity; and provided further, however, that in no event shall payments made from a debt service reserve fund on Related Bonds, except to the extent such payment may be made to redeem all Outstanding Related Bonds in accordance with the terms of the Related Bond Indenture, be treated as credits under this Section.

Upon payment of a sum, in cash or Government Obligations (as defined in the Related Bond Indenture), or both, sufficient, together with any other cash and obligations held by the Series 2020 Bond Trustee and available for such purpose, to cause all Outstanding Series 2020 Bonds to be deemed to have been paid within the meaning of Section 7.01 and 7.02 of the Related Bond Indenture and to pay all other amounts referred to in Section 7.01 and 7.02 of the Related Bond Indenture, accrued and to be accrued to the date of discharge of the Related Bond Indenture, Obligation No. 1 shall be deemed to have been paid and to be no longer Outstanding under the Master Indenture and the Supplement.

Copies of the Master Indenture are on file at the Corporate Trust Office of the Master Trustee and reference is hereby made to the Master Indenture for the provisions, among, others, with respect to the nature and extent of the rights of the owners of Obligations issued under the Master Indenture, the terms and conditions on which, and the purpose for which, Obligations are

to be issued and the rights, duties and obligations of the Obligated Group and the Master Trustee under the Master Indenture, to all of which the registered owner hereof, by acceptance of this Obligation No. 1, assents.

The Master Indenture permits the issuance of additional Obligations under the Master Indenture to be secured by the covenants made therein, all of which, regardless of the times of issue or maturity, are to be of equal rank without preference, priority or distinction of any Obligation issued under the Master Indenture over any other such Obligation except as expressly provided or permitted in the Master Indenture and any Supplement thereto.

To the extent permitted by and as provided in the Master Indenture, modifications or changes of the Master Indenture, of any indenture supplemental thereto, and of the rights and obligations of the Members and of the owners of Obligations in any particular may be made by the execution and delivery of an indenture or indentures supplemental to the Master Indenture or any supplemental indenture. Certain modifications or changes which would affect the rights of the owners of this Obligation No. 1 may be made only with the consent of the owners of not less than 51% in aggregate principal amount of the Obligations then Outstanding under the Master Indenture. No such modification or change shall be made which will (i) effect a change in the times, amounts or currency of payment of the principal of, and premium, if any, or interest on any Obligation without the consent of the registered owner of such Obligation; (ii) permit the preference or priority of any Obligation over any other Obligation without the consent of the registered owners of all Obligations then Outstanding; or (iii) reduce the aggregate principal amount of Obligations then Outstanding the consent of the registered owners of which is required to authorize such supplement without the consent of the registered owners of all Obligations then Outstanding. Any such consent by the registered owners of this Obligation No. 1 shall be conclusive and binding upon such registered owner and all future owners hereof irrespective of whether or not any notation of such consent is made upon this Obligation No. 1.

In the manner and with the effect provided in the Supplement, Obligation No. 1 will be subject to redemption in whole or in part prior to maturity, in an amount equal to the principal amount of any Series 2020 Bond (i) called for redemption pursuant to the Related Bond Indenture, or (ii) purchased and tendered for cancellation to the bond registrar. Obligation No. 1 shall be subject to redemption on the date any Series 2020 Bond shall be so redeemed or purchased, and in the manner provided herein.

Any redemption of the Series 2020 Bonds, either in whole or in part, shall be made upon notice thereof in the manner and upon the terms and conditions provided in the Related Bond Indenture. If any portion of the Series 2020 Bonds shall have been duly called for redemption and payment of the Redemption Price shall have been made or provided for, as more fully set forth in the Related Bond Indenture, interest on this Obligation No. 1 shall cease to accrue on the principal amount of this Obligation No. 1 equal to the principal amount of the Series 2020 Bonds called for redemption from the date fixed for such redemption, and from and after such date the principal amount of this Obligation No. 1 equal to the principal amount of the Series 2020 Bonds called for redemption shall be deemed not to be Outstanding, as defined in the Master Indenture, and shall no longer be entitled to the benefits of the Master Indenture, and the registered owner hereof shall have no rights in respect of that portion of this Obligation No. 1 other than payment of the Redemption Price to the date fixed for redemption of the Series 2020 Bonds. Upon the occurrence

of certain "Events of Default" (as defined in the Master Indenture), the principal of all Obligations then Outstanding may be declared, and the same shall become, due and payable as provided in the Master Indenture.

The registered owner of this Obligation No. 1 shall have no right, based on such ownership, to enforce the provisions of the Master Indenture, or to institute any action to enforce the covenants therein, or to take any action with respect to any default under the Master Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Master Indenture.

Obligation No. 1 is issuable only as a fully registered Obligation. This Obligation No. 1 shall be registered on the registration books to be maintained by the Authorized Representative for that purpose at the Corporate Trust Office of the Master Trustee and the transfer of this Obligation No. 1 shall be registerable only upon presentation of this Obligation No. 1 at said office by the registered owner or by his duly authorized attorney and subject to the limitations, if any, set forth in the Supplement. Such registration of transfer shall be without charge to the registered owner hereof, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the registered owner requesting such registration of transfer as a condition precedent to the exercise of such privilege. Upon any such registration of transfer, the Obligated Group shall cause to be executed and the Master Trustee shall authenticate and deliver in exchange for this Obligation No. 1 a new Obligation, registered in the name of the transferee.

Prior to due presentment hereof for registration of transfer, the Obligated Group and the Master Trustee may deem and treat the Person in whose name this Obligation No. 1 is registered as the absolute owner hereof for all purposes; and neither the Obligated Group nor the Master Trustee shall be affected by any notice to the contrary. All payments made to the registered owner hereof shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable on this Obligation No. 1.

No covenant or agreement contained in this Obligation No. 1 or the Master Indenture shall be deemed to be a covenant or agreement of any officer, agent or employee of the Obligated Group Member, or of the Master Trustee in his or her individual capacity, and no incorporator, member, officer or member of the Board of Directors of the Members shall be liable personally on this Obligation No. 1 or be subject to any personal liability or accountability by reason of the issuance of this Obligation No. 1.

This Obligation No. 1 shall not be entitled to any benefit under the Master Indenture, or be valid or become obligatory for any purpose, until this Obligation No. 1 shall have been authenticated by execution by the Master Trustee, or its successor as Master Trustee, of the Certificate of Authentication inscribed hereon.

IN WITNESS WHEREOF, The Members have each caused this Obligation No. 1 to be executed in its name and on its behalf by the Authorized Representative of the Obligated Group, all as of the day and year first written above.

BROOKHAVEN MEMORIAL HOSPITAL MEDICAL CENTER, Inc. D/B/A LONG ISLAND COMMUNITY HOSPITAL

By _____
Vice President and Chief Financial Officer

MASTER TRUSTEE'S AUTHENTICATION CERTIFICATE

The undersigned Master Trustee hereby certifies that this Obligation is one of the Obligations described in the within-mentioned Master Indenture.

U.S. BANK NATIONAL ASSOCIATION,
as Master Trustee

By: _____
Authorized Signatory

**APPENDIX E**

**PROPOSED FORM OF OPINION OF BOND COUNSEL**

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[FORM OF BOND COUNSEL OPINION]

October 29, 2020

Town of Brookhaven Local Development Corporation
Farmingville, New York

U.S. Bank National Association, as Trustee
New York, New York

UBS Financial Services Inc., as Underwriter
New York, New York

Re: $59,135,000 Town of Brookhaven Local Development Corporation
Revenue Bonds
(Long Island Community Hospital Project), Series 2020A

and

$16,915,000 Town of Brookhaven Local Development Corporation
Taxable Revenue Bonds
(Long Island Community Hospital Project), Series 2020B

Ladies and Gentlemen:

We have acted as bond counsel to the Town of Brookhaven Local Development Corporation (Town of Brookhaven, New York) (the "**Issuer**"), in connection with the issuance on the date hereof by the Issuer of its $59,135,000 Revenue Bonds (Long Island Community Hospital Project), Series 2020A (the "**Series 2020A Bonds**") and its $16,915,000 Taxable Revenue Bonds (Long Island Community Hospital Project), Series 2020B (the "**Series 2020B Bonds**"; and together with the Series 2020A Bonds, the "**Series 2020 Bonds**"). The Series 2020 Bonds are authorized to be issued pursuant to:

(i) Section 1411 of the New York Not-for-Profit Corporation Law (the "**Act**"),

(ii) a Bond Resolution duly adopted by the Issuer on March 25, 2020, as amended and restated on September 16, 2020, as further amended and restated on October 8, 2020 (collectively, the "**Bond Resolution**"), and

(iii) an Indenture of Trust, dated as of October 1, 2020 (the "**Indenture**"), by and between the Issuer and U.S. Bank National Association, as trustee for the benefit of the Owners of the Series 2020 Bonds (the "**Trustee**"). The Series 2020 Bonds were issued to finance or refinance the costs of acquisition, construction, renovation, installation, equipping, improvements, or upgrade costs of the Series

2020 Project on the Hospital's Main Campus as more particularly described in the Indenture (the "**Series 2020 Project**").

The Issuer will loan the proceeds of the Series 2020 Bonds to Brookhaven Memorial Hospital Medical Center, Inc., doing business as Long Island Community Hospital (the "**Hospital**") pursuant to the terms of a Loan Agreement, dated as of October 1, 2020 (the "**Loan Agreement**"), between the Issuer and the Hospital. The Issuer has assigned to the Trustee as security for the Series 2020 Bonds, for the benefit of the Owners of the Series 2020 Bonds, substantially all of its rights under the Loan Agreement pursuant to the Indenture. The Issuer and the Hospital have entered into a Tax Regulatory Agreement, dated the date hereof (the "**Tax Regulatory Agreement**"), in which the Issuer and the Hospital have made certain representations and covenants, established certain conditions and limitations and created certain expectations, relating to compliance with the requirements imposed by the Internal Revenue Code of 1986, as amended (the "**Code**"). UBS Financial Services, Inc. (the "**Underwriter**") has agreed to purchase the Series 2020 Bonds pursuant to the terms of a Bond Purchase Agreement, dated October 22, 2020 (the "**Bond Purchase Agreement**"), among the Issuer, the Underwriter and the Hospital.

The Hospital has agreed to secure the payment obligations of the Hospital under the Loan Agreement and the Series 2020 Bonds by the issuance of the Hospital's Obligation No. 1, dated October 29, 2020 (the "**Obligation No. 1**") pursuant to the terms of the Master Trust Indenture, dated as of October 1, 2020 (the "**Master Trust Indenture**"), by and between the Hospital, as a member of the Obligated Group, and other parties thereto from time to time (collectively, the "**Obligated Group Members**") and U.S. Bank, National Association, as master trustee (the "**Master Trustee**"), as such Master Trust Indenture may be amended and supplemented, including as amended and supplemented by the Supplemental Indenture for Obligation No. 1, dated as of October 1, 2020 (collectively with the Master Trust Indenture, the "**Master Indenture**").

Obligation No. 1 and all Obligations issued pursuant to the Master Indenture will be secured by (i) a Building Loan Mortgage and Security Agreement, dated as of October 1, 2020 (the "**Building Loan Mortgage**") and (ii) a Project Loan Mortgage and Security Agreement, dated as of October 1, 2020 (the "**Project Loan Mortgage**"; and, together with the Building Loan Mortgage, the "**Mortgages**"), each from the Hospital to the Master Trustee.

The Series 2020 Bonds are dated October 29, 2020 (the "**Closing Date**"), and bear interest from the date thereof at the rate and pursuant to the respective terms of the Series 2020 Bonds. The Series 2020 Bonds are subject to prepayment or redemption prior to maturity, as a whole or in part, at such time or times, under such circumstances and in such manner as is set forth in the Series 2020 Bonds and the Indenture.

As bond counsel, we have examined originals or copies, certified or otherwise identified to our satisfaction, of such instruments, certificates and documents (including all documents constituting the Transcript of Proceedings with respect to the issuance of the Series 2020 Bonds) as we have deemed necessary or appropriate for the purposes of the opinions rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity and due execution of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, without having conducted any independent investigation, we have relied upon, and assumed the accuracy and truthfulness of, the aforesaid instruments, certificates and documents.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned in the Schedule of Definitions attached as Schedule A to the Indenture.

In rendering the opinions set forth below, we have relied upon, among other things, certain representations and covenants made by the parties in this transaction including: (i) the Hospital in (a) the Bond Purchase Agreement, (b) the Tax Regulatory Agreement, (c) the Loan Agreement, (d) the Closing Certificate of the Hospital, dated the date hereof, (e) the Bond Counsel Questionnaire submitted to us by the Hospital, as amended and supplemented, (f) the Continuing Disclosure Agreement, dated as of October 1, 2020 (the "**Continuing Disclosure Agreement**") between the Hospital and the Trustee, (g) the Master Indenture, and (h) the Official Statement, dated October 22, 2020 (the "**Official Statement**"), and (ii) the Issuer in (a) the Bond Purchase Agreement, (b) the Indenture, (c) the Tax Regulatory Agreement, (d) the Loan Agreement, and (e) the Closing Certificate of the Issuer, dated the date hereof. We call your attention to the fact that there are certain requirements with which the Issuer and the Hospital must comply after the date of issuance of the Series 2020A Bonds in order for the interest on the Series 2020A Bonds to remain excluded from gross income for Federal income tax purposes. Copies of the aforementioned documents are included in the Transcript of Proceedings.

In addition, in rendering the opinions set forth below, we have relied upon the opinions of counsel to the Issuer, Annette Eaderesto, Esq., the Town Attorney for the Town of Brookhaven, Farmingville, New York; counsel to the Hospital, Katten Muchin Rosenman LLP, New York, New York; and counsel to the Trustee, Paparone Law PLLC, New York, New York, all of even date herewith. Copies of the aforementioned opinions are contained in the Transcript of Proceedings.

Based upon and subject to the foregoing, we are of the opinion that:

1. The Issuer is a duly organized and existing corporate entity constituting a local development corporation of the State of New York.

2. The Issuer is duly authorized to issue, execute, sell and deliver the Series 2020 Bonds, for the purpose of paying the costs of the Project described above.

3. The Bond Resolution has been duly adopted by the Issuer and is in full force and effect.

4. The Bond Purchase Agreement, the Indenture, the Tax Regulatory Agreement and the Loan Agreement have been duly authorized, executed and delivered by the Issuer and assuming the due authorization, execution and delivery thereof by the other parties thereto, are legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms.

5. The Series 2020 Bonds have been duly authorized, executed and delivered by the Issuer and are legal, valid and binding special obligations of the Issuer payable solely from the revenues derived from the Loan Agreement, enforceable against the Issuer in accordance with their respective terms.

6. The Series 2020 Bonds do not constitute a debt of the State of New York or of Town of Brookhaven, New York, and neither the State of New York nor the Town of Brookhaven, New York, will be liable thereon.

7. The Code sets forth certain requirements which must be met subsequent to the issuance and delivery of the Series 2020A Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2020A Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the Series 2020A Bonds. Pursuant to the Indenture, the Loan Agreement and the Tax Regulatory Agreement, the Issuer and the Hospital have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2020A Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the Issuer and the Hospital have made certain representations and certifications in the Indenture, the Loan Agreement and the Tax Regulatory Agreement. We are also relying on the opinion of counsel to the Hospital, as to all matters concerning the status of the Hospital as an organization described in Section 501(c)(3) of the Code and exempt from Federal income tax under Section 501(a) of the Code and as to the characterization of the contemplated uses of the Project as not unrelated to the Hospital's exempt purpose. We have not independently verified the accuracy of those certifications and representations or that opinion.

Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the Series 2020A Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in

calculating the alternative minimum tax imposed under the Code.8. Interest on the Series 2020A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision of the State of New York (including The City of New York), assuming compliance with the tax covenants and the accuracy of the representations and certifications in paragraph 7 herein.

9. Interest on the Series 2020B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code and so will be fully subject to federal income taxation.

10. Interest on the Series 2020B Bonds is not exempt from personal income taxes imposed by the State of New York or any political subdivision of the State of New York.

Except as stated in the paragraphs 7 through 10 above, we express no opinion as to any other Federal, state or local tax consequences of the ownership or disposition of the Series 2020 Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Series 2020A Bonds, or the interest thereon, if any action is taken with respect to the Series 2020A Bonds or the proceeds thereof upon the advice or approval of other counsel.

The opinions expressed in paragraphs 9 and 10 are not intended or provided to be used by an owner of the Series 2020B Bonds for the purpose of avoiding penalties that may be imposed on the owner of such Series 2020B Bonds. Such opinions are provided to support the promotion or marketing of the Series 2020B Bonds. Each owner of the Series 2020B Bonds should seek advice based on its particular circumstances from an independent tax advisor.

The foregoing opinions are qualified to the extent that the enforceability of the Series 2020 Bonds, the Bond Purchase Agreement, the Indenture, the Loan Agreement and the Tax Regulatory Agreement may be limited by bankruptcy, insolvency or other laws or enactments now or hereafter enacted by the State of New York or the United States affecting the enforcement of creditors' rights and by restrictions on the availability of equitable remedies and to the extent, if any, that enforceability of the indemnification provisions of such documents may be limited under law. We express no opinion with respect to the availability of any specific remedy provided for in any of the bond documents.

In rendering the foregoing opinions, we are not passing upon and do not assume any responsibility for the accuracy, completeness, sufficiency or fairness of any documents, information or financial data supplied by the Issuer, the Hospital or the Trustee in connection with the Series 2020 Bonds, the Bond Purchase Agreement, the Indenture, the Loan Agreement, the Tax Regulatory Agreement, the Master Indenture, the Mortgages, the Official Statement, the Continuing Disclosure Agreement or the Series 2020 Project and make no representation that we have independently verified the accuracy, completeness, sufficiency or fairness of any such

documents, information or financial data. In addition, we express no opinion herein with respect to the accuracy, completeness, sufficiency or fairness of the Official Statement with respect to the Series 2020 Bonds.

We express no opinion herein with respect to the registration requirements under the Securities Act of 1933, as amended, the registration or qualification requirements under the Trust Indenture Act of 1939, as amended, the registration, qualification or other requirements of State Securities laws or the availability of exemptions therefrom.

We express no opinion as to the sufficiency of the description of the Facility or the Series 2020 Project contained in the Loan Agreement, the Master Indenture or the Mortgages or as to the adequacy, perfection or priority of any security interest in any collateral securing the Series 2020 Bonds or the Obligation under the Master Indenture.

Furthermore, we express no opinion as to the Continuing Disclosure Agreement or the Master Indenture and the Obligation issued thereunder. We express no opinion with respect to whether the Issuer and the Hospital (i) have complied with the State Environmental Quality Review Act, (ii) have obtained any or all necessary governmental approvals, consents or permits, or (iii) have complied with the New York Labor Law or other applicable laws, rules, regulations, orders and zoning and building codes, all in connection with the renovation, construction, equipping, furnishing and operation of the Facility and the loan of the proceeds for the Project by the Issuer to the Hospital.

The opinions expressed herein may be relied upon by the addressees and may not be relied upon by any other person without our prior written consent.

Very truly yours,

**APPENDIX F**

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

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**FORM OF CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered as of October 1, 2020 by Brookhaven Memorial Hospital Medical Center, Inc. (d/b/a Long Island Community Hospital) (the "Obligated Group Representative" or "LICH") on behalf of itself and as initial sole Member of the Obligated Group, and any future Members of the Obligated Group (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 October 1, 2020, by and between the Issuer and the Obligated Group Representative (the "Loan Agreement"). Pursuant to Section 5.15 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 LICH, 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 U.S. Bank National Association.

"Disclosure Representative" shall mean the 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 Indenture of Trust, dated as of October 1, 2020, between the Issuer and the Bond Trustee, relating to the Bonds.

"Issuer" shall mean the Town of Brookhaven 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, dated as of October 1, 2020 (as modified, supplemented, amended or restated from time to time), between the Obligated Group and U.S. Bank National Association, 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 UBS Financial Services 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 150 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, 2020, 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 the first three fiscal quarters of the Obligated Group and not later than 90 days after the end of the fourth fiscal quarter of the Obligated Group, commencing with the fiscal quarter ending December 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 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 LICH 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 "UTILIZATION"; and

(ii) financial data of the type set forth under the headings "FINANCIAL INFORMATION – Summary of Operating Performance," – Balance Sheet," – Management's Discussion of Financial Performance," – Historical and Pro Forma Capitalization Ratio" (for historical capitalization only), – Historical and Pro Forma Debt Service Coverage Ratio" (for historical coverage only), and – Liquidity."

together with a narrative explanation, if necessary to avoid misunderstanding, regarding the presentation of financial and operating data concerning LICH 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 or include by reference operating data of LICH for such preceding fiscal quarter, 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, including but not limited to the following:

(i) utilization statistics of the type set forth under the heading "UTILIZATION"; and

(ii) unaudited financial data of the type set forth under the headings "FINANCIAL INFORMATION – Summary of Operating Performance," – Balance Sheet," – Management's Discussion of Financial Performance," – Historical and Pro Forma Capitalization Ratio" (for historical capitalization only), – Historical and Pro Forma Debt Service Coverage Ratio" (for historical coverage only), and – Liquidity."

together with a narrative explanation, if necessary to avoid misunderstanding, regarding the presentation of financial and operating data concerning LICH 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.

(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 whether as a result of the potential affiliation with Stony Brook University Hospital described in the Official Statement in connection with the Bonds or otherwise 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*<br>*or*<br>*any Member, in care of:* | Brookhaven Memorial Hospital Medical Center, Inc. (d/b/a Long Island Community Hospital)<br>101 Hospital Road<br>Patchogue, New York 11772<br>Phone: 631-654-7175<br>Attention: Chief Financial Officer |
| *To the Dissemination Agent:* | Digital Assurance Certification, L.L.C.<br>315 E. Robinson Street, Suite 300<br>Orlando, Florida 32801<br>Phone: 888-824-2663<br>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.

BROOKHAVEN MEMORIAL HOSPITAL MEDICAL CENTER, INC. (D/B/A LONG ISLAND COMMUNITY HOSPITAL),
as Obligated Group Representative,
on behalf of itself and as sole Member of the Obligated Group

By: _____
Name: Brenda Farrell
Title: 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:

$76,050,000
TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION
REVENUE BONDS
(LONG ISLAND COMMUNITY HOSPITAL PROJECT), SERIES 2020
consisting of:

| $59,135,000 | $16,915,000 |
|---|---|
| Series 2020A | Series 2020B Taxable |

Date of Issuance: October 29, 2019

NOTICE IS HEREBY GIVEN that Brookhaven Memorial Hospital Medical Center, Inc. (d/b/a Long Island Community Hospital) (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 October 1, 2020. 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

$76,050,000
TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION
REVENUE BONDS
(LONG ISLAND COMMUNITY HOSPITAL PROJECT), SERIES 2020
consisting of:

| $59,135,000 | $16,915,000 |
| --- | --- |
| Series 2020A | Series 2020B Taxable |

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# Long Island Community Hospital



Mixed Sources
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