**NEW ISSUE**

**RATINGS: Moody's: Baa3 (Stable Outlook)**
**Fitch: BB+ (Positive Outlook)**
(See "PART 15 - RATINGS" herein)

DASNY

DAC Bond

# $237,100,000
# DORMITORY AUTHORITY OF THE STATE OF NEW YORK
# ORANGE REGIONAL MEDICAL CENTER
# OBLIGATED GROUP REVENUE BONDS,
# SERIES 2017

**Dated: Date of Issuance** **Due: December 1, as shown on page (i) herein**

ORMC

**Payment and Security:** The Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2017 (the "***Series 2017 Bonds***") are special obligations of the Dormitory Authority of the State of New York (the "***Authority***") payable from and secured by a pledge of (i) the payments to be made under the Loan Agreement (the "***Loan Agreement***") dated as of January 11, 2017, between the Authority and Orange Regional Medical Center ("***ORMC***"), (ii) the hereinafter defined Obligation No. 3, and (iii) the funds and accounts (except the Arbitrage Rebate Fund) created under the Authority's Orange Regional Medical Center Obligated Group Revenue Bond Resolution, adopted by the Authority on March 26, 2008, as amended and supplemented on January 11, 2017 (the "***Revenue Bond Resolution***"), and under the Authority's Series Resolution adopted on January 11, 2017 (the "***Series Resolution***").

ORMC's obligations under the Loan Agreement are general obligations of ORMC. The Loan Agreement requires ORMC to pay, in addition to the fees and expenses of the Authority and Manufacturers and Traders Trust Company, as Trustee (the "***Trustee***"), amounts sufficient to pay the principal or Redemption Price (defined herein), if any, of and interest on the Series 2017 Bonds, as such payments shall become due and to maintain the Debt Service Reserve Fund for the Series 2017 Bonds at its requirement. At the time of delivery of the Series 2017 Bonds, an amount equal to the Debt Service Reserve Fund Requirement (defined herein) for the Series 2017 Bonds will be deposited into the Debt Service Reserve Fund. Funds on deposit in the Debt Service Reserve Fund may be transferred to the Construction Fund or the Debt Service Fund in the event that the Release Requirements described in "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS - Security for the Series 2017 Bonds - Debt Service Reserve Fund" are satisfied.

ORMC's obligations to make payments related to the Series 2017 Bonds are secured by Obligation No. 3 ("***Obligation No. 3***") issued pursuant to a Master Trust Indenture, dated as of May 1, 2008, as supplemented and amended from time to time (the "***Master Indenture***"), by and between ORMC and such other organizations who from time to time are Members of the Obligated Group (the "***Members***") known as the Orange Regional Medical Center Obligated Group (the "***Obligated Group***") and Manufacturers and Traders Trust Company, as Master Trustee. ORMC is currently the sole Member of the Obligated Group. Obligation No. 3 is a general obligation of each Member of the Obligated Group and each Member of the Obligated Group is jointly and severally liable for amounts payable by the Obligated Group under Obligation No. 3 and all other Obligations (defined herein) issued under the Master Indenture.

**The Series 2017 Bonds will not be a debt of the State of New York (the "*State*") nor will the State be liable thereon. The Authority has no taxing power.**

**Description:** The Series 2017 Bonds will be issued as fully registered bonds in minimum denominations of $100,000 and integral multiples thereof. See "PART 3 - THE SERIES 2017 BONDS - Description of the Series 2017 Bonds" herein for a description of certain events which could change the denominations of the Series 2017 Bonds. Interest on Series 2017 Bonds will be payable semiannually on each June 1 and December 1, commencing June 1, 2017. Interest on the Series 2017 Bonds will be payable at the principal corporate trust office of the Trustee, by check or draft mailed to the registered owner thereof. See "PART 3 - THE SERIES 2017 BONDS" herein.

The Series 2017 Bonds will be initially issued under a Book-Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("***DTC***"). Individual purchases of beneficial interests in the Series 2017 Bonds will be made in book-entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2017 Bonds, payments of the principal and Redemption Price of and interest on such Series 2017 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "PART 3 - THE SERIES 2017 BONDS - Book-Entry Only System" herein.

**Offering of the Series 2017 Bonds:** The Series 2017 Bonds are being offered only to (i) "qualified institutional buyers" as defined in Rule 144A of the Securities Act of 1933, as amended (the "***Securities Act***"), (ii) "accredited investors" within the meaning of Rule 501 of Regulation D under the Securities Act, and (iii) "sophisticated municipal market professionals" as defined in Municipal Securities Rulemaking Board Rule D-15.

**Redemption and Purchase in Lieu of Redemption:** The Series 2017 Bonds are subject to redemption and purchase in lieu of redemption prior to maturity as more fully described herein.

**Tax Matters:** In the opinion of Harris Beach PLLC, Co-Bond Counsel to the Authority, based on existing statutes, regulations, court decisions and administrative rulings, and assuming compliance with the tax covenants described herein, interest on the Series 2017 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***"). Furthermore, Harris Beach PLLC is of the opinion that interest on the Series 2017 Bonds is not an "item of tax preference" for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the Series 2017 Bonds is, however, included in the computation of "adjusted current earnings" for purposes of calculating the federal alternative minimum tax imposed on certain corporations. Harris Beach PLLC is further of the opinion that, based on existing statutes, interest on the Series 2017 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof. See "PART 12 - TAX MATTERS" herein regarding certain other tax considerations.

**MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND PRICES**
**(See page (i) herein)**

*The Series 2017 Bonds are offered when, as, and if received by the Underwriters. The offer of the Series 2017 Bonds is subject to the satisfaction of certain conditions and may be withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Harris Beach PLLC, New York, New York and Brown Hutchinson LLP, Rochester, New York, Co-Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for ORMC and the Obligated Group by Arent Fox LLP, New York, New York. Certain legal matters will be passed upon for the Underwriters by their counsel, Katten Muchin Rosenman LLP, New York, New York. The Authority expects the Series 2017 Bonds to be delivered in definitive form in New York, New York on or about February 28, 2017.*

J.P.Morgan

**BofA Merrill Lynch**

Dated: February 8, 2017


ORANGE REGIONAL
OUTPATIENT ENTRANCE
OUTPATIENT ENTRANCE

**$237,100,000**
**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**
**ORANGE REGIONAL MEDICAL CENTER**
**OBLIGATED GROUP REVENUE BONDS,**
**SERIES 2017**

| Maturity December 1, | Principal Amount | Interest Rate | Yield | Price | CUSIP Number* |
|---|---|---|---|---|---|
| 2017 | $6,200,000 | 4.000% | 1.840% | 101.616 | 64990CPG0 |
| 2018 | 7,200,000 | 4.000 | 2.080 | 103.295 | 64990CPH8 |
| 2019 | 7,500,000 | 4.000 | 2.400 | 104.242 | 64990CPJ4 |
| 2020 | 7,800,000 | 4.000 | 2.590 | 105.015 | 64990CPK1 |
| 2021 | 8,100,000 | 4.000 | 2.810 | 105.262 | 64990CPL9 |
| 2022 | 8,500,000 | 5.000 | 2.980 | 110.611 | 64990CPM7 |
| 2023 | 8,900,000 | 5.000 | 3.220 | 110.728 | 64990CPN5 |
| 2024 | 9,300,000 | 5.000 | 3.410 | 110.753 | 64990CPP0 |
| 2025 | 9,800,000 | 5.000 | 3.600 | 110.431 | 64990CPQ8 |
| 2026 | 10,300,000 | 5.000 | 3.740 | 110.216 | 64990CPR6 |
| 2027 | 10,800,000 | 5.000 | 3.850 | 109.664[C] | 64990CPS4 |
| 2028 | 11,300,000 | 5.000 | 3.970 | 108.603[C] | 64990CPT2 |
| 2029 | 11,900,000 | 5.000 | 4.040 | 107.991[C] | 64990CPU9 |
| 2030 | 12,500,000 | 5.000 | 4.080 | 107.642[C] | 64990CPV7 |
| 2031 | 13,100,000 | 5.000 | 4.130 | 107.209[C] | 64990CPW5 |
| 2032 | 13,800,000 | 5.000 | 4.210 | 106.519[C] | 64990CPX3 |
| 2033 | 14,500,000 | 5.000 | 4.230 | 106.348[C] | 64990CPY1 |
| 2034 | 15,200,000 | 5.000 | 4.270 | 106.006[C] | 64990CPZ8 |
| 2035 | 16,000,000 | 5.000 | 4.300 | 105.750[C] | 64990CQA2 |
| 2036 | 16,800,000 | 5.000 | 4.340 | 105.410[C] | 64990CQB0 |
| 2037 | 17,600,000 | 5.000 | 4.380 | 105.072[C] | 64990CQC8 |

[C] Priced to first call date of June 1, 2027 at par.

* CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Capital IQ on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, ORMC or the Underwriters and are included solely for the convenience of the holders of the Series 2017 Bonds. Neither the Authority, ORMC nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2017 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Series 2017 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity of the Series 2017 Bonds 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 the Series 2017 Bonds.

*No dealer, broker, salesperson or other person has been authorized by the Authority, ORMC, or the Underwriters to give any information or to make any representations with respect to the Series 2017 Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by the Authority, ORMC or the Underwriters.*

*This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be an offer, reoffer or sale of the Series 2017 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, reoffer, solicitation or sale.*

*Certain information in this Official Statement has been supplied by ORMC and other sources that the Authority believes are reliable. The Authority does not guarantee the accuracy or completeness of such information, and such information is not to be construed as a representation of the Authority.*

*ORMC has reviewed the information contained in this Official Statement describing ORMC, the Obligated Group, the Master Indenture and the Project, including but not limited to "PART 1 - INTRODUCTION," "PART 4 - PLAN OF FINANCING," "PART 7 - ORANGE REGIONAL MEDICAL CENTER," "PART 8 - RISK FACTORS AND REGULATORY CHANGES WHICH MAY AFFECT THE OBLIGATED GROUP" and "PART 20 - CONTINUING DISCLOSURE." ORMC will certify as of the dates of offering and delivery of the Series 2017 Bonds that such information does not contain any untrue statements of a material fact and does not omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. ORMC makes no representation as to the accuracy or completeness of any other information included in this Official Statement.*

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

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

*IN CONNECTION WITH THE OFFERING OF THE SERIES 2017 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2017 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.*

*Certain statements included or incorporated by reference in this Official Statement constitute "forward looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget," or similar words. The achievement of certain results or other expectations contained in such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. ORMC does not plan to issue any updates or revisions to those forward looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur. Investors should not place undue reliance on such forward looking statements. Please review the factors described below under "PART 8 - RISK FACTORS AND REGULATORY CHANGES WHICH MAY AFFECT THE OBLIGATED GROUP" which could cause actual results to differ from expectations.*

*The cover page contains certain information for general reference only and is not intended as a summary of this offering. Investors should read the entire Official Statement, including all appendices attached hereto, to obtain information essential to the making of an informed investment decision.*

*References in this Official Statement to the Act (as defined herein), the Revenue Bond Resolution, the Series Resolution, the Loan Agreement, the 2017 Mortgage (as defined herein), the Guaranty Agreement (as defined herein), the Master Indenture, the Supplemental Indenture (as defined herein) and Obligation No. 3 do not purport to be complete. Refer to the Act, the Revenue Bond Resolution, the Series Resolution, the Loan Agreement, the 2017 Mortgage, the Guaranty Agreement, the Security Agreement, the Master Indenture, the Supplemental Indenture and Obligation No. 3 for full and complete details of their provisions. Copies of the Act, the Revenue Bond Resolution,*

*the Series Resolution, the Loan Agreement, the 2017 Mortgage, the Guaranty Agreement, the Security Agreement, the Master Indenture, the Supplemental Indenture and Obligation No. 3 are on file with the Authority and the Trustee.*

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

*The Series 2017 Bonds have not been registered with the Securities and Exchange Commission under the Securities Act. The registration, qualification or exemption of the Series 2017 Bonds in accordance with the applicable securities laws of the jurisdictions in which these securities have been registered, qualified or exempted should not be regarded as a recommendation thereof. Neither these jurisdictions nor any of their agencies have guaranteed or passed upon the safety of the Series 2017 Bonds as an investment, upon the probability of any earnings thereon or upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offense.*

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

*Fitch Ratings, Inc., one of the rating services maintaining ratings on the Series 2017 Bonds, has assigned the Series 2017 Bonds a "speculative grade" rather than an "investment grade" rating, and Moody's Investors Service, Inc. has assigned an "investment grade" rating on the Series 2017 Bonds. Bonds in the speculative grade category may have significant credit uncertainties and risks. As a result, the purchase of the Series 2017 Bonds is suitable only for investors that understand and are able to bear the credit, liquidity and market risks associated with the Series 2017 Bonds. Accordingly, the Series 2017 Bonds are being offered only to (i) "qualified institutional buyers" as defined in Rule 144A of the Securities Act, (ii) "accredited investors" within the meaning of Rule 501 of Regulation D under the Securities Act and (iii) "sophisticated municipal market professionals" as defined in Municipal Securities Rulemaking Board Rule D-15.*

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**OFFICIAL STATEMENT RELATING TO**

# $237,100,000
# DORMITORY AUTHORITY OF THE STATE OF NEW YORK
# ORANGE REGIONAL MEDICAL CENTER
# OBLIGATED GROUP REVENUE BONDS,
# SERIES 2017

## PART 1 - INTRODUCTION

### Notice to Investors

Fitch Ratings, Inc. ("***Fitch***"), one of the rating services maintaining ratings on the Series 2017 Bonds (defined below), has assigned the Series 2017 Bonds a "speculative grade" rather than an "investment grade" rating, and Moody's Investors Service, Inc. ("***Moody's***") has assigned an "investment grade" rating on the Series 2017 Bonds. Bonds in the speculative grade category may have significant credit uncertainties and risks. As a result, the purchase of the Series 2017 Bonds is suitable only for investors that understand and are able to bear the credit, liquidity and market risks associated with the Series 2017 Bonds. Accordingly, the Series 2017 Bonds are being offered only to (i) "qualified institutional buyers" as defined in Rule 144A of the Securities Act of 1933, as amended (the "***Securities Act***"), (ii) "accredited investors" within the meaning of Rule 501 of Regulation D under the Securities Act and (iii) "sophisticated municipal market professionals" as defined in Municipal Securities Rulemaking Board Rule D-15.

### Purpose of the Official Statement

The purpose of this Official Statement, including the cover page hereto, is to provide information in connection with the offering by the Dormitory Authority of the State of New York (the "***Authority***"), of $237,100,000 aggregate principal amount of its Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2017, dated their date of issuance (the "***Series 2017 Bonds***"). The Series 2017 Bonds are being issued as Additional Bonds secured by an Obligation on a parity with the Obligation issued to secure the Authority's Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2015, dated May 13, 2015, issued in the original principal amount of $66,100,000 and currently outstanding in the principal amount of $65,100,000 (the "***Series 2015 Bonds***" and together with the Series 2017 Bonds and any Additional Bonds, the "***Bonds***").

The following is a brief description of certain information concerning the Series 2017 Bonds, the Authority, Orange Regional Medical Center ("***ORMC***") and other matters. A more complete description of such information and additional information that may affect decisions to invest in the Series 2017 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in APPENDIX A and APPENDIX E hereto.

### Purpose of the Issue

The proceeds of the Series 2017 Bonds will be loaned by the Authority to ORMC pursuant to the Loan Agreement dated as of January 11, 2017 (the "***Loan Agreement***"), as further described herein. The proceeds of the Series 2017 Bonds, together with other available funds, will be applied (i) to refund on an advance basis all of the Authority's Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2008, dated May 7, 2008, issued in the original principal amount of $261,345,000 and currently outstanding in the principal amount of $233,505,000 (the "***Series 2008 Bonds***"), (ii) to make a deposit to a Debt Service Reserve Fund for the Series 2017 Bonds in an amount equal to the Debt Service Reserve Fund Requirement and (iii) to pay certain costs of issuance of the Series 2017 Bonds. See "PART 4 - PLAN OF FINANCING" and "PART 6 - ESTIMATED SOURCES AND USES OF FUNDS."

**Authorization of Issuance**

The Series 2017 Bonds will be issued pursuant to the Orange Regional Medical Center Obligated Group Revenue Bond Resolution adopted by the Authority on March 26, 2008, as amended and supplemented on January 11, 2017 (the "***Revenue Bond Resolution***"), the Series Resolution corresponding to the Series 2017 Bonds, adopted January 11, 2017 (the "***Series Resolution***" and collectively with the Revenue Bond Resolution, the "***Resolution***"), and the Dormitory Authority Act, being Chapter 524 of the Laws of New York of 1944, as amended from time to time, including, but not limited to, the Health Care Financing Consolidation Act and as incorporated thereby the New York State Medical Care Facilities Finance Agency Act being Chapter 392 of the Laws of New York 1972, as amended (the "***Act***"). The Series 2017 Bonds will be secured by (i) payments to be made by ORMC under the Loan Agreement, (ii) the funds and accounts (except the Arbitrage Rebate Fund) established pursuant to the Resolution, and (iii) Obligation No. 3. Obligation No. 3 ("***Obligation No. 3***") will be issued under the Master Trust Indenture dated as of May 1, 2008 (the "***Master Trust Indenture***") by and between ORMC (as the initial and sole member of the Obligated Group created thereby) and Manufacturers and Traders Trust Company, as Master Trustee (the "***Master Trustee***"), as supplemented and amended from time to time, including as supplemented and amended by Supplemental Indenture for Obligation No. 3, dated as of February 1, 2017, by and between ORMC and the Master Trustee (the "***Supplemental Indenture***," and the Master Trust Indenture as supplemented and amended from time to time, including as supplemented by the Supplemental Indenture is referred to herein as the "***Master Indenture***").

In connection with the issuance of the Series 2008 Bonds and the Series 2015 Bonds, the Obligated Group previously issued (i) Obligation No. 1 under the Master Indenture ("***Obligation No. 1***") as security for repayment of the Series 2008 Bonds and (ii) Obligation No. 2 under the Master Indenture ("***Obligation No. 2***") as security for repayment of the Series 2015 Bonds. Upon the defeasance of the Series 2008 Bonds, Obligation No. 1 will be deemed to have been paid and to be no longer Outstanding under the Master Indenture. The Master Indenture provides for the issuance of additional obligations thereunder ("***Obligations***"), including Obligation No. 3, which represent the joint and several obligations of the Members of the Obligated Group. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS." Any Series of Bonds that may be issued in the future under the Revenue Bond Resolution and a Series Resolution will be separately secured from the Series 2017 Bonds by the funds and accounts established for such Series of Bonds and a separate Obligation under the Master Indenture and a supplement thereto.

**The Series 2017 Bonds**

The Series 2017 Bonds will be dated their date of issuance, and will accrue interest from their date at the rates, and will mature at the times, as set forth on page (i) hereof. Interest on the Series 2017 Bonds will be payable on June 1 and December 1, commencing June 1, 2017. See "PART 3 - THE SERIES 2017 BONDS - Description of the Series 2017 Bonds."

**The Authority**

The Authority is a public benefit corporation of the State of New York (the "***State***"), created for the purpose of financing and constructing a variety of public-purpose facilities for certain governmental, educational and not-for-profit institutions. See "PART 9 - THE AUTHORITY."

**ORMC**

ORMC is a New York not-for-profit corporation created as the result of a merger in 2002 between Arden Hill Hospital of Goshen, New York and Horton Medical Center of Middletown, New York. ORMC is currently licensed for 383 beds. See "PART 7 - ORANGE REGIONAL MEDICAL CENTER" and "APPENDIX B - ORANGE REGIONAL MEDICAL CENTER CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATING INFORMATION AS OF DECEMBER 31, 2015 AND 2014."

**Payment of the Bonds**

The Bonds issued under the Revenue Bond Resolution, including the Series 2017 Bonds, are and will be special obligations of the Authority payable solely from the Revenues. The Revenues include certain payments to be made by ORMC under the Loan Agreement or to be made by the Obligated Group on Obligation No. 3 of the Obligated Group issued under the Master Indenture, which payments are pledged and assigned to Manufacturers and Traders Trust Company, as Trustee (the "***Trustee***"). ORMC's payment obligations under the Loan Agreement are

general obligations of ORMC secured by Obligation No. 3, which is the joint and several general obligation of all Members of the Obligated Group. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS - Payment of the Series 2017 Bonds" and "- Obligations under the Master Indenture."

**Security for the Series 2017 Bonds**

The Series 2017 Bonds are secured by the pledge and assignment made by the Authority pursuant to the Resolution to the Trustee of the Revenues and all funds and accounts authorized by the Resolution and established under the Series Resolution (with the exception of the Arbitrage Rebate Fund), which includes a Debt Service Reserve Fund. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS - Security for the Series 2017 Bonds" and "Obligations under the Master Indenture - The 2017 Mortgage" and "APPENDIX E - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND SUPPLEMENTAL INDENTURE."

In addition, payment when due of the obligations of ORMC to the Authority under the Loan Agreement is secured by Obligation No. 3 issued pursuant to the Master Indenture. The Master Indenture constitutes a joint and several obligation of each Member of the Obligated Group to repay all Obligations issued thereunder, including Obligation No. 3. The obligation of ORMC and any future Members of the Obligated Group to make the payments required by the Master Indenture with respect to Obligation No. 3 is secured, on a parity basis with Obligation No. 2 and all future Obligations issued under the Master Indenture, by a security interest in the Gross Receipts of ORMC and any future Member of the Obligated Group. Gross Receipts do not include, among other things, revenue derived from Excluded Property, i.e. Property that does not constitute Health Care Facilities under the Master Indenture. Obligation No. 3 will be registered in the name of the Authority. 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 described in "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS - Obligations under the Master Indenture" and "APPENDIX E - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND SUPPLEMENTAL INDENTURE." As additional security for Obligation No. 3, ORMC will grant to the Master Trustee the 2017 Mortgage (defined below) on the land and buildings that comprise the Main Campus (defined below) to secure Obligation No. 3. See "PART 7 - ORANGE REGIONAL MEDICAL CENTER."

In connection with the issuance of the Series 2017 Bonds, GHVHS Medical Group, P.C., as "***Guarantor***," will enter into a Guaranty Agreement, (the "***Guaranty Agreement***"), from the Guarantor to the Master Trustee, in which the Guarantor absolutely and unconditionally guarantees to the Master Trustee for the benefit of the holders of Obligation No. 3, the full and prompt payment of the principal of, premium, if any, and interest on such Obligation, when and as the same become due, whether at the stated maturity thereof or of interest thereon, by acceleration, by call for redemption or, otherwise. See "PART 7 - ORANGE REGIONAL MEDICAL CENTER - Corporate Structure - GHVHS Medical Group P.C." In addition, Guarantor will enter into a Pledge and Security Agreement from the Guarantor to the Master Trustee, securing the payment obligations under the Guaranty Agreement by the Guarantor's Pledged Revenues (as hereinafter defined). See "PART 8 - RISK FACTORS AND REGULATORY CHANGES WHICH MAY AFFECT THE OBLIGATED GROUP - The 2017 Mortgage and the Guaranty Agreement are of Limited Value."

ORMC will also enter into a Security Agreement with the Master Trustee (the "***Security Agreement***"), securing the payment obligations of Covered Obligations by ORMC's Pledged Collateral (as defined in the Security Agreement), consisting of Equipment (as defined herein) located on the Mortgaged Property and proceeds thereof. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS - Obligations under the Master Indenture - The Security Agreement" and PART 8 - RISK FACTORS AND REGULATORY CHANGES WHICH MAY AFFECT THE OBLIGATED GROUP - Enforceability of Lien on Gross Receipts and Pledged Collateral.

The Members of the Obligated Group, upon compliance with the terms and conditions and for the purposes described in the Master Indenture, may incur Additional Indebtedness. Such Indebtedness, if evidenced by an Obligation issued under the Master Indenture, would constitute a joint and several obligation of the Members of the Obligated Group that is secured (i) by the Gross Receipts on a parity with Obligation No. 2, Obligation No. 3 and all other Obligations outstanding under the Master Indenture, (ii) if such Obligation is, with the consent of the Authority, designated by the Obligated Group as a Covered Obligation, by a mortgage lien on, and a security interest in, some or all of the Mortgaged Property (described below), (iii) if such Obligation is a Covered Obligation, by the Security Agreement, and (iv) if such Obligation is issued as security for an additional series of Bonds issued by the Authority under the Revenue Bond Resolution, and if required by the Authority, by a Guaranty Agreement and the Guarantor's Pledged Revenues. See "APPENDIX E - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND SUPPLEMENTAL INDENTURE." Indebtedness not evidenced by an Obligation issued under the Master

Indenture, would constitute a debt solely of the individual Member of the Obligated Group incurring such Indebtedness, and not a joint and several obligation of the entire Obligated Group and, therefore, would not be entitled to the benefits of the Master Indenture. Currently, ORMC is the only Member of the Obligated Group. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS - Obligations under the Master Indenture" and "APPENDIX E - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND SUPPLEMENTAL INDENTURE."

The Revenue Bond Resolution authorizes the issuance by the Authority, from time to time, of Bonds in one or more Series, each such Series to be authorized by a separate Series Resolution and to be separately secured from each other Series of Bonds issued pursuant to the Revenue Bond Resolution for the benefit of any Members of the Obligated Group. The holders of Bonds of a Series will not be entitled to the rights and benefits conferred upon the holders of Bonds of any other Series. Each Series of Additional Bonds will be secured by a separate Obligation issued under the Master Indenture. For a more complete discussion of the security for the Series 2017 Bonds, see "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS - Security for the Series 2017 Bonds."

**The Series 2017 Bonds are not a debt of the State nor will the State be liable thereon. The Authority has no taxing power.**

**The 2017 Mortgage**

ORMC's payment obligations on Obligation No. 3 will be secured by a mortgage (the "***2017 Mortgage***") to be granted to the Master Trustee by ORMC. The 2017 Mortgage includes a security interest in certain machinery, apparatus, fittings and fixtures now or hereafter owned by ORMC and located on or used in connection with ORMC's Main Campus, as defined in Part 7, which includes the Medical Office Building financed as part of the 2015 Project (defined below) (the "***Mortgaged Property***"). ORMC granted the Master Trustee a mortgage on the Main Campus (the "***2008 Mortgage***") to secure Obligation No. 1, which will be satisfied upon the defeasance of the Series 2008 Bonds. In connection with the issuance of the Series 2015 Bonds, ORMC granted the Master Trustee a mortgage on the Mortgaged Property (the "***2015 Mortgage***"). The 2015 Project consisted of (i) a five-floor outpatient medical office building connected to ORMC's existing two-story administration building; (ii) a dedicated cancer center which included renovation of existing space and new construction; and (iii) additional parking and access roads (collectively the "***2015 Project***").

The Master Indenture permits other Covered Obligations to be secured by the 2015 Mortgage, the 2017 Mortgage or other mortgages on the Mortgaged Property, subject to the limitations described herein under the caption "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS - Obligations under the Master Indenture - The 2017 Mortgage." The Master Indenture further permits the Members of the Obligated Group to grant mortgages on real property other than the Mortgaged Property as security for Covered Obligations (mortgages granted pursuant to the Master Indenture, including the 2008 Mortgage, the 2015 Mortgage and the 2017 Mortgage are referred to herein as a "***Mortgage***"). Upon issuance of the Series 2017 Bonds and defeasance of the Series 2008 Bonds, the 2015 Mortgage and the Series 2017 Mortgage will be the only Mortgages securing Covered Obligations. The Master Trustee and the Authority are permitted to release or subordinate certain portions of the Mortgaged Property from the liens of the 2015 Mortgage and the 2017 Mortgage under certain conditions set forth in the Master Indenture and such respective Mortgages. No such release or subordination will require the consent of the holders of the Series 2015 Bonds, the Series 2017 Bonds or the Trustee. ORMC may grant liens on the Mortgaged Property on a parity with the 2015 Mortgage and the 2017 Mortgage with the prior written consent of the Authority. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS - Obligations under the Master Indenture - The 2017 Mortgage."

## PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS

*Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2017 Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Resolution, the Loan Agreement, the 2017 Mortgage, the Guaranty Agreement, the Security Agreement, the Master Indenture, the Supplemental Indenture, and Obligation No. 3. Copies of the Act, the Resolution, the Loan Agreement, the 2017 Mortgage, the Guaranty Agreement, the Security Agreement, the Master Indenture, the Supplemental Indenture and Obligation No. 3 are on file with the Authority and the Trustee. See also "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT," "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" and "APPENDIX E -*

*SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND SUPPLEMENTAL INDENTURE," for a more complete statement of the rights, duties and obligations of the parties thereto.*

**Payment of the Series 2017 Bonds**

The Bonds issued under the Resolution, including the Series 2017 Bonds, are and will be special obligations of the Authority. The principal and Redemption Price, if any, of and interest on the Series 2017 Bonds are payable solely from the Revenues and all funds and accounts (excluding the Arbitrage Rebate Fund) established by the Series Resolution. The "***Revenues***" consist of the payments required to be made by ORMC under the Loan Agreement, or to be made by the Obligated Group under Obligation No. 3 with respect to the Series 2017 Bonds on account of the principal and Redemption Price of and interest on the Series 2017 Bonds and to maintain the Debt Service Reserve Fund at its requirement. ORMC's payment obligations under the Loan Agreement are secured by Obligation No. 3. The Revenues have been assigned by the Authority to the Trustee for the benefit of the holders of the Series 2017 Bonds.

ORMC's obligations under the Loan Agreement are general obligations of ORMC. The Authority has directed ORMC, and ORMC has agreed, to make the payments under the Loan Agreement directly to the Trustee. Any payments made on Obligation No. 3 issued with respect to the Series 2017 Bonds will also be made directly to the Trustee. The Obligated Group will receive credit for principal and interest payments on Obligation No. 3 for principal and interest payments made under the Loan Agreement. The Loan Agreement obligates ORMC to make monthly payments sufficient to pay, among other things, the principal of and interest on the Series 2017 Bonds as they become due, and to maintain the Debt Service Reserve Fund at its requirement. See "PART 3 - THE SERIES 2017 BONDS - Redemption and Purchase in Lieu of Redemption Provisions."

**Security for the Series 2017 Bonds**

The Series 2017 Bonds will be secured by the payments described above to be made under the Loan Agreement, all funds and accounts authorized under the Resolution and established by the Series Resolution (with the exception of the Arbitrage Rebate Fund) and payments to be made by the Obligated Group under Obligation No 3. See "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."

***Debt Service Reserve Fund***

The Series Resolution establishes the Debt Service Reserve Fund for the Series 2017 Bonds to be funded at the time of the delivery of the Series 2017 Bonds with a portion of the proceeds of the Series 2017 Bonds. The Debt Service Reserve Fund is to be funded in an amount equal to the Debt Service Reserve Fund Requirement for the Series 2017 Bonds. See APPENDIX A for the definition of the Debt Service Reserve Fund Requirement. The Debt Service Reserve Fund is to be held by the Trustee, is to be applied solely for the purposes specified in the Resolution and is pledged to secure the payment of the principal and Redemption Price, if any, of and interest on the Series 2017 Bonds. Any payments to be made by ORMC or the Obligated Group to restore the Debt Service Reserve Fund are to be made directly to the Trustee for deposit to such Debt Service Reserve Fund. See "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION." Any delivery of funds to the Trustee for deposit in the Debt Service Reserve Fund shall constitute a pledge of, and shall create a security interest in, such funds for the benefit of the Authority to secure performance of certain of the obligations of ORMC under the Loan Agreement and for the benefit of the Trustee to secure performance of the obligations of the Authority under the Resolution.

In lieu of or in substitution for moneys, the Authority may deposit or cause to be deposited with the Trustee a Reserve Fund Facility (including a surety bond, insurance policy or letter of credit) for the Holders of an Applicable Series of Bonds for all or any part of the Applicable Debt Service Reserve Fund Requirement. See "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION - Debt Service Reserve Fund."

Moneys in the Debt Service Reserve Fund are to be withdrawn and deposited in the Debt Service Fund whenever the amount in the applicable Debt Service Fund, on the fourth Business Day preceding any Interest Payment Date for a Series of Bonds, shall be less than the amounts, respectively, required for payment of (i) interest on the Outstanding Bonds of the Applicable Series, (ii) principal of such Outstanding Bonds, (iii) Sinking Fund Installments of such Outstanding Bonds due and payable on such interest payment date or (iv) the Purchase Price or Redemption Price of such Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption. The Resolution requires that with respect to the Series 2017 Bonds, ORMC restore the Debt Service Reserve Fund to its requirement by paying the amount of any

deficiency to the Trustee within five days after receiving notice of a deficiency. Moneys in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement may be withdrawn and applied in accordance with the Resolution. See "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION - Debt Service Reserve Fund."

The Bond Series Certificate related to the Series 2017 Bonds provides that the Debt Service Reserve Fund Requirement for the Series 2017 Bonds will be reduced to $0 if ORMC provides the Authority with a written request therefor, together with written evidence that the following requirements (the "***Release Requirements***") have been met: (1) the Series 2017 Bonds have received an "investment grade rating" from at least two of the rating agencies then rating the Series 2017 Bonds, (2) such ratings have been in effect with respect to the Series 2017 Bonds for a period of at least two consecutive years from the date of the later of the two rating agency "investment grade rating" upgrades, (3) ORMC has Days' Cash on Hand of 100 days or greater based on the audited financial statements of the most recent fiscal year, and (4) at least two of the rating agencies then rating the Series 2017 Bonds have confirmed that the release of the Debt Service Reserve Fund will not adversely affect the ratings on the Series 2017 Bonds. "Investment grade rating" means "BBB-" or higher by Fitch, "Baa3" or higher by Moody's or "BBB-" or higher by S&P Global Ratings, a division of S&P Global Inc ("***S&P***"). If ORMC achieves the Release Requirements, all amounts on deposit in the Debt Service Reserve Fund will be transferred to the Construction Fund and/or the Debt Service Fund and ORMC shall have no further obligation to make deposits to the Debt Service Reserve Fund. Funds transferred to the Construction Fund may be applied to acquire and install equipment, machinery, furnishings, fixtures and apparatus in and around the Medical Center Facility (as defined in PART 7) (collectively, the "***Additional Equipment***") and related renovations, alterations and improvements to the Medical Center Facility necessary to accommodate the installation of the Additional Equipment. Funds transferred to the Debt Service Fund may be applied to optionally redeem Series 2017 Bonds prior to maturity, at the election or direction of the Authority at the request of the Obligated Group, on or after June 1, 2027, in any order, as a whole or in part at any time, at 100% of the principal amount thereof, plus accrued interest to the date of redemption. See "PART 3 - THE SERIES 2017 BONDS - Redemption and Purchase in Lieu of Redemption Provisions - Optional Redemption.

***Obligation No. 3***

Payment of the principal and Redemption Price of and interest on the Series 2017 Bonds when due, and payment when due of the obligation of ORMC to the Authority under the Loan Agreement, will be secured by payments made by the Obligated Group pursuant to Obligation No. 3. Obligation No. 3 will be issued to the Authority, which may, upon the occurrence of an event of default with respect to the Series 2017 Bonds under the Resolution, assign all payments under Obligation No. 3 (but for the Authority's right to receive certain fees and expenses) to the Trustee for the benefit of the Bondholders. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS - Obligations under the Master Indenture" herein. The Obligated Group previously issued Obligation No. 1 in the original principal amount of $261,345,000, which with the defeasance of the Series 2008 Bonds will be deemed paid and no longer Outstanding under the Master Trust Indenture, and Obligation No. 2 in the original principal amount of $66,100,000 of which $65,100,000 is currently Outstanding. Upon issuance of Obligation No. 3, it will represent approximately 78% of the Outstanding Obligations (Obligation No. 2 and Obligation No. 3) under the Master Indenture.

**Events of Default and Acceleration under the Resolution**

The following constitute events of default under the Resolution: (i) a default by the Authority in the payment when due of the principal, Sinking Fund Installments or Redemption Price, if any, of or interest on any Series of Bonds (ii) a default by the Authority in the due and punctual performance of any applicable tax covenant which results in the loss of the exclusion of interest on the Applicable Series of Bonds from gross income under the Internal Revenue Code of 1986, as amended (the "***Code***"); (iii) a default by the Authority in the due and punctual performance of any covenants, conditions, agreements or provisions contained in the Applicable Series of Bonds or in the Resolution which continues for thirty (30) days after written notice thereof is given to the Authority by the Trustee (such notice to be given in the Trustee's discretion or at the written request of holders of not less than 25% in principal amount of Outstanding Bonds of the Applicable Series unless, if such default is not capable of being cured within 30 days, the Authority has commenced to cure such default within 30 days and diligently prosecutes the cure thereof); or (iv) an "Event of Default," as defined in the Applicable Loan Agreement, shall have occurred and is continuing and all sums payable by any Member of the Obligated Group under the Applicable Loan Agreement shall have been declared immediately due and payable (unless such declaration shall have been annulled). If the Obligated Group defaults under the Master Indenture or under any Obligation issued thereunder,

such default shall constitute an Event of Default under the Loan Agreement. Unless all sums payable by any Member of the Obligated Group under a Loan Agreement are declared immediately due and payable (and such declaration shall have not been annulled), an Event of Default under the Loan Agreement is not an event of default under the Resolution.

The Resolution provides that if an event of default occurs and continues (except with respect to a default described in clause (ii) above), the Trustee shall, upon the written request of the holders of not less than 25% in principal amount of the Applicable Series of Outstanding Bonds, by written notice to the Authority, declare the principal of and interest on the Outstanding Bonds of the Applicable Series to be due and payable immediately. At the expiration of 30 days after the giving of such notice, such principal and interest shall become immediately due and payable. The Trustee shall, with the prior written consent of the holders of not less than 25% in principal amount of the Applicable Outstanding Bonds, annul such declaration and its consequences under the terms and conditions specified in the Resolution with respect to such annulment.

An event of default under the Resolution in respect of an Applicable Series of Bonds shall not in and of itself be or constitute an event of default in respect of any other Applicable Series of Bonds.

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

**Additional Bonds**

In addition to the Series 2008 Bonds, the Series 2015 Bonds and the Series 2017 Bonds, the Resolution authorizes the issuance by the Authority of other Series of Bonds to finance Projects and for other specified purposes including refunding Outstanding Bonds or other notes or bonds issued on behalf of other Members of the Obligated Group.

**Loan Agreement**

The Authority will execute the Loan Agreement with ORMC whereby ORMC agrees to repay the Series 2017 Bonds. The obligation of ORMC to make payments under the Loan Agreement is secured by Obligation No. 3.

**Obligations under the Master Indenture**

***General***

In addition to other sources of payment described herein, principal and Redemption Price of and interest and any redemption premium on the Series 2017 Bonds will be payable from moneys paid by ORMC under the Loan Agreement and Members of the Obligated Group pursuant to Obligation No. 3. Obligation No. 3 will be issued to the Authority, which may, upon the occurrence of an event of default with respect to the Series 2017 Bonds under the Resolution, assign all payments under Obligation No. 3 to the Trustee (but for the Authority's rights to receive certain fees and expenses) as security for the payment of the principal and Redemption Price of, purchase price in lieu of redemption, and interest on the Series 2017 Bonds.

Subject to the terms of the Master Indenture, any entities that are not Members of the Obligated Group and corporations that are successor corporations to any Member of the Obligated Group through merger or consolidation as permitted by the Master Indenture may become an additional Member of the Obligated Group. Pursuant to the Master Indenture, ORMC and any subsequent Member of the Obligated Group is also subject to the same covenants as ORMC under the Master Indenture, relating to maintenance of a Long-Term Debt Service Coverage Ratio, a minimum Days Cash on Hand covenant, and covenants restricting, among other things, the incurrence of Indebtedness, the existence of Liens on Property, consolidation and merger, the disposition of assets, the addition of Members of the Obligated Group and the withdrawal of Members from the Obligated Group.

THE MASTER INDENTURE PERMITS ANY MEMBERS OF THE OBLIGATED GROUP TO ISSUE OR INCUR ADDITIONAL INDEBTEDNESS EVIDENCED BY OBLIGATIONS THAT MAY SHARE THE SECURITY FOR OBLIGATION NO. 3 (I.E., THE GROSS RECEIPTS PLEDGE) ON A PARITY BASIS WITH SUCH OBLIGATIONS, AND IN CERTAIN CIRCUMSTANCES THE LIEN ON GROSS RECEIPTS MAY BE RELEASED IN PART TO SECURE SHORT-TERM INDEBTEDNESS OR AS OTHERWISE PERMITTED BY THE MASTER INDENTURE. SUCH ADDITIONAL OBLIGATIONS WILL NOT BE SECURED BY THE MONEY OR INVESTMENTS IN ANY FUND OR ACCOUNT HELD BY THE TRUSTEE FOR THE SECURITY OF THE SERIES 2017 BONDS.

Pursuant to the Master Indenture, each Obligation issued thereunder will be a joint and several general obligation of the Members of the Obligated Group. Currently, ORMC is the sole Member of the Obligated Group. Under the Master Indenture, the Members of the Obligated Group may not create or suffer to be created any Lien on Property other than Permitted Liens. Permitted Liens include, but are not limited to, the Liens created by Mortgages securing a Covered Obligation, Liens on Excluded Property, any Health Care Facility not encumbered by a first lien mortgage to secure any issue of Related Bonds and any Lien on Property including fixtures and equipment which secures Indebtedness (which may include conditional sale, equipment trust, lease or other title retention agreements in connection with the acquisition thereof and purchase money security interests therein) that does not exceed in aggregate 15% of Total Operating Revenues as reflected in the most recent Audited Financial Statements. See "APPENDIX E - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND SUPPLEMENTAL INDENTURE - MASTER TRUST INDENTURE - Limitations on Creation of Liens."

The enforcement of the Obligations may be limited by (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any Federal or State statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or Federal court in the exercise of its equitable jurisdiction and (v) Federal bankruptcy laws, State receivership or fraudulent conveyance laws or similar laws affecting creditors' rights that may affect the enforceability of the Master Indenture. See "PART 8 - RISK FACTORS AND REGULATORY CHANGES WHICH MAY AFFECT THE OBLIGATED GROUP - Enforceability of the Master Indenture."

***Security Interest in Gross Receipts***

As security for its Obligations issued under the Master Indenture, ORMC and future Members of the Obligated Group, if any, 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, 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, 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 Related Loan Agreement any loan agreement, lease agreement, sublease agreement or any similar instrument relating to the loan or other provision of proceeds of 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, whether now owned or hereafter acquired, derived from Excluded Property which constitute real property, and all rights to receive the same whether in the form of accounts, payment intangibles, general intangibles, chattel paper, deposit accounts, instruments, promissory notes, health-care insurance receivables and the proceeds thereof, as such terms are presently or hereafter defined in the New York Uniform Commercial Code; (iii) insurance proceeds or condemnation proceeds for Excluded Property, which constitutes real property; (iv) any insurance or condemnation proceeds that is received for a Health Care Facility if, such proceeds are applied in accordance with the Master Indenture, and (v) 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. See PART 8 - RISK FACTORS AND REGULATORY CHANGES WHICH MAY AFFECT THE OBLIGATED GROUP - Enforceability of Lien on Gross Receipts."

"***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.

The Master Indenture provides that upon the occurrence of an Event of Default thereunder the Master Trustee may, and upon written direction of the holders of 25% in aggregate principal amount of Obligations or upon the written direction of one or more providers of credit enhancement of not less than 25% in the aggregate principal amount of Bonds that are secured by Obligations, if any, shall direct each Member of the Obligated Group to deliver or cause to be delivered to the Master Trustee all Gross Receipts until such Event of Default is cured. Such Gross Receipts shall be deposited into the Gross Receipts Revenue Fund and applied in accordance with the Master Indenture.

***Medicaid Account***

The Master Indenture provides that ORMC and each future Member of the Obligated Group who is reimbursed as a health care provider under the Medicaid program must establish a Medicaid Revenue Account with the Master Trustee. Each such Obligated Group Member is required to cause its Medicaid reimbursement to be deposited into such Medicaid Revenue Account. Annually, and upon issuance of additional Obligations, ORMC, on behalf of the Obligated Group is required to provide the Master Trustee a schedule showing the estimated portion of debt service payable on indebtedness secured by Obligations for which no funds are on deposit. Beginning with the first day of each month that the schedule shows that a portion of the debt service requirement is not on deposit, the Master Trustee will retain moneys in the Medicaid Revenue Account for application to the Obligated Group's debt service requirement. In the event that a payment default has occurred under the Master Indenture or a Member of the Obligated Group is the subject of a bankruptcy or similar proceeding, moneys in the Medicaid Revenue Account are to be transferred to the Gross Receipts Revenue Fund. See PART 8 - RISK FACTORS AND REGULATORY CHANGES WHICH MAY AFFECT THE OBLIGATED GROUP - Enforceability of Lien on Gross Receipts."

***The 2017 Mortgage***

To secure payments required to be made by ORMC under Obligation No. 3 issued under the Master Indenture, ORMC will grant the 2017 Mortgage on the Mortgaged Property to the Master Trustee, which 2017 Mortgage includes a security interest in certain machinery, apparatus, fittings and fixtures now or hereafter owned by ORMC and located thereon. The Mortgaged Property is comprised of ORMC's Main Campus. ORMC previously granted the Master Trustee (i) the 2008 Mortgage on the Mortgaged Property to secure Obligation No. 1 and (ii) the 2015 Mortgage on the same Mortgaged Property to secure Obligation No. 2. The lien of the 2017 Mortgage on the Mortgaged Property will be on a parity with the lien of the 2015 Mortgage. The 2008 Mortgage will be satisfied and discharged when the Series 2008 Bonds are defeased. See "PART 7 - ORANGE REGIONAL MEDICAL CENTER - Introduction," herein for further information regarding ORMC's Main Campus. In addition to Obligation No. 3, other Obligations may be issued by the Obligated Group and secured by the Mortgaged Property; if such lien is on a parity basis, such Obligation shall constitute a "***Covered Obligation***" under the Master Indenture. For so long as the 2015 Mortgage or the 2017 Mortgage is outstanding, the Authority's consent to any such Covered Obligation will be required. Other Obligations of the Obligated Group may be secured by other real property of the Obligated Group (other than the Mortgaged Property).

In addition, other Obligations of the Obligated Group may be secured by a Mortgage on the Mortgaged Property subordinate to the lien of the 2017 Mortgage. In addition, the Master Trustee is permitted to release or subordinate certain portions of the Mortgaged Property under certain conditions set forth in the Master Indenture, the Supplemental Indenture and the 2017 Mortgage; provided, that so long as the Series 2017 Bonds are Outstanding, the Master Trustee may not release, subordinate or amend the 2017 Mortgage in whole or in part without the prior written consent of the Authority (which consent shall not be unreasonably withheld with respect to Liens permitted under the Master Indenture). No such release or subordination will require the consent of the holders of the Series 2017 Bonds or the Trustee. See "APPENDIX E - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND SUPPLEMENTAL INDENTURE."

The Supplemental Indenture provides that upon the occurrence of an Event of Default thereunder the Master Trustee may, and upon written direction of the holders of 25% in aggregate principal amount of the Covered Obligations or upon the written direction of one or more providers of credit enhancement of not less than 25% in the aggregate principal amount of Bonds that are secured by the Covered Obligations, if any, shall proceed forthwith to protect and enforce the rights of the holders of the Covered Obligations by such suits, actions, foreclosure

proceedings or other proceedings as the Master Trustee, being advised by counsel, shall deem expedient regarding enforcement rights under the 2017 Mortgage.

Chicago Title Insurance Company is expected to issue a mortgagee title insurance policy in favor of the Master Trustee. The policy insures against loss from any defects in title relating to the Mortgaged Property, or liens or encumbrances on the Mortgaged Property, up to a policy limit equal to the aggregate principal amount of the Series 2017 Bonds, subject to the conditions and exceptions described in the policy.

***The Guaranty Agreement***

GHVHS Medical Group, P.C. is the "***Guarantor***" under the Guaranty Agreement in which the Guarantor absolutely and unconditionally guarantees to the Master Trustee for the benefit of the holders of Obligation No. 3, the full and prompt payment of the principal of, premium, if any, and interest on such Obligation, when and as the same become due, whether at the stated maturity thereof, by acceleration, by call for redemption, or otherwise. See "PART 8 - RISK FACTORS AND REGULATORY CHANGES WHICH MAY AFFECT THE OBLIGATED GROUP - The 2017 Mortgage and the Guaranty Agreement Are of Limited Value" regarding the likely utility of the Guaranty Agreement.

The Guaranty Agreement does not cover any future Obligations issued under the Master Indenture, but could be amended in the future to cover such future Obligations with the consent of the Authority. The payment obligations of the Guarantor will be secured by a pledge of its (i) Pledged Revenues (as defined below), (ii) all claims and causes of action arising from or otherwise related to any of the foregoing, and all rights and judgments related to any legal actions in connection with such claims or causes of action, and all cash (or evidences of cash or of rights to cash) or other property or rights thereto relating to such claims or causes of action; and (iii) all Proceeds (as such term is defined in Article 9 of the New York Uniform Commercial Code, as amended (including, without limitation, insurance proceeds and condemnation awards)), whether cash or non-cash, of any of the above, pursuant to the terms of a Pledge and Security Agreement, between the Guarantor and the Master Trustee.

"***Pledged Revenues***" shall mean all receipts, revenues, income and other moneys received or receivable by or on behalf of the Guarantor, including without limitation contributions, donations, and pledges whether in the form of cash, securities or other personal property and the rights to receive the same whether in the form of accounts, payment on tangibles, contract rights, general intangibles, healthcare insurance receivables, chattel paper, deposit accounts, instruments, promissory notes, and the proceeds thereof, as such terms are presently or hereinafter defined in the 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, Pledged Revenues shall not include 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 the payment requirements under the Guaranty Agreement.

***The Security Agreement***

The payment obligations of ORMC on all Covered Obligations will be secured by a pledge by ORMC to the Master Trustee of the following property, whether now owned or hereafter acquired: (i) all Equipment (as defined below) located on the Mortgaged Property; and (ii) all Proceeds (as such term is defined in Article 9 of the New York Uniform Commercial Code, as amended (including, without limitation, insurance proceeds and condemnation awards)), whether cash or non-cash of any of the above, pursuant to the terms of the Security Agreement between ORMC and the Master Trustee, subject and subordinate to Permitted Liens. See PART 8 - RISK FACTORS AND REGULATORY CHANGES WHICH MAY AFFECT THE OBLIGATED GROUP - Enforceability of Lien on Gross Receipts and Pledged Collateral.

"***Equipment***" shall mean machinery, apparatus, equipment, fittings, fixtures, furnishings, chattel, and articles of personal property of every kind and nature whatsoever now or hereafter located in or upon the Mortgaged Property or any part thereof and used or useable in connection with any present or future operation or letting of the Mortgaged Property or the activities at any time conducted therein, including replacements therefor or additions thereto, and now owned or hereafter acquired by ORMC or any other Member of the Obligated Group, including, but without limiting the generality of the foregoing, all heating, lighting, laundry, incinerating, and power equipment, engines, pipes, pumps, tanks, motors, conduits, switchboards, plumbing, lifting, cleaning, fire-prevention, fire-extinguishing, refrigerating, ventilating, and communications apparatus, air-cooling and air-conditioning apparatus, elevators, escalators, shades, awnings, screens, storm doors and windows, stoves,

refrigerators, attached cabinets, partitions, ducts and compressors, classroom equipment and furnishings, office equipment and machinery (collectively, the "***Equipment***"), provided, however that the foregoing shall not relate to (i) any Equipment leased by ORMC or (ii) Equipment subject to a purchase money security interest which attaches to such Equipment when purchased or leased; and further provided, that upon vesting of title to lease Equipment in ORMC or termination of such purchase money security interest in Equipment, the exclusion of (i) and (ii) shall no longer be applicable to such formerly excluded Equipment.

**Other Indebtedness**

The Obligated Group may issue additional Obligations under the Master Indenture for the benefit of any Member thereof that are secured on a parity with outstanding Obligations, including Obligation No. 3, by the pledge of Gross Receipts. The Master Indenture further provides that the Obligated Group may issue additional Obligations secured by a Mortgage on some or all of the Mortgaged Property. See "The 2017 Mortgage" herein and "APPENDIX E - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND SUPPLEMENTAL INDENTURE - MASTER TRUST INDENTURE - Limitation on Indebtedness" 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 any Health Care Facility not encumbered by a first lien mortgage to secure any issue of Related Bonds, or, with limitations, accounts receivable. See "APPENDIX E - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND SUPPLEMENTAL INDENTURE" for a description of various financial covenants applicable to ORMC and any other Members of the Obligated Group.

**THE SERIES 2017 BONDS ARE NOT A DEBT OF THE STATE NOR WILL THE STATE BE LIABLE THEREON. THE AUTHORITY HAS NO TAXING POWER. SEE "PART 9 - THE AUTHORITY."**

## PART 3 - THE SERIES 2017 BONDS

The Series 2017 Bonds will be issued pursuant to the Resolution. The Series 2017 Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("***DTC***"), pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the Series 2017 Bonds will be made in Book-Entry form, without certificates. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2017 Bonds, payments of the principal and Redemption Price of and interest on the Series 2017 Bonds will be made by the Trustee directly to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as hereinafter defined) of the Series 2017 Bonds is the responsibility of the DTC Participants and the Indirect Participants (as hereinafter defined). If at any time the Book-Entry Only System is discontinued for the Series 2017 Bonds, the Series 2017 Bonds will be exchangeable for fully registered Series 2017 Bonds of the same series and maturity in any authorized denominations without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange and for the cost of preparing the new bond, subject to the conditions and restrictions set forth in the Resolution. See "- Book-Entry Only System" below and "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."

**Description of the Series 2017 Bonds**

The Series 2017 Bonds will be dated their date of issuance. The Series 2017 Bonds will mature and will accrue interest from their date at the rates and at the times set forth on the page (i) of this Official Statement. The Series 2017 Bonds will be offered as fully registered Bonds in minimum denominations of $100,000 and integral multiples thereof; provided, however, that in the event that (a) the Series 2017 Bonds shall have received an "investment grade rating" from at least two of the rating agencies then rating the Series 2017 Bonds, and (b) such ratings shall have been in effect for a period of at least two consecutive years from the date of the later of the two rating agency investment grade rating upgrades, ORMC agrees to promptly provide written evidence of the foregoing to the Authority and the Trustee and the Authority shall direct the Trustee to reduce the minimum denomination for the Series 2017 Bonds to $5,000 or any integral multiple thereof. "Investment grade rating"

means "BBB-" or higher by Fitch, "Baa3" or higher by Moody's or "BBB-" or higher by S&P. Interest on the Series 2017 Bonds will be computed on the basis of a year of twelve 30-day months.

Interest on the Series 2017 Bonds is payable on June 1 and December 1, commencing June 1, 2017. Principal of the Series 2017 Bonds are payable on December 1 of each year as set forth on page (i) hereof.

The Record Dates for the Series 2017 Bonds are the 15th day of the month prior to each Interest Payment Date. The Authority will not be obligated to make any exchange or transfer of Series 2017 Bonds (i) during the period beginning on the Record Date next preceding an Interest Payment Date for the Series 2017 Bonds and ending on such Interest Payment Date or (ii) after the date next preceding the date on which the Trustee commences selection of Series 2017 Bonds for redemption.

**Redemption and Purchase in Lieu of Redemption Provisions**

The Series 2017 Bonds are subject to redemption and purchase in lieu of redemption as described below.

***Optional Redemption***

The Series 2017 Bonds maturing on and after December 1, 2027, are subject to optional redemption prior to maturity, at the election or direction of the Authority at the request of the Obligated Group, on or after June 1, 2027, in any order, as a whole or in part at any time, at 100% of the principal amount thereof, plus accrued interest to the date of redemption.

***Special Redemption***

The Series 2017 Bonds are also subject to redemption prior to maturity, in whole or in part, at 100% of the principal amount thereof, plus accrued interest to the date of redemption, at the option of the Authority in consultation with the Obligated Group, on any Interest Payment Date, from the proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Mortgaged Property or the applicable Project, and which proceeds are not otherwise applied as permitted under the Master Indenture.

***Purchase in Lieu of Optional Redemption***

The Series 2017 Bonds are subject to purchase by or at the direction of the Authority at the request of the Obligated Group, prior to maturity, on the same terms that would apply if the Series 2017 Bonds were then being optionally redeemed.

***General***

The Authority may from time to time direct the Trustee to purchase Series 2017 Bonds with moneys in the Debt Service Fund, at or below par plus accrued interest to the date of such purchase, and apply any Series 2017 Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required principal payment on such Series 2017 Bonds. The Obligated Group also may purchase Series 2017 Bonds and apply any Series 2017 Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required principal payment on the Series 2017 Bonds.

***Selection of Bonds to be Redeemed***

In the case of redemptions of the Series 2017 Bonds, other than mandatory redemptions, the Authority will select the principal amounts and maturities of the Series 2017 Bonds to be redeemed. If less than all of the Series 2017 Bonds of a maturity are to be redeemed, the Series 2017 Bonds to be redeemed will be selected by the Trustee, by lot as provided in the Resolution or as directed by the Obligated Group.

***Notice of Redemption***

The Trustee is to give notice of the redemption of the Series 2017 Bonds in the name of the Authority, by first-class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the redemption date to the registered owners of any Series 2017 Bonds which are to be redeemed, at their last known addresses appearing on the registration books of the Authority not more than 10 business days prior to the date such notice is given. The

failure of any such registered owner of a Series 2017 Bond to be redeemed to receive notice of redemption will not affect the validity of the proceedings for the redemption of such Series 2017 Bond.

If on the redemption date moneys for the redemption of the Series 2017 Bonds or portions thereof to be redeemed, are held by the Trustee so as to be available for payment of the Redemption Price, together with interest thereon to the redemption date, and if notice of redemption has been mailed, then interest on such Series 2017 Bonds or portions thereof will cease to accrue from and after the redemption date and such Series 2017 Bonds will no longer be considered to be Outstanding.

In addition, any notice of redemption may state that the redemption to be effected is conditioned upon the receipt by the Trustee on or prior to the redemption date of moneys sufficient to pay the principal of, premium, if any, and interest on the Series 2017 Bonds to be redeemed and that if such moneys are not so received, such notice shall be of no force and effect and such Series 2017 Bonds shall not be required to be redeemed.

***Notice of Purchase in Lieu of Redemption***

Notice of the purchase of the Series 2017 Bonds as described under "- Purchase in Lieu of Optional Redemption" above, will be given in the name of the Obligated Group to the registered owners of the Series 2017 Bonds to be purchased by first-class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the purchase date specified in such notice. The Series 2017 Bonds to be purchased are required to be tendered to the Trustee on the date specified in such notice. Series 2017 Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. In the event Series 2017 Bonds are called for purchase in lieu of an optional redemption, such purchase shall not operate to extinguish the indebtedness of the Authority evidenced thereby or modify the terms of the Series 2017 Bonds and such Series 2017 Bonds need not be cancelled, but shall remain Outstanding under the Resolution and in such case shall continue to bear interest and shall continue to be subject to optional redemption as described herein.

The Obligated Group's obligation to purchase a Series 2017 Bond to be purchased or cause it to be purchased is conditioned upon the availability of sufficient money to pay the purchase price for all of the Series 2017 Bonds to be purchased on the purchase date. If sufficient money is available on the purchase date to pay the purchase price of the Series 2017 Bonds to be purchased, the former registered owners of such Series 2017 Bonds will have no claim thereunder or under the Resolution or otherwise for payment of any amount other than the purchase price. If sufficient money is not available on the purchase date for payment of the purchase price, the Series 2017 Bonds tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the purchase date, who will be entitled to the payment of the principal of and interest on such Series 2017 Bonds in accordance with their respective terms.

In the event that not all of the Outstanding Series 2017 Bonds are to be purchased, the Series 2017 Bonds to be purchased will be selected by lot in the same manner as Series 2017 Bonds to be redeemed in part are to be selected.

**Book-Entry Only System**

*The information in this caption concerning DTC and DTC's book-entry system has been obtained from DTC and neither the Authority, ORMC nor the Underwriters make any representation or warranty or take any responsibility for the accuracy or completeness of such information.*

DTC will act as securities depository for the Series 2017 Bonds. The Series 2017 Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate for each maturity will be issued for the Series 2017 Bonds and will be deposited with DTC.

DTC, the worlds' 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 an S&P 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 Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2017 Bond ("***Beneficial Owner***") is in turn to be recorded on the 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 Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2017 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2017 Bonds, except in the event that use of the Book-Entry Only System for the Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017 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 2017 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 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2017 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2017 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2017 Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of the Series 2017 Bonds may wish to ascertain that the nominee holding the Series 2017 Bonds for their benefit has agreed to obtain and transmit notices to the 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 a maturity of the Series 2017 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series 2017 Bonds to be redeemed.

Neither DTC, Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Series 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy (the "***Omnibus Proxy***") to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2017 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the payable 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 Authority, subject to any statutory or

regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the 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 2017 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the Series 2017 Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Series 2017 Bond certificates will be printed and delivered. Thereafter, the Series 2017 Bond certificates may be transferred and exchanged as described in the Resolution.

The information in this section concerning DTC and DTC's Book-Entry Only System has been obtained from sources that the Authority believes to be reliable, but neither the Authority, ORMC nor the Underwriters take responsibility for the accuracy thereof.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2017 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE HOLDER OF THE SERIES 2017 BONDS OR REGISTERED OWNERS OF THE SERIES 2017 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2017 BONDS.

The Authority can make no assurances that DTC will distribute payments of principal of, redemption premium, if any, or interest on the Series 2017 Bonds to the Direct Participants, or that Direct and Indirect Participants will distribute payments of principal of, redemption price, if any, or interest on the Series 2017 Bonds or redemption notices to the Beneficial Owners of such Series 2017 Bonds or that they will do so on a timely basis, or that DTC or any of its Participants will act in a manner described in this Official Statement. The Authority is not responsible or liable for the failure of DTC to make any payment to any Direct Participant or failure of any Direct or Indirect Participant to give any notice or make any payment to a Beneficial Owner in respect to the Series 2017 Bonds or any error or delay relating thereto.

The rights of holders of beneficial interests in the Series 2017 Bonds and the manner of transferring or pledging those interests is subject to applicable state law. Holders of beneficial interests in the Series 2017 Bonds may want to discuss the manner of transferring or pledging their interest in the Series 2017 Bonds with their legal advisors. For every transfer and exchange of beneficial ownership of the Series 2017 Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

## PART 4 - PLAN OF FINANCING

The proceeds of the Series 2017 Bonds, together with other available funds, will be applied (i) to refund on an advance basis the Series 2008 Bonds, (ii) to make a deposit to a Debt Service Reserve Fund for the Series 2017 Bonds in an amount equal to the Debt Service Reserve Fund Requirement and (iii) to pay certain costs of issuance of the Series 2017 Bonds.

Simultaneously with the issuance and delivery of the Series 2017 Bonds, a portion of the proceeds of such Series 2017 Bonds together with other available funds will be deposited with the trustee for the Series 2008 Bonds and will be used to purchase Defeasance Securities, the principal of and interest on which, when due, together with uninvested cash, will provide moneys sufficient to pay the principal and redemption price of and interest on the Series 2008 Bonds to and including December 1, 2018, the redemption date. See "PART 17 – VERIFICATION OF MATHEMATICAL COMPUTATIONS." At the time of such deposit, the Authority will give such trustee irrevocable instructions to give notices of defeasance and redemption of the Series 2008 Bonds and to apply the maturing principal of and interest on the Defeasance Securities, together with any uninvested cash, to the payment of the principal and redemption price of and interest on the Series 2008 Bonds to and including such redemption date. In the opinion of Harris Beach PLLC, upon making such deposit and giving such irrevocable instructions, the Series 2008 Bonds will be deemed to have been paid, will no longer be outstanding and the covenants, agreements and obligations of the Authority with respect to the Series 2008 Bonds will be discharged and satisfied.

## PART 5 - PRINCIPAL AND INTEREST REQUIREMENTS

The following table sets forth, for each fiscal year of the Obligated Group ending December 31, the estimated amounts required for the payment of principal of the Series 2017 Bonds at stated maturity and interest thereon. Under "Other Outstanding Indebtedness" and "Total Long-Term Debt Service and Other Obligations," the table also shows the pro forma total debt service due in each fiscal year with respect to the pro forma outstanding long-term indebtedness of the Obligated Group on the noted assumptions.

| Fiscal Year Ending December 31, | Series 2017 Bonds | | | Other Outstanding Indebtedness[(1)] | Total Long-Term Debt Service and Other Obligations |
|---|---|---|---|---|---|
| | Principal | Interest | Total | | |
| 2017 | $6,200,000 | $8,710,975 | $14,910,975 | $5,884,699 | $20,795,674 |
| 2018 | 7,200,000 | 11,239,000 | 18,439,000 | 5,934,699 | 24,373,699 |
| 2019 | 7,500,000 | 10,951,000 | 18,451,000 | 5,879,699 | 24,330,699 |
| 2020 | 7,800,000 | 10,651,000 | 18,451,000 | 5,924,699 | 24,375,699 |
| 2021 | 8,100,000 | 10,339,000 | 18,439,000 | 5,156,049 | 23,595,049 |
| 2022 | 8,500,000 | 10,015,000 | 18,515,000 | 4,270,000 | 22,785,000 |
| 2023 | 8,900,000 | 9,590,000 | 18,490,000 | 4,305,000 | 22,795,000 |
| 2024 | 9,300,000 | 9,145,000 | 18,445,000 | 4,335,000 | 22,780,000 |
| 2025 | 9,800,000 | 8,680,000 | 18,480,000 | 4,260,000 | 22,740,000 |
| 2026 | 10,300,000 | 8,190,000 | 18,490,000 | 4,285,000 | 22,775,000 |
| 2027 | 10,800,000 | 7,675,000 | 18,475,000 | 4,305,000 | 22,780,000 |
| 2028 | 11,300,000 | 7,135,000 | 18,435,000 | 4,320,000 | 22,755,000 |
| 2029 | 11,900,000 | 6,570,000 | 18,470,000 | 4,330,000 | 22,800,000 |
| 2030 | 12,500,000 | 5,975,000 | 18,475,000 | 4,335,000 | 22,810,000 |
| 2031 | 13,100,000 | 5,350,000 | 18,450,000 | 4,335,000 | 22,785,000 |
| 2032 | 13,800,000 | 4,695,000 | 18,495,000 | 4,330,000 | 22,825,000 |
| 2033 | 14,500,000 | 4,005,000 | 18,505,000 | 4,320,000 | 22,825,000 |
| 2034 | 15,200,000 | 3,280,000 | 18,480,000 | 4,305,000 | 22,785,000 |
| 2035 | 16,000,000 | 2,520,000 | 18,520,000 | 4,285,000 | 22,805,000 |
| 2036 | 16,800,000 | 1,720,000 | 18,520,000 | 4,260,000 | 22,780,000 |
| 2037 | 17,600,000 | 880,000 | 18,480,000 | 4,330,000 | 22,810,000 |
| 2038 | - | - | - | 4,290,000 | 4,290,000 |
| 2039 | - | - | - | 4,345,000 | 4,345,000 |
| 2040 | - | - | - | 4,290,000 | 4,290,000 |
| 2041 | - | - | - | 4,330,000 | 4,330,000 |
| 2042 | - | - | - | 4,260,000 | 4,260,000 |
| 2043 | - | - | - | 4,285,000 | 4,285,000 |
| 2044 | - | - | - | 4,300,000 | 4,300,000 |
| 2045 | - | - | - | 4,305,000 | 4,305,000 |
| Total | $237,100,000 | $147,315,975 | $384,415,975 | $132,094,845 | $516,510,820 |

(1) Excludes debt service on the Series 2008 Bonds but includes payments on capital leases entered into in fiscal year 2016 that expire during fiscal years 2020 and 2021, respectively, outstanding in the aggregate principal amount of approximately $6,750,011 as of January 1, 2017.

*[Remainder of Page Intentionally Left Blank]*

## PART 6 - ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds:

**Sources of Funds**

| | |
|---|---|
| Series 2017 Bonds | $237,100,000 |
| Original Issue Premium | 16,725,171 |
| Series 2008 Bonds Debt Service Reserve Fund | 20,304,933 |
| Series 2008 Bonds Debt Service Fund | 5,439,178 |
| Total | $279,569,282 |

**Uses of Funds**

| | |
|---|---|
| Deposit into escrow for Series 2008 Bonds | $257,233,498 |
| Debt Service Reserve Fund | 18,520,000 |
| Costs of Issuance[(1)] | 3,815,784 |
| Total | $279,569,282 |

(1) Includes the Authority fee, as well as legal fees and expenses, rating agency fees, Underwriters' discount, financial advisor fees, title insurance and Trustee and Master Trustee fees.

## PART 7 - ORANGE REGIONAL MEDICAL CENTER

### Introduction

ORMC, is a 501(c)(3) tax-exempt, New York not-for-profit corporation, located in Orange County, in the Mid-Hudson Valley region of New York State. ORMC is an Article 28 acute care hospital approved by the New York State Department of Health ("***NYSDOH***") and licensed to operate 383 beds. ORMC was formed through the 2002 merger of two community hospitals – Arden Hill Hospital (located in Goshen, NY) and Horton Medical Center (located in Middletown, NY). In 2011, ORMC consolidated these two inpatient sites into a single-site, replacement hospital (the "***Medical Center Facility***") located in Middletown, New York, with greater efficiencies, amenities and access to services than previously existed at Arden Hill Hospital and Horton Medical Center. In 2016, ORMC consolidated most of the services from its two primary outpatient locations onto its main campus (the "***Main Campus***") by undertaking construction of a new medical office building (the "***MOB***") and a cancer center (the "***Cancer Center***"). The MOB added four outpatient operating rooms and five procedures rooms, as well as three floors for physician offices, whereas the Cancer Center combined two existing radiation therapy sites into one, state-of-the-art center. This project has further allowed ORMC to recognize improved efficiencies and overall access to care.

For fiscal year ended December 31, 2015, ORMC generated $415 million in total operating revenue and $48 million in operating EBITDA, which equates to 11.5% operating EBITDA margin. From fiscal year 2011 to fiscal year 2015, operating revenue and operating EBITDA have grown at a compound annual growth rate of 5.8% and 19.4%, respectively. For the nine-month period ended September 30, 2016, total operating revenue and operating EBITDA are up 9.9% and 7.1%, respectively, over the prior year period. For financial information regarding ORMC, please see "FINANCIAL INFORMATION" herein.

Greater Hudson Valley Health System, Inc. ("***GHVHS***"), a 501(c)(3) tax-exempt, New York State not-for-profit corporation located in Middletown, New York, is the sole member and active parent company of ORMC and Catskill Regional Medical Center ("***CRMC***") in Sullivan County. GHVHS Medical Group, P.C. (the "***PC***") employs physicians, physician assistants and nurse practitioners supporting both ORMC and CRMC, and is effectively controlled by GHVHS as a captive entity through various contractual arrangements.

*ONLY ORMC IS CURRENTLY A MEMBER OF THE OBLIGATED GROUP UNDER THE MASTER INDENTURE SECURING THE SERIES 2015 BONDS AND THE SERIES 2017 BONDS. WHILE THE PC IS NOT A MEMBER OF THE OBLIGATED GROUP, THE PC HAS GUARANTEED REPAYMENT OF OBLIGATION NO. 2 AND OBLIGATION NO. 3 ISSUED UNDER THE MASTER INDENTURE AND HAS PLEDGED ITS REVENUES TO SUPPORT SUCH GUARANTY. GHVHS AND CRMC HAVE NO OBLIGATION TO SUPPORT OR MAKE*

*PAYMENT ON ANY OBLIGATIONS ISSUED PURSUANT TO THE MASTER INDENTURE, INCLUDING OBLIGATION NO. 3.*

**Series 2008 Bonds Refinancing**

ORMC will use the proceeds of the Series 2017 Bonds and certain other funds to defease the outstanding Series 2008 Bonds. This refinancing will generate cash savings and liquidity to help fund ongoing, routine capital expenditures and fund the growth of existing or new services to further ORMC's mission within its Regional Service Area ("***RSA***").

**History and Vision**

***Background***

In 2002 Arden Hill Hospital in Goshen, NY and Horton Medical Center in Middletown, NY merged to become ORMC in an effort to reduce the provision of duplicate services in the region and pursue a singular stated mission to "improve the health of our community by providing exceptional healthcare." Following the merger, ORMC was successful in its efforts to consolidate resources, eliminate redundancies, expand the depth and breadth of services, and improve overall access to needed services in the region.

These efforts culminated in August 2011 when ORMC opened its new Medical Center Facility on time and under budget, the first hospital built in New York State in over 20 years. The 617,222 square foot Medical Center Facility is located on a 75 acre campus, the Main Campus, located at the intersection of Route 17/86 and Interstate 84. The Medical Center Facility includes seven floors to accommodate adult medical/surgical, pediatric, obstetrical/gynecological, rehabilitative, intensive care, emergency and behavioral health service needs. The Medical Center Facility has further elevated the level of access to quality care in the region by offering amenities such as all private patient rooms, an emergency department with 50 treatment bays, full wireless telemetry, expanded intensive care capacity (40 beds) and a Health Information Management Systems Society's ("***HIMSS***") Level 7 electronic health record system. More recently, in September 2016, ORMC continued its Main Campus expansion by completing on time and under budget a 5-floor, 155,000 square foot MOB, and a 22,150 square foot dedicated Cancer Center, which constitute Mortgaged Property under the 2017 Mortgage. See "PART 2 - Source of Payment and Security for the Series 2017 Bonds - Obligations under the Master Indenture - The 2017 Mortgage." These campus additions have helped ensure an even greater level of efficiency, access and service integration. At this time, ORMC is the second largest employer in Orange County with over 2,700 healthcare workers. In 2009, ORMC formally affiliated with CRMC when CRMC became part of GHVHS. CRMC has two campuses in Sullivan County, which is located immediately north of Orange County. Since 2009 ORMC and CRMC (together, the "***Hospitals***"), under the direction of the GHVHS corporate staff, have worked collaboratively to improve and expand services in the region by each serving specific roles, as described below:

- ORMC The referral hospital for the region, offering specialized care for the region's sickest patients, (i.e. NICU, pediatrics, neurosurgery, angioplasty, orthopedics).

- CRMC The sole hospital provider of primary and basic secondary care to Sullivan County's population; patients needing more specialized care are referred to ORMC.

The results of ORMC's recent efforts to develop, improve and expand various services to help meet the needs of its service area have been positive to date, as indicated in the table below that lists recently developed services.

| Service | Year |
|---|---|
| Level 2 NICU | 2012 |
| ED Orthopedic Hand Specialists | 2013 |
| Pediatric Emergency Department | 2013 |
| Wound Care/Hyperbaric Therapy | 2013 |
| Pediatric Hospitalist Program | 2014 |
| Level 2 Trauma | 2016 |

***Strategic Vision***

ORMC's organizational vision is to provide an exceptional patient care experience. This vision has guided ORMC's desire to address the changing healthcare landscape of the future and to position itself to effectively deliver healthcare as a fully integrated health care campus by creating the ability to provide acute care, primary care, specialty care and outpatient services from a single campus location. ORMC's efforts to date, which include the construction of the Medical Center Facility, MOB and Cancer Center, represent significant steps in achieving its vision.

The strategic implications of this vision include:

- Improved Quality of Care. The aforementioned construction projects have raised the quality of healthcare by offering services in modern, state-of-the-art facilities that place an emphasis on a patient-centered, healing environment.

- Health Care Destination. Efforts to date have helped to position ORMC as the destination for health care services in the RSA. ORMC has consolidated its inpatient services and a significant number of outpatient services onto the Main Campus for added convenience, technology and operational efficiencies in a more seamless environment.

- Integrated Delivery Network. Development to date has resulted in a fully integrated health care campus by creating the ability to provide acute care, primary care, specialty care and outpatient services from a single campus location, supported in large part by ORMC's employed medical group. ORMC will continue to review and plan for opportunities to utilize the remainder of its Main Campus.

- Cost Reductions. ORMC has assessed the impact of current healthcare reform and industry trends and determined that consolidation and integration of its services are essential to meet value improvements anticipated by health care reform and better serve RSA residents.

- Dedicated Cancer Center. ORMC's attractive, prominent new Cancer Center within one of the fastest growing regions in New York State, will help eliminate the need for local residents to leave the area for high quality cancer care. Based on current NYSDOH County Health Assessment cancer indicators, Orange and Sullivan County exceed the upstate New York State rate for seven of the eight cancer categories measured. The dedicated Cancer Center is a vital addition to the RSA given its high cancer rates.

- PC Offices. Floors three through five of the MOB are dedicated to the practice and serve as its flagship location. The space provides current PC physicians with a modern environment in which to work and will also help attract new physicians to the PC in the coming years.

- DSRIP. GHVHS is participating as a member of the Westchester Medical Center PPS within the mid-Hudson Region. Its efforts will give ORMC the ability to directly impact various initiatives being pursued by the PPS, including integrated delivery system development focusing on evidence based medicine and population health management; emergency department care triage for at-risk populations; integration of primary care and behavioral health services; and improved patient care transitions. See "Affiliation" herein for a discussion of DSRIP.

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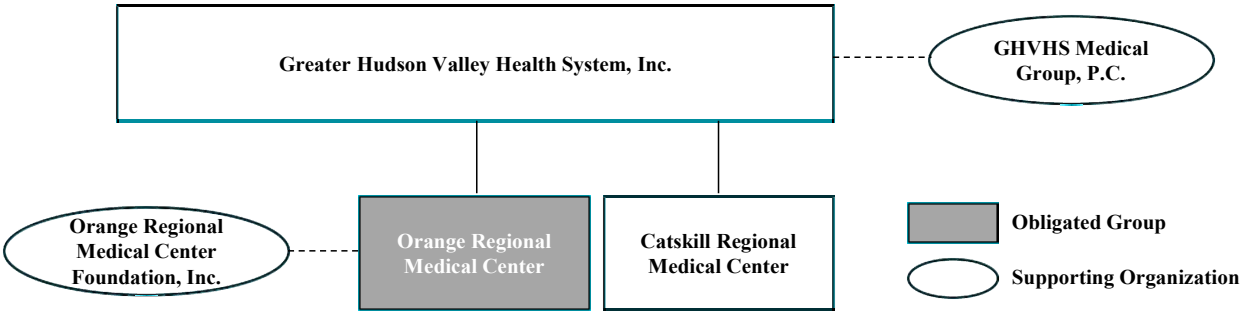
**Corporate Structure**




***Greater Hudson Valley Health System, Inc.***

GHVHS, a 501(c)(3) tax-exempt New York State not-for-profit corporation located in Middletown, New York, is the sole member and active parent company of ORMC and CRMC. GHVHS is an Article 28 entity approved by the NYSDOH.

GHVHS, as the sole member of ORMC and CRMC, maintains the reserve power to elect and remove the board of directors of ORMC, to authorize the merger, consolidation or dissolution of ORMC, to approve the incurrence of long-term debt in excess of certain limits, and to approve amendments of ORMC's certificate of incorporation and bylaws.

In its role as the sole member of both hospitals, GHVHS coordinates their activities by, among other things, approving strategic and business plans, capital and operating budgets, the acquisition and encumbrance of certain property, the closure or conversion of services and facilities, and the submission of certificate of need applications.

As of January 1, 2017, GHVHS board of directors includes 21 directors. Each director is eligible to serve three terms of four years each, for a maximum of 12 years regardless of whether the terms are consecutive. Of these directors, eight also serve on the ORMC board of directors, nine serve on the CRMC board of directors, and one is President and the CEO of GHVHS, which is the only ex-officio director. The remainder are elected by the GHVHS board of directors from the local communities.

***Catskill Regional Medical Center***

CRMC is currently designated by both the NYSDOH and the Centers for Medicare and Medicaid Services ("***CMS***") as a sole community provider and a rural referral center. CRMC is an Article 28 community general hospital as defined in PHL Section 2801 (10). CRMC is licensed to operate a total of 233 beds, 154 medical/surgical and 64 residential health at its Harris campus (68 Harris-Bushville Road, Harris); and 15 critical access beds at its Callicoon Campus (8881 Route 97, Callicoon). In addition, CRMC operates primary care extension clinics within Sullivan County at Livingston Manor and Callicoon.

CRMC is the only hospital in Sullivan County and provides basic primary and secondary care to residents within its service area of Sullivan County. Sullivan County is a rural area that has a population of approximately 78,000 residents and encompasses about 1,000 square miles.

***GHVHS Medical Group, P.C.***

Navigant Consulting Group assisted ORMC and CRMC in developing a physician practice model, which was implemented by the formation of the PC in 2013. The PC, which has agreed to guarantee payment of Obligation No. 2 and Obligation No. 3 issued under the Master Indenture and has pledged its revenues to support this guaranty, formally commenced operations on December 1, 2014. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS - Obligations under the Master Indenture - The Guaranty Agreement." The PC is a New York professional service corporation engaged in the private practice of medicine, and as such is not subject to Article 28 of the New York Public Health Law or related regulations. Pursuant to its Articles of Incorporation, (i) the PC is formed to engage in the profession of medicine; (ii) it is prohibited from engaging in any activity not permitted for an exempt organization; (iii) it is organized exclusively for one or more of the purposes as

specified in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended; and (iv) no part of the net earnings of the PC shall inure to the benefit of, or be distributable to, the PC's directors, officers or private individuals. Pursuant to its bylaws, the PC's mission is to improve the health of the community by providing health care services to ORMC and CRMC.

The PC was administratively dissolved by the New York State Department of State as of October 26, 2016, on the grounds that the PC did not pay the New York State corporate income tax, which payment obligation was being contested by the PC at the time. Although incorporated under New York Business Corporation Law, the PC was granted tax-exempt status by the IRS. The PC, its tax advisors and attorneys were of the opinion that no state corporate taxes were due and owing, and communicated this position to the New York State Department of Taxation and Finance.

ORMC was unaware of the dissolution. The PC had been notified by the New York State Department of Taxation and Finance on October 27, 2016 that "[n]o further collection or enforcement action will be taken on any assessment listed until the protest has been resolved." The PC paid the disputed amount, interest and penalties totaling $1,443.54 and began the process of being formally reinstated, retroactive to the date of dissolution pursuant to the New York Tax Law. On January 31, 2017, the New York State Department of Taxation and Finance granted its consent to the reinstatement of the PC. The PC filed the consent with New York Department of State on January 31, 2017, at which time the PC was reinstated as an active, existing corporation. Pursuant to New York Tax Law Section 203-a.7., the filing of a certificate of consent has the effect of annulling the dissolution proceedings and restoring a corporation to its status on the date of dissolution, with the same effect as if such dissolution had not occurred.

GHVHS, ORMC, CRMC and the PC have entered into a professional services agreement pursuant to which GHVHS and the Hospitals are engaging the PC to provide inpatient and outpatient professional healthcare services to the Hospitals, as well as administrative and teaching services. The PC will bill ORMC, as described in the professional services agreement. In addition, as part of the administrative services agreement, ORMC will bill the PC for administrative support expenses incurred by ORMC for the PC each month. These administrative support expenses include support staff salaries and benefits, supplies, rent, insurance, system overhead and other direct expenses.

Effective as of December 1, 2014, physicians, physician assistants and nurse practitioners employed by ORMC and by CRMC, 40 in total, were converted to employees of the PC. As of January 24, 2017, the PC employs 123 physicians and mid-level providers, of which 27 are hospitalists who are integral to inpatient care coordination and length of stay. Of the 123 physicians and mid-level providers, 99 (7 primary care and 92 specialty care) are ORMC clinicians and 24 (4 primary care and 20 specialty care) are CRMC clinicians. The number of physicians and providers employed by the PC vary based on demand for professional services. Pursuant to the professional services agreement, the PC submits to GHVHS and the Hospitals for approval, operating and capital budgets. On a monthly basis, the PC, GHVHS and the Hospitals review the revenue and expenses in the context of the approved budget and services rendered. If the PC's revenue is less than the expenses, the Hospitals are required pursuant to the professional services agreement to pay the PC an amount by which the PC's expenses exceed its revenues during the prior month. ORMC and CRMC are each contractually responsible for funding its ratable portion of any such deficit. In 2015, ORMC's professional medical service expenses for the employed physicians, physicians assistants and nurse practitioners exceeded professional medical service revenues generated by the employed physicians, physicians assistants and nurse practitioners by approximately $11,172,000. In 2016 (through September 30, 2016), ORMC's professional medical service expenses for the employed physicians, physicians assistants and nurse practitioners exceeded professional medical service revenues generated by the employed physicians, physicians assistants and nurse practitioners by approximately $9,922,000. The PC and its sole shareholder have entered into a shareholder agreement pursuant to which the shareholder has irrevocably assigned to GHVHS, his right to receive any and all dividends, distributions, or sale proceeds that he would otherwise be entitled to receive and to vote the share of the PC. GHVHS has agreed to ratably distribute to ORMC and CRMC all dividends, distributions, or sale proceeds that it receives from the PC's shareholder.

GHVHS, ORMC, CRMC and the PC have entered into an administrative services agreement pursuant to which GHVHS and the Hospitals will provide administrative services to the PC, including executive management, human resources, information technology, legal, risk management, compliance, billing, collection, clerical and administrative services. The PC will bill ORMC as described in the professional services agreement. In addition, as part of the administrative services agreement, ORMC will bill the PC for administrative support expenses incurred

by ORMC for the PC each month. These administrative support expenses include support staff salaries and benefits, supplies, rent, insurance, system overhead and other direct expenses.

***Orange Regional Medical Center Foundation, Inc.***

Orange Regional Medical Center Foundation, Inc. (the "***Foundation***") is a 501(c)(3) tax-exempt not-for-profit corporation, operates exclusively to support the charitable, educational and scientific purposes of ORMC. The Foundation President reports both to the Foundation board of trustees and the ORMC CEO. There is a slight overlap in membership with the Boards of the Foundation, GHVHS and ORMC; one individual sits on all three boards.

The Foundation provides oversight for all ORMC fund raising and capital campaigns. The Foundation raised over $22 million in its capital campaign for the Medical Center Facility and approximately $3 million for the MOB and Cancer Center projects.

***ORMC Affiliates***

ORMC is affiliated with the organizations listed below:

- Hudson Valley Ambulatory Surgery, LLC. Joint venture between ORMC and a group of surgeons to operate a freestanding ambulatory surgery center. ORMC has a 30.4% interest in this for-profit LLC. Both ORMC and the physician members elect managers of the LLC.

- Crystal Run Ambulatory Surgery Center of Middletown, LLC. Joint venture between ORMC and Crystal Run Healthcare LLP to operate a freestanding ambulatory surgery center. ORMC has a 40.0% interest in this for-profit LLC. Both ORMC and Crystal Run Healthcare LLP elect managers of the LLC.

- Inactive Subsidiaries. ORMC has several inactive subsidiaries, including a non-profit real estate holding company that does not have any real estate holdings, a non-profit administrative support organization, a non-profit and a for-profit physician hospital organization. ORMC does not currently plan for any of these organizations to become active.

**ORMC IS CURRENTLY THE SOLE MEMBER OF THE OBLIGATED GROUP. WHILE THE PC IS NOT A MEMBER OF THE OBLIGATED GROUP, THE PC HAS GUARANTEED REPAYMENT OF OBLIGATION NO. 3 ISSUED UNDER THE MASTER INDENTURE AND HAS PLEDGED ITS REVENUES TO SUPPORT SUCH GUARANTY. NEITHER GHVHS, CRMC, NOR ANY SUBSIDIARY ORGANIZATION IS OBLIGATED WITH RESPECT TO OBLIGATION NO. 3. NO ASSETS OF THESE ORGANIZATIONS ARE PLEDGED TO SECURE OBLIGATION NO. 3.**

**Quality/ Patient Safety**

ORMC recognizes the importance of providing high quality health care services, particularly considering recent trends in health care delivery. To this end, a well-staffed Quality function was put in place headed by the Vice President of Quality and Health Information Management (now the "***Chief Quality Officer***").

ORMC has received the following acknowledgements for patient safety, quality outcomes and patient satisfaction:

- "Pioneer in Quality - 2016 Expert Contributor." This Joint Commission recognition reflects hospitals that have advanced the evolution and utilization of electronic Clinical Quality Measures ("***eCQM***") and for specific contribution to eCQM development. ORMC is one of only six organizations in the United States ("***U.S.***") and the only New York State organization to receive this distinction.

- Magnet Designation. ORMC received Magnet designation in 2016, Magnet is the highest and most prestigious distinction for nursing excellence and high-quality patient care a healthcare organization can achieve. Only 400 hospitals in the U.S. have achieved this designation.

- Malcolm Baldrige. ORMC received the Malcolm Baldrige National Quality Award for Performance Excellence in 2016. ORMC is the only hospital in New York State and one of only two organizations on the East Coast to have received this award.

- Health Grades. Recognized as one of America's 100 Best Hospitals for Coronary Intervention™ in 2017. Additionally, recognized with a 2017 Coronary Intervention Excellence Award, placing ORMC among the top 5% in the nation for Coronary Intervention Procedures as well as a recipient of five-star recognition in this category. ORMC was also received five-star recognition for Overall Bariatric Surgery, Natural Childbirth and Appendectomy.

- Stroke Award. ORMC received the Get with the Guidelines StrokeGold Plus award from the American Heart Association/American Stroke Association.

- The Joint Commission. Received 2016 certification from The Joint Commission for both Total Hip Replacement and Total Knee Replacement.

- U.S. News & World Report 2016-17 Best Hospitals Rankings. Recognized as a "High Performing Hospital" for both chronic obstructive pulmonary disease and heart failure.

- National Research Corporation. ORMC was awarded the "Path to Excellence" Award in 2016 for its commitment to improving the patient experience.

**Scope of Services**

***Hospital-Based Services***

ORMC is currently licensed for 383 acute care beds, which were all staffed as of September 30, 2016, and provides a full range of adult medical/surgical, intensive care, pediatric, obstetrical, rehabilitation and behavioral health services.

| **Service** | **Licensed / Staffed Beds** |
|---|---|
| Medical / Surgical | 244 |
| Intensive Care | 40 |
| Maternity | 23 |
| Pediatric | 12 |
| Neonatal Intensive Care | 10 |
| Psychiatry | 30 |
| Physical Medicine and Rehabilitation | 24 |
| **Total Licensed / Staffed Beds** | **383** |

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ORMC provides the following services:

Ankle Replacement
Bariatric Surgery
Behavioral Health
Birthing Center
Bone Densitometry
Brachytherapy
Breast Center
Breast MR Biopsy and Ultrasound
Cancer Registry
Cardiac Rehabilitation
Cardiac Testing
Cardiology
Case Management
Certified Mental Health O/P
Chemical Dependency Rehabilitation O/P
Children's Emergency Department
Clinical Trials
Diabetes Treatment
Diagnostic Cardiac Catheterization
Diagnostic Imaging
Diskectomy
Elective Angioplasty
Electrophysiology
Emergency Angioplasty
Emergency Medicine
Endoscopy and Gastrointestinal Services
Epilepsy
Eye Surgery
Fracture Care
Full-Field Digital Mammography
Fusion
General Surgery
Hand & Upper Extremity Surgery
Head and Neck Cancer
Hip Arthroscopy
Hip Replacement
Hip Resurfacing
Hospitalists
Infusion Therapy
Injury Prevention Program
Intensive Care
Interspinous Spacers
Interventional Oncology Therapies
Knee Replacement Surgery
Kyphoplasty
Laboratory
Laminectomy
Liver Cancer
Lung Cancer
Mammography
Maternity
Medical Social Services
Magnetic Resonance Angiogram
MRI
Neonatal Intensive Care Unit
Neuroradiology
Neurosurgery
Non-Fusion Disc Replacement
Nuclear Cardiology
Nuclear Medicine
Oncologic Spine Surgery
Open Bore MRI
Orthopedic Spine Surgery
Orthopedics
Outpatient
Palliative Care
Pediatric Orthopedics
Pediatrics
PET/CT
Pharmaceutical Services
Physical Medical Rehabilitation
Podiatry Services
Posterior Dynamic Stabilization
Pre-Surgical Testing
Primary Care
Psychiatric
Radiation Oncology
Radiofrequency Ablation
Reconstructive Foot and Ankle Surgery
Respiratory Care
Shoulder Replacement
Sleep Center
Spine Surgery
Sports Medicine
STAR Program Cancer Rehabilitation
Stereotactic Breast Biopsy
Stereotactic Radiosurgery
Stroke Center
Substance Abuse
Surgery & Procedure Center
Therapy O/T
Therapy-Speech Language Pathology
Thyroid Cancer
Thyroid Surgery
Ultrasound
Varian RapidArc
Vascular Program
Women's Health
Women's Imaging
Wound Healing Center
X-ray

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**Non-Hospital Based Services and Facilities**

In addition to providing inpatient care at its Medical Center Facility, ORMC provides outpatient services at four locations. The facilities described below are not subject to the Mortgages issued to the Master Trustee to secure the Obligations.

| Facility | Services |
|---|---|
| **The Orange Regional Medical Pavilion**<br>75 Crystal Run Road, Middletown, NY | ▪ Center for Sleep Medicine<br>▪ Wound Healing Center |
| **Family Program For Alcoholism/ Chemical Dependency & Counseling Services**<br>420 East Main Street, Middletown, NY | ▪ Alcohol/substance abuse counseling<br>▪ Adult, geriatric, child & adolescent behavioral health counseling |
| **Outpatient Rehabilitation Center**<br>110 Crystal Run Road, Middletown, NY | ▪ Physical therapy, occupational therapy, speech therapy |
| **Community Health Education Center**<br>110 Crystal Run Road, Middletown, NY | ▪ The Frances L. Bergen Health Information Library, health education classes and seminars, support groups |

**Affiliations**

ORMC currently maintains a clinical affiliation with Westchester Medical Center ("***WMC***"), a tertiary medical center located in Valhalla, New York. ORMC maintains a clinical affiliation and transfer agreement with WMC in obstetrics/gynecology and pediatrics/newborn care; with regard to the latter, ORMC is a member of the Hudson Valley Regional Perinatal Network led by WMC. The relationship presently includes clinical services such as full-time neonatology coverage and pediatric subspecialty consultation in Orange County, as well as arrangements for expedited transfer of infants, mothers and children to WMC. Similarly, WMC also provides support and coverage for cardiology services offered at ORMC including cardiac catheterization, electrophysiology and angioplasty and accepts the transfer of patients in need of cardiac surgery. Finally, ORMC transfers to WMC high acuity trauma patients on an as needed basis.

This affiliation has enhanced the level of care at ORMC primarily through increased collaboration between ORMC's medical staff and the affiliate medical staff and enhanced quality assurance measures.

In addition, ORMC maintains a partnership with a medical college and also has local affiliations with area nursing homes, health centers and membership organizations including:

- Touro Medical College. ORMC has recently become a teaching hospital through its partnership with Touro Medical College of Osteopathic Medicine. It currently offers residency programs in Family Medicine, Internal Medicine, Emergency Medicine, Psychiatry and General Surgery; and in addition it hosts medical students in their 3rd and 4th year required clinical rotations. ORMC is also planning for a Fellowship in Palliative Care in 2018. The medical college is located on the former Horton Medical Center campus.

- Middletown Community Health Center. ORMC is affiliated with the Middletown Community Health Center (the "***Health Center***"). ORMC accepts inpatient referrals from the Health Center.

- Other. ORMC is a participating member of the Northern Metropolitan Hospital Association, an organization of 15 hospital facilities in the Hudson Valley. In addition, ORMC is a member of both the Hospital Association of New York State and the Greater New York Hospital Association.

Finally, ORMC, under the auspices of GHVHS, is participating in the New York State Delivery System Reform Incentive Payment ("***DSRIP***") plan as a member of the Westchester Medical Center Preferred Provider System ("***PPS***") within the mid-Hudson Region. DSRIP is the mechanism by which health care providers throughout New York State are able to reinvest $8 billion in federal savings generated by Governor Cuomo's

Medicaid Redesign Team reforms. DSRIP's aim is to transform and improve healthcare for Medicaid beneficiaries throughout New York State and work towards achieving the triple aim of healthcare: improved patient experience, improving the health of populations, and reduced per capita health care costs.

DSRIP is designed to help promote improvements to the State of New York (the "***State***") healthcare delivery systems. Specific expected improvements include: (i) creating integrated healthcare systems; (ii) reducing avoidable hospital readmissions by 25% over a five year period beginning in 2015; (iii) improving community health by expanding access to preventive and disease management programs; (iv) implementing programs to enhance access to preventive services; and (v) encouraging community involvement to encourage health and wellness.

**Information Technology**

Since the completion of the Medical Center Facility in 2011, ORMC has continued to invest in information technology ("***IT***"). As of December 2014, system-wide electronic health record ("***EHR***") implementation has been installed at ORMC, CRMC and in the primary care practices of the PC. Capital spending over the past five years has been approximately $28 million. ORMC will continue to make routine investments in its IT infrastructure to ensure the needs of the patients and programs it serves are met and that data and equipment are safeguarded.

The American Recovery and Reinvestment Act of 2009 established funding in order to provide incentive payments to hospitals and physicians that demonstrate meaningful use of EHR technology by 2014. ORMC has achieved meaningful use for Stage 1 and Stage 2, which resulted in the maximum incentive payments available of $9.7 million from Medicare and Medicaid. Healthcare Information Management Systems Society ("***HIMSS***") is a global, cause-based, not-for-profit organization which leads efforts to optimize health engagements and care outcomes using IT. The status of HIMSS analytics at ORMC is Level 7, one of only three hospitals in the State and 250 worldwide. HIMSS Stage 7 Analytics is the highest level of the Health Information and Management Systems Society's electronic medical records model. ORMC has continued to be at the forefront of IT development, evidenced by being awarded the Most Wired award in 2016. The Most Wired award is given by the American Hospital Association's Health Forum and the College of Healthcare Information Management Executives. ORMC is one of only 22 hospitals in New York State to be recognized with this honor.

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**Governance and Conflict of Interest**

***Board of Directors***

The ORMC Board of Directors (the "***Board***") is elected by GHVHS, ORMC's sole member and active parent corporation. Directors have been selected to ensure that a variety of community interests and perspectives are represented. Directors reflect a cross section of the community with residences in various service area towns. The Board currently includes eight directors. Each director is eligible to serve three terms of three years each, for a maximum of nine years regardless of whether the terms are consecutive. Directors are listed in the table below. These Directors also serve on the GHVHS Board of Directors. The GHVHS Board of Directors includes an additional twelve directors who are not on the ORMC Board of Directors.

| Director | Professional Affiliations | Board Term status |
|---|---|---|
| Lon Merin, MD | ORMC staff physician; Chief of Anesthesiology Department. | Final term expires December 31, 2019 |
| Terrence Olivo | Chief Operating Officer of Orange-Ulster BOCES. Former Superintendent of Schools, Monroe-Woodbury Central School District. | Final term expires December 31, 2019 |
| Sher Singh | Community Liaison for Rehabilitation Support Services, Inc., Orange County System of Care Initiative. | Final term expires December 31, 2019 |
| Rolland Peacock, III | Vice President of Commercial Lending for Wallkill Valley Federal Savings and Loan Association. | Current term expires April 30, 2018; eligible for one more 3-year term thereafter. |
| Andrew Pavloff | Partner in Knack, Pavloff & Company, LLP, certified public accountants. | Current term expires April 30, 2017; eligible for two more 3-year terms thereafter. |
| Don Beeler | Former CEO and Chairman, NSI Software, Inc. | Current term expires December 31, 2017; eligible for two more 3-year terms thereafter. |
| Jonathan Rouis | Managing Partner of Rouis & Company CPAs, LLP, which merged with Vanacore, DeBenedictus, DiGovanni & Weddell, LLP and Sedore & Company in July of 2016. Member of Sullivan County Legislature. | Current term expires December 31, 2017; eligible for two more 3-year terms thereafter. |
| Edison Guzman | Owner of A & E Advertising and Web Design | Current term expires December 31, 2019; eligible for two more 3-year terms thereafter. |

The ORMC bylaws establish a Governance Committee and Performance Improvement Committee. GHVHS operates the following additional committees on behalf of itself and ORMC: Executive Committee, Audit & Compliance Committee, Finance Committee, Strategic Planning Committee, Bioethics Committee and Institutional Review Board.

***Conflict of Interest Policy***

ORMC has adopted a conflict of interest policy. Contracts or transactions involving ORMC and any interested director or officer, or any business in which such director or officer has a financial interest, are subject to ORMC's conflict of interest policy. Failure of a director to comply with the policy is grounds for removal from the Board.

***Corporate Compliance Program***

ORMC maintains a high profile and active Internal Audit & Corporate Compliance Program. The program is led by the Chief Compliance Officer, who has a direct reporting line to the Board Audit & Compliance Committee. The compliance staff also includes a Director and an Internal Auditor. Compliance education is included in new employee & new leader orientations, is part of annual education, as well as physician credentialing and re-credentialing. All staff are encouraged to report issues, and an anonymous hotline is also advertised. An aggressive

annual work plan is developed and carried out by the Audit & Compliance Committee to ensure full compliance with federal and state rules and regulations.

***Overlaps with GHVHS***

Each ORMC director also serves on the GHVHS board of directors; however, the entire GHVHS board of directors comprises 20 individuals, including all of the CRMC directors, several community members not otherwise serving on either the ORMC or CRMC board, and the GHVHS President & CEO ex officio. The Executive Staff members of ORMC described immediately below also serve GHVHS in the same capacities.

**Executive Staff**

ORMC's executive staff, comprised of 13 members, is headed by its President and Chief Executive Officer, Scott Batulis. Several ORMC executive staff members hold positions at both ORMC and GHVHS and maintain responsibility system-wide. Information regarding select executive staff members is presented below.

Scott Batulis, President & Chief Executive Officer, age 58. Mr. Batulis has been the President and Chief Executive Officer for GHVHS and ORMC since August 2006 and President of CRMC since 2007. Mr. Batulis has more than 25 years of experience in healthcare administration including strategic planning, financial management, business development, mergers and acquisitions, hospital construction, operations management, physician relations, human resource development and fundraising. Throughout his leadership career, his broad-based healthcare system responsibilities have included hospital care, primary and specialty care, chronic care, senior care and home healthcare.

Prior to joining GHVHS, Mr. Batulis spent nearly 20 years with HealthEast Care System, a network of integrated care services including hospitals, clinics, rehabilitation and specialty care facilities, headquartered in St. Paul, Minnesota. Within this network, he held the positions of Vice President of HealthEast Care System, Chief Executive Officer of St. Joseph's Hospital and Chief Executive Officer of Bethesda Rehabilitation Hospital.

As a Vice President within the HealthEast Care System, Mr. Batulis' responsibilities crossed a number of modalities including heart care and neurosciences in three of the network's hospitals. Additionally, he provided leadership over the HealthEast Ambulance service, Hospice care and outreach laboratory businesses as well as having served on the Board of Directors for HealthEast Home Care.

As Chief Executive Officer at St. Joseph's, his leadership marked a turning point for this hospital slated to close. He is credited with successfully leading teams through a $20 million capital campaign and an $81 million campus expansion/renovation plan. Prior to joining St. Joseph's, Mr. Batulis served as Chief Executive Officer of Bethesda Rehabilitation Hospital. While in this capacity, he also managed HealthEast's six nursing homes, five assisted living facilities, ambulance company, medical equipment company, home health care agency and three retail pharmacies.

He has a Master's of Business Administration degree from the University of St. Thomas in St. Paul, Minnesota and a Bachelor of Science degree in Long Term Care Administration from the University of Minnesota. He is a member of the American College of Healthcare Executives.

Mr. Batulis is member of the Greater New York Hospital Association Board of Directors; a member of the American Hospital Association's Regional Policy Board; a member of the Northern Metropolitan Hospital Association Board of Directors; a member of the Orange County Partnership Board of Directors and a member of the American College of HealthCare Executives.

Richard Carrico, Chief Financial Officer, age 57. Mr. Carrico has been Chief Financial Officer for GHVHS and ORMC since March 2014. Rick Carrico is responsible for all finance planning and accounting operations, patient financial services, managed care and treasury management for the GHVHS.

Mr. Carrico has over 30 years of health care finance experience in hospitals and healthcare systems. Prior to joining GHVHS, Mr. Carrico served as the Executive Vice President and Chief Financial Officer for Springstone LLC, a private equity sponsored company that develops and operates behavioral health hospitals. He also served as Associate Chief Financial Officer and Vice President of Finance for Norton Healthcare, the largest community based healthcare system in Louisville, KY and as Vice President of Internal Audit for Kindred Healthcare, a nationwide investor owned healthcare company.

Mr. Carrico is a Certified Public Accountant, has a Bachelor of Arts degree in Accounting and obtained his Master's degree in Business Administration from the Mendoza College of Business at the University of Notre Dame.

Mr. Carrico is a member of the Healthcare Financial Management Association and has held various board governance roles with Passport Health Plan, Junior Achievement and Habitat for Humanity.

Joseph Anesi, General Counsel, age 57. Mr. Anesi joined ORMC as General Counsel in September 2007. He has over 30 years of diverse legal experience, including health and managed care law, contracting, healthcare regulatory and transactional work, as well as general business and corporate practice, litigation and arbitration. Prior to joining ORMC, Mr. Anesi served as Associate General Counsel for United Health Care/Oxford Health Plans since September 2003, where he negotiated provider contracts with hospitals and physician groups throughout the Northeast. Prior to that, Mr. Anesi spent 10 years as counsel at Universal Healthcare-CNY, Inc. where he provided a variety of legal support, including advising senior management regarding managed care operations, represented Univera to the New York State Departments of Health and Insurance, and negotiated comprehensive medical services agreements with numerous IPAs and PHOs.

Mr. Anesi graduated from the University of Rochester with a BA degree and then went on to earn his JD from Duke University School of Law. Mr. Anesi also holds an MPH degree from the Harvard University School of Public Health. He was admitted to the New York State Bar in February 1985.

James Oxley, D.O., Chief Medical Officer, age 68. Dr. Jim Oxley is responsible for leading the overall integration and coordination of medical care with physicians, providing medical expertise, advocating for medical staff and partnering on quality initiatives for the GHVHS and ORMC.

Dr. Oxley has been with ORMC since 1981, starting his tenure as a staff physician in the Emergency Department at Arden Hill Hospital. He maintains privileges to practice emergency and internal medicine at ORMC. In 2010, Dr. Oxley was appointed an executive leadership role with GHVHS to which he provides medical staff leadership and oversight for all member hospitals. Dr. Oxley is also the Director of Medical Education for ORMC's Medical and Graduate Residents under NYCOMEC.

From 1981 to 1985, he was Chief of the Internal Medicine Clinic at Keller Army Hospital in West Point. In 1985, he became the Chairman of the Emergency Medicine Department at Arden Hill Hospital, which later merged with Horton Medical Center to form ORMC, and held the position until 2006. From 2004 to 2006, Dr. Oxley was Chairman of Staff and, in 2006, he became Chief of Staff. In 2008, he became the Vice President of Medical Affairs for ORMC. In this position, he provides leadership to the medical staff and an overall medical perspective and expertise to the administration. He is also responsible for integration and coordination of medical care in collaboration with leaders in various departments and physicians privileged to practice at ORMC. In addition, Dr. Oxley volunteered his time as a member of the Board from 2006 to 2008 and has been a member of the Foundation's Board of Trustees since 2004. He is also a member physician on the Orange County Board of Health Advisory Board.

He earned a Bachelor of Science Degree from the U.S. Military Academy at West Point and served in the Army as a Special Services Officer. He also served in the medical corps as an internal medicine physician. Dr. Oxley is a graduate of The Philadelphia College of Osteopathic Medicine and is Board-certified in Internal Medicine and is a Fellow in the American College of Emergency Physicians.

Jonathan Schiller, Chief Operating Officer, age 44. Mr. Schiller joined ORMC in 2004 as Administrator of Revenue Cycle Management and was later promoted to Vice President and Site Administrator of the Arden Hill Campus. In 2009 he was promoted to Vice President of Hospital Operations in which he oversaw operations on the Arden Hill Campus in addition to providing organizational leadership to Food Services; Facilities; Psychiatry; Perioperative Services; Environmental Services; BioMedical Services; Security; Laboratory and Pharmacy. In 2011 he was promoted to Chief Operating Officer in which he oversees daily operation of ORMC.

Prior to joining ORMC, Mr. Schiller was the Director of Patient Accounting at New York University Medical Center, and a member of Cap Gemini, Ernst and Young's national healthcare consulting practice, with specific areas of focus in hospital revenue cycle management and financial turn-around projects.

Mr. Schiller earned a Bachelor of Science degree in Social Services from LeMoyne College and has Master of Health Systems Administration degree from Rochester Institute of Technology. He is a member of the American College of Healthcare Executives and Healthcare Financial Management Association. He volunteers his time as a member of the Board of Directors of the American Heart Association, Hudson Valley Chapter as well as the Board of Directors for Leadership Orange and Christ Health Care Ministry.

Rosemary Baczewski, Chief Quality Officer, age 58. Ms. Baczewski is responsible for the overall direction of quality management, performance improvement and patient advocacy for the GHVHS. She is also responsible for ensuring compliance with The Joint Commission standards, Institute for Healthcare Improvement (IHI) and National Quality Forum (NQF) initiatives. With an extensive background in Process Improvement, Ms. Baczewski has worked in the healthcare industry for more than 20 years. Prior to joining the GHVHS in 2011, Ms. Baczewski served as the Senior Director of the RN Labor Management Initiative with the League of Voluntary Hospitals and Homes/1199 SEIU Training and Education Fund. She also served as Director of Process Management for Horizon BlueCross/BlueShield of New Jersey, Executive/Managing Consultant for Johnson & Johnson Health Care Systems and as a Consulting Director for McFaul & Lyons.

Ms. Baczewski has a Bachelor of Science degree in Nursing from Columbia University and a Master's certificate in Strategic Growth and Change from Columbia University Graduate School of Business. She is a Master Black Belt in Lean Six Sigma and is a Lean Expert.

Brian Tew, Vice President, Information Technology & Chief Information Officer, age 51. Brian Tew is responsible for the oversight of information technology for the GHVHS and for the continued advancement of technology for both CRMC and ORMC.

Prior to joining GHVHS, Mr. Tew served as VP of Operations, Chief Information Officer at Catholic Medical Center in Manchester, New Hampshire, where he managed all information systems, telephony, attendant services, medical records, clinical engineering, security, facilities and environmental services departments. Mr. Tew also oversaw data center management, vendor relationships, Joint Commission readiness and business continuity management. He was instrumental in earning Executive and Board approval for a 5-year strategic plan in 2007 which transformed Catholic Medical Center's paper system into a state-of-the-art electronic system.

Mr. Tew earned his Master of Arts degree in Computer Resources and Information Systems Management from Webster University and a Bachelor of Arts degree in Economics from the University of Richmond. He is affiliated with the American College of Healthcare Executives, Health Information Management Systems Society and College of Healthcare Information Management Executives.

Jerry Dunlavey, Executive Director, PC, age 51. Mr. Dunlavey is the Executive Director of the PC. In this role, he is responsible for providing leadership across the business and clinical operations of the PC, including Information Technology, Finance/Revenue Cycle Management, Human Resources, Business Intelligence, Business and Clinical Integration, Facilities and contracts. The PC currently serves patients throughout Orange and Sullivan Counties at four different locations. In addition to the physician practice, Mr. Dunlavey is responsible for the health system's Intensivist, Hospitalist, Trauma and Acute Surgery Programs. Prior to his role as Executive Director, Mr. Dunlavey was Vice President of Clinical Program Development and Operations. In this capacity, he was responsible for the growth, development and operations of several clinical product lines including cardiology, orthopedics, neuroscience and rehabilitation medicine. He led numerous business development initiatives including the growth of the orthopedic department's Total Joint Program, the development of a Level 2 Neonatal Intensive Care Unit, implementation of elective angioplasty and the development of a pediatric emergency department.

Mr. Dunlavey earned a Bachelor's degree in Finance and a Master of Business Administration degree from Iona College. He also holds a Doctor of Chiropractic degree from Palmer College of Chiropractic.

Joanne Ritter-Teitel, PhD, RN, CEA-BC, Vice President, Patient Care Services & CNO, age 61. Dr. Joanne Ritter-Teitel joined the GHVHS in 2011 and is responsible for providing leadership for nursing throughout the system. Additional responsibilities include oversight for nursing practice, nursing standards and patient care delivery. Prior to joining the GHVHS, Dr. Ritter-Teitel held various nurse management positions including the Chief Nurse Executive at Montefiore Medical Center and served as Nurse Leader at Princeton Healthcare System and Robert Wood Johnson University Hospital.

Dr. Ritter-Teitel holds a Bachelor of Science degree from Columbia University, a Master's in Delivery of Nursing Services from New York University and a PhD in Nursing Administration from the University of Pennsylvania. Dr. Ritter-Teitel has been an active member of American Organization of Nurse Executive (AONE) serving on its Education and Research Committee, Nominating Committee and the Publications Committee. At the state levels she is a member of the New Jersey and New York Organization of Nurse Executives. She is a member of Sigma Theta Tau, the national honor society for nursing. She has also authored national publications and peer-reviewed journals on topics such as professional practice environments for nurses in the hospital setting.

Stephen Sugrue, Vice President, Compliance, Real Estate & Audit, age 45. Mr. Sugrue is responsible for Compliance and Audit oversight, actively working with the Board and management committees to accomplish the goals of the Audit and Compliance Program for the GHVHS. He also oversees GHVHS's real estate portfolio and has executive oversight for major construction, renovation, and relocation projects as well as the ORMC campus expansion plan. As an attorney, he also coordinates the legal activities of these divisions.

Mr. Sugrue's experience includes defending hospitals, nurses and doctors in both private law firms and in the New York State Attorney General's Office. Prior to joining ORMC in 2007, he was Associate General Counsel & Compliance Officer at St. Vincent's Midtown Hospital in New York City.

Mr. Sugrue earned a Bachelor of Science degree, as well as a Juris Doctor and a Certificate of Health Law and Policy from Pace Law School. He is admitted to practice as an attorney in both New York State and Federal Courts. He is also a New York State Registered Nurse and Board-certified in Emergency Nursing and has experience as a Paramedic.

Mr. Sugrue is a member of the Health Care Compliance Association; Greater New York Hospital Association; New York State Bar Association and the Emergency Nurses Association.

Joanne Huber-Sturans, Chief Human Resources Officer, age 47. Ms. Huber-Sturans is responsible for overseeing all aspects of Human Resources strategy and management for the GHVHS. Ms. Huber-Sturans has over 22 years' experience in Human Resources and leadership with the majority of that time being spent in healthcare and hospital systems. In addition to Human Resources oversight, Ms. Huber-Sturans also oversees the Organizational Learning and Development Department, the Volunteer Department and Occupational Health and Wellness for GHVHS.

Prior to joining the system in 2013, Ms. Huber-Sturans was Vice President of Human Resources at Phelps Memorial Hospital Center in Sleepy Hollow, New York which was part of the Stellaris Health System. Prior to working at Phelps, Ms. Huber-Sturans was the Director of Human Resources at St. Luke's Cornwall Hospital in Newburgh, New York and also worked in Human Resources at Vassar Brothers Medical Center in Poughkeepsie, New York and prior to that worked in the private sector in various leadership roles.

Ms. Huber-Sturans received her Bachelor's degree in Business Administration from Marist College and holds a Master's degree in Human Resources Management from Mercy College. She also holds a national certification as a Senior Professional in Human Resources (SPHR) through the Human Resources Certification Institute and as a Senior Certified HR Professional (SHRM-SCP) through the National Society for Human Resources. Ms. Huber-Sturans is a national and local member of the Society for Human Resources; serves as a member of the Statewide Human Resources Advisory Council through the Healthcare Association of New York and is a member of the American Society for Healthcare Human Resources Administration and the American College of Healthcare Executives.

David L. Smith, Vice President Marketing and Strategic Planning, Age 65. Mr. Smith was appointed Vice President Marketing and Strategic Planning in November 2016. Mr. Smith is responsible for overseeing the development and implementation of the GHVHS's Vision and Strategic Plan, marketing and public relations strategies, community health outreach and plans, business development, product/service line growth and development, physician liaison, and government/regulatory affairs.

Mr. Smith has over 35 years of healthcare experience in hospitals and healthcare systems. Prior to joining GHVHS, Mr. Smith was Senior Vice President, Chief Strategy and Network Development Officer at Stamford Health in Stamford, CT. At Stamford Health he led the development of the Stamford Health System's strategic plan, annual strategic action plan, facility master plan, medical staff development plan, and implementation of a multi-site

ambulatory network, joint ventures, heart, cancer and orthopedic affiliations, new replacement hospital campus, medical office building, and employed medical group.

Mr. Smith previously served as Senior Vice President, System Development and Executive Vice President, Suburban Health Enterprises at Suburban Hospital Health Care System in Bethesda, Maryland, Senior Vice President Planning and Marketing at Franklin Square Hospital Center, Baltimore Maryland, and Director of Regulatory Affairs at Alta Bates Health System, Berkeley, California.

Mr. Smith has a Bachelor of Arts Degree from the Pennsylvania State University and a Master of Science in Public Health Degree from the University of Missouri. He is a Fellow in the American College of Healthcare Executives, a member of the Society for Healthcare Strategy and Market Development, and has held numerous Board leadership positions in local community agencies.

**Medical Staff**

Members of ORMC's medical staff are appointed by the Board pursuant to the Medical Staff Bylaws that have been adopted and approved by the Board. As of January 24, 2017, ORMC's medical staff totaled 730 providers, including 634 physicians and 96 mid-level providers, with an average age of 48 years. On an aggregate basis, 88% of ORMC's medical staff physicians are board certified. All physicians newly joining the medical staff are required to be board certified within five years of completing a residency program.

**Distribution of Active Medical Staff, by Age Group and Department as of January 24, 2017**

| | Age[1] | | | | Total | Board |
|---|---|---|---|---|---|---|
| Department | <45 Younger | 46-55 | 56-65 | >65 | Medical Staff | Certified |
| Anesthesia | 8 | 5 | 7 | 1 | 21 | 19 |
| Cardiology | 20 | 12 | 11 | 2 | 45 | 41 |
| Critical Care / Pulmonary | 7 | 9 | 4 | 1 | 21 | 21 |
| Diagnostic Imaging | 8 | 7 | 7 | 1 | 23 | 22 |
| Emergency Medicine | 19 | 3 | 3 | - | 25 | 21 |
| ENT | 9 | 11 | 8 | 4 | 32 | 28 |
| Family Medicine | 20 | 8 | 11 | 6 | 45 | 39 |
| Gastroenterology | 8 | 9 | 1 | - | 18 | 18 |
| Medicine | 82 | 34 | 22 | 17 | 155 | 136 |
| Medicine/Pediatric | 1 | 2 | - | - | 3 | 3 |
| Neuroscience | 8 | 6 | 3 | 2 | 19 | 19 |
| OB/GYN | 15 | 12 | 12 | 2 | 41 | 32 |
| Orthopedics | 19 | 9 | 6 | 5 | 39 | 27 |
| Pathology | 5 | 9 | 2 | - | 16 | 16 |
| Pediatrics | 24 | 20 | 13 | 7 | 64 | 58 |
| Psychiatry | 8 | 2 | 4 | 3 | 17 | 14 |
| Radiation Oncology | - | - | 2 | 1 | 3 | 3 |
| Rehabilitation Medicine | 4 | 5 | 1 | - | 10 | 10 |
| Surgery | 7 | 14 | 8 | - | 29 | 26 |
| Urology | 4 | 3 | 1 | - | 8 | 7 |
| **Total** | **276** | **180** | **126** | **52** | **634** | **560** |

(1) Data is for medical doctors, doctors of osteopathic medicine and podiatrists only and does not include mid-level providers.

ORMC maintains a relatively young medical staff with the average age of the 20 top admitting physicians being 42. In addition, 72% of the physicians are under the age of 55 with physicians age 65 and over representing only about 8% of ORMC's physician staff. An average of 13% of ORMC's medical staff is comprised of Advanced Practice Professionals. These Nurse Practitioners, Physician Assistants, and Certified Registered Nurse Anesthetists are vital to delivering quality care in this changing healthcare climate. Management believes that these statistics indicate that ORMC is insulated from decline due to physician recruitment and has the potential for growth as existing physician practices mature.

**Top 20 Admitting Specialties**

| Rank | Admissions | Specialty | % of total |
|---|---|---|---|
| 1 | 5,495 | Hospitalist[1] | 24.7% |
| 2 | 5,348 | Internal Medicine | 24.0% |
| 3 | 2,187 | Obstetrics and Gynecology | 9.8% |
| 4 | 2,007 | Pediatrics | 9.0% |
| 5 | 1,098 | Surgery | 4.9% |
| 6 | 1,012 | Medicine | 4.5% |
| 7 | 916 | Psychiatry | 4.1% |
| 8 | 795 | Orthopedic | 3.6% |
| 9 | 607 | Rehabilitation | 2.7% |
| 10 | 591 | Nephrology | 2.7% |
| 11 | 586 | Neonatology | 2.6% |
| 12 | 452 | Critical Care Pulmonology | 2.0% |
| 13 | 381 | General Medicine | 1.7% |
| 14 | 239 | Family Medicine | 1.1% |
| 15 | 180 | General Surgery | 0.8% |
| 16 | 114 | Urology | 0.5% |
| 17 | 103 | Trauma Surgery | 0.4% |
| 18 | 78 | Cardiology | 0.3% |
| 19 | 69 | Vascular Surgery | 0.3% |
| 20 | 68 | Hematology | 0.3% |
| **Total:** | **22,326** | | **100.0%** |

(1) Includes admitting numbers through the Emergency Room Department.

**Employees**

As of September 30, 2016, ORMC employed 2,750 employees representing 1,967 full-time equivalents. Of the 2,750 total, 830 are nurses including 188 full-time, 542 part-time and 100 per diem. The nursing vacancy rate is approximately 9.1% and the non-nursing vacancy rate is approximately 5.21%.

Approximately 85% of the total employees of ORMC are represented by collective bargaining agreements; ORMC maintains a good relationship with these organizations. The collective bargaining organizations and the expiration dates of their contracts with ORMC are detailed below.

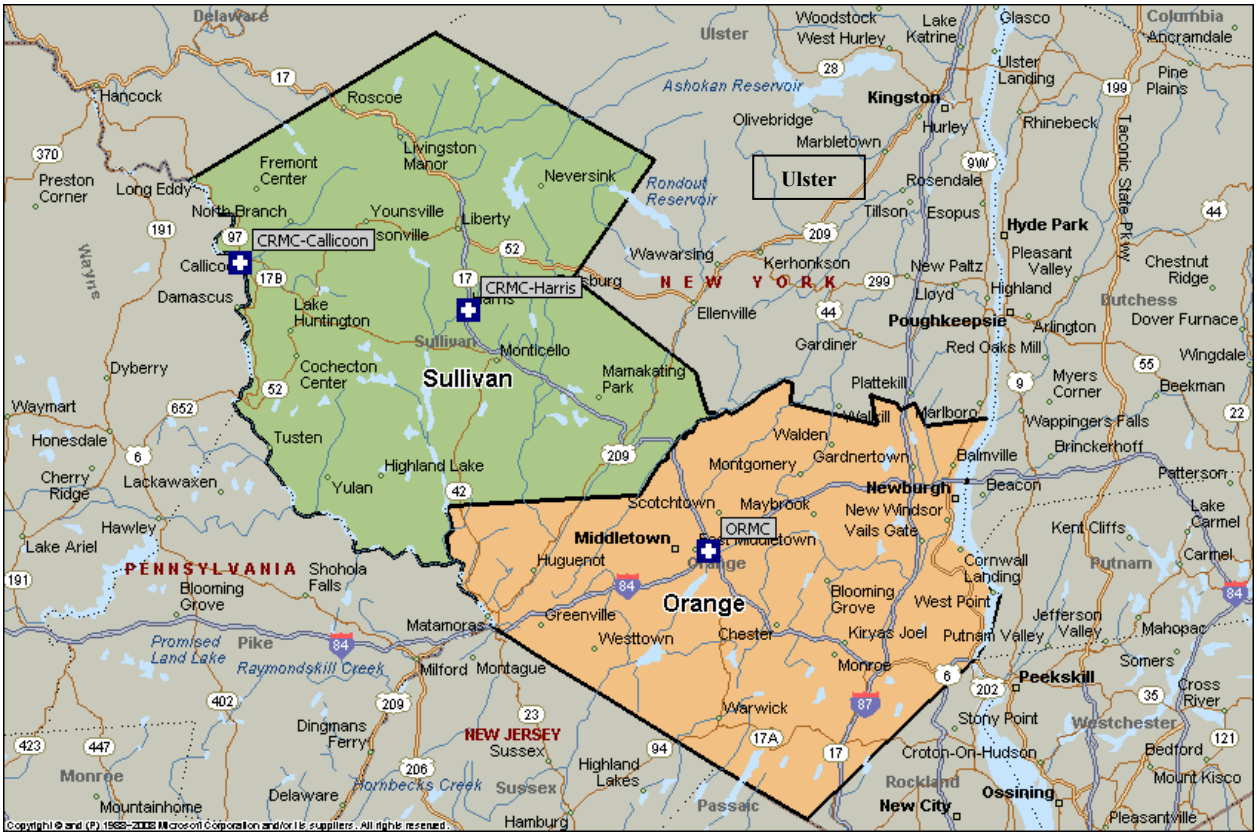
| **Organization** | **Expiration of Contract** |
|---|---|
| **New York's Health & Human Service Union 1199 SEIU** | |
| Registered Nurses Unit | September 30, 2018 |
| Technical Employee Unit | April 30, 2018 |
| Service Employee Unit | April 30, 2018 |
| Professional Employee Unit | April 30, 2018 |
| Clerical Employee Unit | April 30, 2018 |
| **Security, Police, Fire Professionals of America Local 530[1]** | |
| Security Officer Unit | March 31, 2017 |

(1) Please note that the Security Employees have filed a petition for election for representation by a different union. An election is pending and if successful it will result in the decertification of the current union and potential representation by a new union.

**Service Area Overview**

ORMC's RSA encompasses all of Orange and Sullivan Counties, an area comprising about 1,800 square miles. According to Environmental Systems Research Institute ("***ESRI***"), the RSA, highlighted in the map below, has a current population of approximately 462,663 in 2016. According to the New York State SPARCS database in 2015, ORMC draws approximately 75% of its total inpatient discharges from Orange County, and 12% from

Sullivan County for a total of 87% from the RSA, while another 6.9% of its inpatient discharges originate from Ulster County, which borders the RSA to the northeast.




***Growing and Aging Population***

The RSA's population has been growing for years and recent projections indicate the growth will continue. From 2010 to 2016, Orange County's population grew at an annual rate of 0.6% per ESRI.

**Population Growth by County and Region, 2000 – 2016 and Projected 2016 - 2021**

| Area | 2000 | 2010 | 2016 | % Population > 65 Years Old | Projected 2021 | % CAGR 2000-2010 | %CAGR 2010-2016 | % CAGR 2016-2021 |
|---|---|---|---|---|---|---|---|---|
| Orange County | 341,367 | 372,813 | 385,486 | 13.1% | 397,074 | 0.9% | 0.6% | 0.6% |
| Sullivan County | 73,966 | 77,547 | 77,177 | 17.4% | 76,941 | 0.5% | (0.1%) | (0.1%) |
| **RSA** | **415,333** | **450,360** | **462,663** | **13.8%** | **474,015** | **0.8%** | **0.5%** | **0.5%** |
| New York | 18,976,457 | 19,378,102 | 19,934,506 | 15.5% | 20,445,093 | 0.2% | 0.5% | 0.5% |
| United States | 281,421,906 | 308,745,538 | 323,580,626 | 15.0% | 337,326,118 | 0.9% | 0.8% | 0.8% |

Source: U.S. Census Bureau; ESRI

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**RSA Population Trends by Age Group, 2000 – 2016 and Projected 2016 – 2021**

**RSA Population by Age Group**

| Age Group | 2000 | 2010 | 2016 | Projected 2021 | % CAGR 2000-2010 | %CAGR 2010-2016 | % CAGR 2016-2021 |
|---|---|---|---|---|---|---|---|
| 0-14 | 98,379 | 97,715 | 94,383 | 92,433 | (0.1%) | (0.6%) | (0.4%) |
| 15-44 | 177,555 | 176,408 | 176,737 | 180,600 | (0.1%) | 0.0% | 0.4% |
| 45-64 | 93,630 | 123,797 | 127,695 | 126,088 | 2.8% | 0.5% | (0.3%) |
| 65-74 | 24,112 | 29,142 | 38,401 | 45,505 | 1.9% | 4.7% | 3.5% |
| 75-84 | 15,916 | 16,444 | 17,581 | 21,331 | 0.3% | 1.1% | 3.9% |
| 85+ | 5,741 | 6,854 | 7,866 | 8,058 | 1.8% | 2.3% | 0.5% |
| Total | 415,333 | 450,360 | 462,663 | 474,015 | 0.8% | 0.5% | 0.5% |

Source: U.S. Census Bureau; ESRI

***Household Income***

ORMC's RSA median household income exceeds New York State's and the nation's median household income.

| Area | 2016 | % Households > $35,000 | Proj. 2021 | Proj. % CAGR |
|---|---|---|---|---|
| Orange County | $73,554 | 76.7% | $81,950 | 2.2% |
| Sullivan County | 50,568 | 64.4% | 55,715 | 2.0% |
| RSA | **$67,346** | 74.3% | **$77,042** | 2.7% |
| New York | $58,196 | 68.6% | $65,431 | 2.4% |
| United States | 54,149 | 67.3% | 59,476 | 1.9% |

Source: U.S. Census Bureau; ESRI

***Labor Force and Economics***

ORMC is located within the New York State Department of Labor's Hudson Valley Region (the "***Region***"). For the 12 month period ending October 2016, private sector employment in the Region increased by 1.3%, or 10,300 jobs. Gains were strongest in the educational and health services fields followed by the professional and business services. The Orange County economy is driven largely by the services, retail trade and public administration industries. According to the New York State Bureau of Labor Statistics, Orange County unemployment fell from 6.8% in 2013 to 4.3% in October 2016.

Sullivan County's unemployment rate has declined as well, dropping from 8.1% in 2013 to 4.5% in October 2016. In 2015, Sullivan County was selected as one of several locations in New York State for the construction of a large casino complex. Construction on the $1 billion Montreign Casino Resort project has begun and is projected to create 1,400 new full-time jobs and anticipates opening in early 2018. In addition to the Montreign Casino Resort, construction for the $90 million Veria Lifestyle Wellness Resort is underway and the resort is slated to open in 2017. The resort will feature a hotel and wellness center and is projected to create 200 new jobs. Finally, approval is being sought for the construction of a Legoland theme park in Goshen, NY in the center of Orange County. If approved, the park will encompass 153 acres and is projected to create 500 new full-time jobs.

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**Top Orange County Employers**

| Company | Location | Industry | Employees |
|---|---|---|---|
| U.S. Military Academy (civilian personnel) | West Point | Education; military base | 3,120 |
| Orange Regional Medical Center | Middletown | Healthcare/hospital | 2,524 |
| Crystal Run Healthcare | Middletown | Healthcare/physician practice | 1,800 |
| Access: Supports for Living | Middletown | Nonprofit/rehabilitation | 1,289 |
| St. Luke's Cornwall Hospital | Newburgh | Healthcare/hospital | 1,247 |
| Elant Inc. | Goshen | Healthcare; senior health/housing | 1,200 |
| C&S Wholesale Grocers Inc. | Newburgh | Food distribution | 1,107 |
| Mount Saint Mary College | Newburgh | Education | 1,000 |
| Empire Blue Cross/Blue Shield | Middletown | Health insurance | 795 |
| Time Warner Cable | Middletown | Communications | 750 |

Source: Orange County Partnership 2015

ORMC's RSA unemployment rate is below both New York State and national levels.

**October 2016 Labor Statistics**

| Area | Labor Force | Employed | Unemployed | Unemployment Rate |
|---|---|---|---|---|
| Orange County | 178,600 | 170,900 | 7,700 | 4.3% |
| Sullivan County | 33,600 | 32,100 | 1,500 | 4.5% |
| RSA | 212,200 | 203,000 | 9,200 | 4.3% |
| New York | 9,608,227 | 9,113,064 | 495,163 | 5.2% |
| United States | 159,712,000 | 151,925,000 | 7,787,000 | 4.9% |

Note: Labor force data are preliminary.

Source: U.S. Census Bureau, New York State Department of Labor

## Market Share

### *Area Competitors*

ORMC's management has identified the following hospitals as competitors based on their location and percentage of discharges from the RSA.

**RSA Providers**

| Facility Name | Location | County | Certified Beds[1] | 2015 RSA Discharges | Distance (in miles) from ORMC |
|---|---|---|---|---|---|
| Orange Regional Medical Center | Middletown, NY | Orange | 383 | 20,748 | - |
| Catskill Regional Medical Center[2] | Harris, NY | Sullivan | 169 | 4,044 | 33 |
| Great Hudson Valley Health System Total | | | 552 | 24,792 | |
| St. Luke's/Cornwall Hospital[3] | Newburgh, NY | Orange | 345 | 8,919 | 21 |
| Good Samaritan[4] | Suffern, NY | Rockland | 286 | 2,907 | 38 |
| Bon Secours Community[4] | Port Jervis, NY | Orange | 122 | 2,390 | 21 |
| St. Anthony's[4] | Warwick, NY | Orange | 60 | 2,180 | 16 |
| Westchester Medical Center | Valhalla, NY | Westchester | 652 | 2,975 | 51 |
| Westchester Medical Center Health Network Total | | | 1,120 | 10,452 | |

(1) Certified beds based on current NY State Department of Health operating certificates

(2) Beds and discharges represent combined amounts from CRMC's main location in Harris, NY and critical access hospital in Callicoon, NY. Distance is measured from the Harris location.

(3) Includes combined certified beds at both Newburgh (242) and Cornwall (103) campuses; Cornwall campus does not operate any inpatient beds at this time. St. Luke's/Cornwall Hospital joined the Montefiore Health System in January 2016.

(4) In May 2015, Bon Secours Charity Health System (which is composed of Good Samaritan, Bon Secours Community and St. Anthony's) entered into a joint venture with Westchester Medical Center in which Westchester Medical Center holds majority ownership of Bon Secours Charity Health System and controls its day-to-day operations.

Source: Discharges per New York State SPARCS database

ORMC's goal to become the healthcare provider of choice in the region has been realized to a large extent given its leading RSA market share, as presented below. In 2015, ORMC maintained a market share within its RSA of 38.7%. From a system standpoint, GHVHS is the leading provider in the RSA with ORMC and CRMC combining for 2015 market share of 46.2%.

**RSA Market Share, 2013 – 2015**

| | Fiscal Year Ended December 31, | | |
|---|---|---|---|
| | **2013** | **2014** | **2015** |
| Orange Regional Medical Center | 34.9% | 38.9% | 38.7% |
| Catskill Regional Medical Center | 8.4% | 7.6% | 7.5% |
| Greater Hudson Valley Health System | 43.3% | 46.5% | 46.2% |
| St. Luke's/Cornwall Hospital[(1)] | 17.1% | 16.7% | 16.6% |
| Nyack Hospital[(2)] | 0.8% | 0.9% | 1.6% |
| Montefiore Medical Center | 0.7% | 0.5% | 0.5% |
| Other Montefiore Hospitals | 0.3% | 0.3% | 0.3% |
| Montefiore Health System | 18.9% | 18.4% | 19.0% |
| Good Samaritan[(3)] | 8.0% | 6.2% | 5.4% |
| Bon Secours Community[(3)] | 5.1% | 4.5% | 4.4% |
| St. Anthony's[(3)] | 4.4% | 4.0% | 4.1% |
| Westchester Medical Center | 5.6% | 5.4% | 5.5% |
| MidHudson Regional Hospital[(4)] | 0.6% | 0.6% | 0.5% |
| Westchester Medical Center Health Network Total | 23.7% | 20.7% | 19.9% |
| New York Presbyterian | 2.7% | 2.8% | 2.7% |
| Vassar Brothers Medical Center | 1.8% | 1.9% | 2.2% |
| Mt. Sinai | 1.8% | 2.0% | 2.0% |
| Other | 7.8% | 7.7% | 8.0% |
| **Total** | **100.0%** | **100.0%** | **100.0%** |

(1) St. Luke's/Cornwall Hospital joined the Montefiore Health System in January 2016.
(2) Nyack Hospital joined the Montefiore Health System in August 2014.
(3) In May 2015, Bon Secours Charity Health System (which is composed of Good Samaritan, Bon Secours Community and St. Anthony's) entered into a joint venture with Westchester Medical Center in which Westchester Medical Center holds majority ownership of Bon Secours Charity Health System and controls its day-to-day operations.
(4) MidHudson Regional Hospital was acquired by Westchester Medical Center in May 2014.

Source: New York State SPARCS database

In service lines, ORMC ranks first in market share for the 20 clinical service lines listed below.

**Product Lines in Which ORMC Ranks First in RSA Market Share**

| | |
|---|---|
| Cardiac Cath | Neonatology |
| Cardiology | Nephrology |
| Endocrinology | Neurology |
| ENT | Obstetrics |
| Gastroenterology | Oncology |
| General Medicine | Orthopedics |
| General Surgery | Psychiatry |
| Gynecology | Pulmonary |
| Hematology | Rehabilitation |
| Infectious Disease | Urology |

Source: New York State SPARCS database

***Outpatient Competition***

A number of sizable private, multi-specialty physician groups in the Orange County region compete with ORMC for outpatient services. The largest of these groups is Crystal Run Healthcare with over 300 practitioners in various locations within the RSA. However, on an inpatient basis, these physician groups comprise a significant portion of ORMC's admissions and are reliant on ORMC as a partner in providing medical care to the community.

**Utilization**

The following tables summarize historical utilization of ORMC for the fiscal years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016. ORMC's total discharges experienced a 0.1% increase in 2015 from fiscal year 2014, and increased 6.5% annually from 2013 to 2015. The increase stems from the acute care service lines of Medical/Surgical and OB/Nursery while NICU, rehabilitation and mental health experienced a slight decline. Total discharges for the nine months ended September 30, 2016 has also increased over the same period in 2015 by 3.0%.

***Inpatient Utilization Statistics***

**Orange Regional Medical Center Discharges**

| | Fiscal Year Ended December 31, | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | **2013** | **2014** | **2015** | **2015** | **2016** |
| **Orange Regional Medical Center** | | | | | |
| Medical/Surgical | 14,521 | 17,369 | 17,147 | 12,792 | 13,372 |
| Obstetrics/Delivery | 1,955 | 1,863 | 2,045 | 1,583 | 1,506 |
| Nursery | 1,654 | 1,523 | 1,746 | 1,353 | 1,312 |
| NICU | 282 | 251 | 207 | 160 | 164 |
| Rehabilitation | 635 | 628 | 603 | 463 | 433 |
| Mental Health | 1,063 | 1,048 | 959 | 690 | 762 |
| **ORMC Total Discharges** | **20,110** | **22,682** | **22,707** | **17,041** | **17,549** |

**Orange Regional Medical Center Patient Days**

| | Fiscal Year Ended December 31, | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | **2013** | **2014** | **2015** | **2015** | **2016** |
| **Orange Regional Medical Center** | | | | | |
| Medical/Surgical | 66,689 | 78,136 | 81,749 | 62,242 | 62,915 |
| Obstetrics/Delivery | 5,168 | 5,057 | 5,331 | 4,148 | 4,054 |
| Nursery | 3,819 | 3,550 | 3,821 | 2,996 | 2,882 |
| NICU | 2,184 | 1,964 | 2,163 | 1,654 | 1,268 |
| Rehabilitation | 7,669 | 7,988 | 7,499 | 5,790 | 5,447 |
| Mental Health | 10,074 | 10,186 | 10,211 | 7,762 | 7,595 |
| **ORMC Total Patient Days** | **95,603** | **106,881** | **110,774** | **84,592** | **84,161** |

*[Remainder of Page Intentionally Left Blank]*

Occupancy has averaged 74.7%, over the past three fiscal years with a slight increase in Average Length of Stay of 0.1 days during the same time frame. The table below presents inpatient volume statistics for the fiscal years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016.

**Orange Regional Medical Center Select Inpatient Statistics**

| | Fiscal Year Ended December 31, | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2015 | 2016 |
| **Orange Regional Medical Center** | | | | | |
| Available beds | 383 | 383 | 383 | 383 | 383 |
| Average Length of Stay | 4.8 | 4.7 | 4.9 | 5.0 | 4.8 |
| Average Daily Census | 261.9 | 292.8 | 303.5 | 309.9 | 307.2 |
| % Occupancy (Available) | 68.4% | 76.5% | 79.2% | 80.9% | 80.2% |

***Outpatient Utilization Statistics***

Total outpatient visits for ORMC increased 1.9% per year from 2013 to 2015. The tables below present outpatient volume statistics for the fiscal years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016.

**Orange Regional Medical Center Select Outpatient Statistics**

| | Fiscal Year Ended December 31, | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2015 | 2016 |
| **Orange Regional Medical Center and Satellite Facilities** | | | | | |
| Surgery | 7,180 | 6,921 | 7,320 | 5,430 | 5,635 |
| Emergency Room[(1)] | 53,676 | 53,200 | 55,585 | 41,965 | 42,765 |
| Endoscopy Procedures | 3,479 | 3,602 | 3,274 | 2,400 | 2,457 |
| Behavioral Health Visits | 8,874 | 7,447 | 9,538 | 6,956 | 7,428 |
| Laboratory Procedures | 457,895 | 448,297 | 478,610 | 364,965 | 371,512 |
| Imaging Procedures | 123,220 | 115,955 | 119,107 | 89,345 | 91,983 |
| Oncology | 10,955 | 13,890 | 11,472 | 8,606 | 10,037 |
| Radiation Oncology[(2)] | 30,192 | 31,640 | 26,169 | 19,963 | 16,567 |
| Cath Lab Visits | 1,329 | 1,113 | 1,222 | 884 | 1,071 |
| Respiratory & Pulmonary Function | 3,817 | 1,434 | 2,009 | 1,277 | 2,072 |
| Cardiology Services | 31,898 | 29,294 | 32,719 | 24,377 | 26,687 |
| Pt/Ot/Speech Procedures | 43,242 | 47,066 | 44,930 | 32,345 | 36,687 |
| Other Outpatient Procedures | 9,765 | 9,353 | 9,138 | 6,844 | 7,209 |
| Sleep Lab | 918 | 1,012 | 897 | 662 | 641 |
| Substance Abuse Program | 5,030 | 5,432 | 5,349 | 3,854 | 3,877 |
| Wound Care | 3,866 | 16,674 | 17,757 | 13,486 | 9,071 |
| Total ORMC and Satellite Facilities Visits | 795,336 | 792,330 | 825,096 | 623,359 | 635,699 |

(1) Excludes behavioral health encounters and inpatient admissions through the Emergency Room Department.

(2) The decrease in Radiation Oncology outpatient visits commencing in fiscal year 2015 is a result of shortening of the treatment plans for certain procedures, thereby necessitating fewer visits to accomplish the same plan of care.

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**Financial Information**

The following summary information for the Consolidated Statements of Operations for the fiscal years ended December 31, 2013, 2014 and 2015, and the Consolidated Balance Sheets as of December 31, 2013, 2014 and 2015 of ORMC have been derived from the audited consolidated financial statements of ORMC, which have been audited by KPMG, LLP, independent certified public accountants for those periods. The financial information for the fiscal years ended December 31, 2014 and 2015 should be read in conjunction with ORMC's audited consolidated financial statements and related notes for the years included in Appendix B to the Official Statement, including particularly the notes to such statements. The summary Consolidated Statements of Operations for the nine-month periods ended September 30, 2015 and 2016 and the Consolidated Balance Sheet as of September 30, 2016, included in the following tables are derived from unaudited consolidated financial statements of ORMC and include all adjustments, consisting of normal recurring adjustments, that ORMC's management considers necessary for a fair presentation on a basis consistent with the audited financial statements.

The following summary information for the Consolidated Statements of Operations for the fiscal year ended December 31, 2013 and for 11 months of the year ended December 31, 2014, and the Consolidated Balance Sheets as of December 31, 2013 of ORMC included the revenue and expenses associated with ORMC's employed physicians, physician assistants and nurse practitioners (the "***Employed Physicians Financial Results***"), which are now employed by the PC. Effective December 1, 2014, the PC commenced operation as a separate legal entity from ORMC. While the net financial impact to ORMC will remain the same in terms of financial risk, the related financial presentation will differ. ORMC will no longer record net revenue from professional services and related salary and benefits of the physician providers. These revenues and expenses will be recorded by the PC. In addition, the support costs incurred by ORMC will be billed to the PC. Any losses incurred by the PC for services provided will be subsidized by ORMC and CRMC, as applicable, therefore the financial impact to ORMC's profitability will be the same for purposes of comparison year to year. For a description of the contractual relationship between ORMC and the PC, see "ORMC – Corporate Structure – GHVHS Medical Group, P.C." herein.

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**Orange Regional Medical Center**
**Consolidated Statements of Operations**
*($ thousands)*

| | Fiscal Year Ended December 31, | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | **2013** | **2014** | **2015** | **2015** | **2016** |
| Net Patient Service Revenue | $346,883 | $376,249 | $410,018 | $304,844 | $333,944 |
| Other Revenue | 7,278 | 6,229 | 5,073 | 3,571 | 4,916 |
| Net Assets Released from Restrictions | 7 | 18 | 3 | 4 | 1 |
| **Total Operating Revenues** | **$354,168** | **$382,496** | **$415,094** | **$308,419** | **$338,861** |
| Expenses: | | | | | |
| Salaries and Wages | $139,347 | $142,157 | $146,282 | $108,305 | $118,413 |
| Employee Benefits | 61,161 | 57,157 | 59,501 | 44,837 | 50,177 |
| Supplies | 64,572 | 70,093 | 73,587 | 54,488 | 61,438 |
| Purchased Services and Other | 58,187 | 66,934 | 88,100 | 63,333 | 68,714 |
| **Operating Expenses** | **$323,267** | **$336,341** | **$367,470** | **$270,963** | **$298,742** |
| **Operating EBITDA** | **$30,901** | **$46,155** | **$47,624** | **$37,456** | **$40,119** |
| Depreciation and Amortization | 26,407 | 26,415 | 26,521 | 19,861 | 19,525 |
| Interest | 16,187 | 15,827 | 15,578 | 11,652 | 11,497 |
| **Operating Income (Loss)** | **$(11,693)** | **$3,913** | **$5,525** | **$5,944** | **$9,097** |
| Nonoperating Gains | | | | | |
| Nonoperating Gains | $266 | $191 | 532 | 234 | 506 |
| Investment Income | 1,620 | 816 | (17) | (186) | 3,736 |
| **Excess (Deficiency) of Revenues, Gains, Losses and Other Support over Expenses** | **$(9,807)** | **$4,920** | **$6,040** | **$5,992** | **$13,339** |
| **Other Changes in Unrestricted Net Assets:** | | | | | |
| Transfer to/from GHVHS | $(38) | $(887) | $2,127 | $1,407 | $1,423 |
| Transfer to Catskill Regional Medical Center | | | | | |
| Contributions for property plant and equipment | 740 | 1,093 | 1,079 | - | - |
| Pension-Related Changes Other Than Net Periodic Pension Cost | 23,040 | (22,506) | (2,575) | - | - |
| Post Retirement-Related Changes Other Than Net Benefit Cost | (738) | (2,004) | 112 | - | - |
| Net assets released from restriction for property plant and equipment | 24 | 11 | - | - | 82 |
| **Total Other Changes in Unrestricted Net Assets** | **$23,028** | **$(24,293)** | **$743** | **$1,407** | **$1,505** |
| **Total Changes in Unrestricted Net Assets** | **$13,221** | **$(19,373)** | **$6,783** | **$7,399** | **$14,845** |

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**Orange Regional Medical Center**
**Consolidated Balance Sheets**
*($ thousands)*

| | Fiscal Year Ended December 31, | | | As of September 30, |
|---|---|---|---|---|
| | **2013** | **2014** | **2015** | **2016** |
| **Assets** | | | | |
| Cash and Cash Equivalents | $25,187 | $38,747 | $43,080 | $39,137 |
| Patient Accounts Receivable, net | 53,923 | 42,270 | 39,856 | 48,446 |
| Investments | 18,110 | 20,840 | 42,887 | 42,695 |
| Assets Limited or Restricted as to Use | 4,943 | 5,045 | 13,085 | 16,929 |
| Other Current Assets | 19,520 | 22,655 | 25,450 | 22,565 |
| **Total Current Assets** | **121,683** | **129,558** | **164,358** | **169,773** |
| Assets Limited or Restricted as to Use, net of Current Portion | 24,936 | 25,716 | 71,947 | 39,106 |
| Investments | 25,858 | 26,383 | 26,061 | 27,802 |
| Property, Plant, and Equipment, net | 282,215 | 262,382 | 272,852 | 313,545 |
| Other Long Term Assets | 32,258 | 29,529 | 34,906 | 39,165 |
| **Total Noncurrent Assets** | **365,267** | **344,010** | **405,766** | **419,618** |
| **Total Assets** | **$486,950** | **$473,568** | **$570,124** | **$589,391** |
| **Liabilities and Net Assets** | | | | |
| Accounts Payable and Accrued Expenses | $53,905 | $49,744 | $60,238 | $63,182 |
| Current Portion of Long Term Debt | 6,243 | 5,821 | 5,979 | 6,682 |
| Other Current Liabilities | 4,623 | 6,192 | 2,836 | 1,448 |
| **Total Current Liabilities** | **64,771** | **61,757** | **69,053** | **71,312** |
| Long Term Debt, net | 243,878 | 232,276 | 294,610 | 297,343 |
| Accrued Retirement Benefits, net | 38,264 | 56,087 | 52,934 | 48,829 |
| Other Long Term Liabilities | 30,938 | 33,484 | 55,760 | 57,052 |
| **Total Liabilities** | **377,851** | **383,604** | **472,357** | **474,536** |
| **Net Assets** | | | | |
| Unrestricted | 101,245 | 81,872 | 88,655 | 103,500 |
| Restricted | 7,854 | 8,092 | 9,112 | 11,355 |
| **Total Net Assets** | **109,099** | **89,964** | **97,767** | **114,855** |
| **Total Liabilities and Net Assets** | **$486,950** | **$473,568** | **$570,124** | **$589,391** |

**Management's Discussion of Recent Financial Performance**

***Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015***

Acute Medical/Surgical discharges are up 4.5% over prior period while OB/Nursery are down 4.0% over prior period. Operating revenues for ORMC increased $30.4 million, or 9.9% for the nine months ended September 30, 2016, over the same period in 2015, primarily as a result of higher patient volumes and rate increases. Operating expenses increased by $27.8 million, or 10.3% for the same nine month-over-nine month period.

Salaries and employee benefits increased $15.4 million or 10.1% for the Nine Months Ended September 30, 2016, over the same period in 2015, mainly due to higher staffing levels to meet census demands. Supplies increased $7.0 million, or 12.8%, purchased services, insurance and other increased $5.4 million, or 8.5%.

Excess of revenue over expenses for ORMC increased $7.3 million, or 122.6%, for the nine month period September 30, 2016 versus the same period in 2015, primarily as a result of higher investment income and improved operating margin. ORMC's earnings (excluding investment income) before interest expense, taxes, depreciation and amortization ("***Operating EBITDA***") increased $2.7 million, or 7.1% for the Nine Months Ended September 30, 2016 versus the same period in 2015.

ORMC's total assets increased by $19.3 million from December 31, 2015 to September 30, 2016, a 3.4% increase. Cash and equivalents and short-term investments decreased by $4.1 million, or 4.8% for the same period, primarily due to increased capital spending, including the 2015 Project. Current assets increased $5.4 million, or 3.3%, while current liabilities increased $2.3 million, or 3.3%. Within current assets, net patient accounts receivable

increased $8.6 million, or 21.6%. Net days in patient accounts receivable went from 35.5 days at December 31, 2015, to 39.7 days at September 30, 2016, an 11.8% increase, mainly due to delays in collecting Medicaid patient receivables. Net property, plant and equipment assets increased by $40.7 million, or 14.9%, mainly as a result of the construction of the MOB. Long-term debt, including current maturities, increased by $3.4 million, or 1.1%. Total net assets increased $17.1 million, or 17.5%, for the Nine Months Ended September 30, 2016.

***Fiscal Year 2015 Compared to Fiscal Year 2014***

Coming off a strong increase in discharges for the fiscal year ended December 31, 2014, fiscal year ended December 31, 2015 discharges showed a modest increase of 25 or 0.1% over prior year. Outpatient volumes on the other hand showed a year over year increase of 32,766 visits or 4.1%.

Salaries and employee benefit costs increased by $6.5 million or 3.2% for the year ended December 31, 2015, over the same period in 2014. Supplies increased $3.5 million, or 5.0%, purchased services, insurance and other increased $21.2 million, or 31.6%, which represent the shifting and support of the physician practice group from ORMC to the PC.

Excess of revenue over expenses for ORMC was $6.0 million, an increase of $1.1 million, or 22.8%, for the year ended December 31, 2015 versus the same period in 2014. ORMC's Operating EBITDA increased $1.5 million, or 3.2% for the year ended December 31, 2015 versus the same period in 2014.

ORMC's total assets increased by $96.6 million from December 31, 2014 to December 31, 2015, a 20.4% increase. Cash and equivalents and short-term investments increased by $26.4 million, or 44.3% for the same period. Current assets increased $34.8 million, or 26.9%, while current liabilities increased $7.3 million, or 11.8%. Within current assets, net patient accounts receivable decreased $2.4 million, or 5.7%. Net days in patient accounts receivable went from 41.0 days at December 31, 2014, to 35.5 days at December 31, 2015, a 13.4% decrease. Net property, plant and equipment increased by $10.5 million, or 4.0%. Long-term debt, including current maturities, increased by $62.5 million, or 26.2% as a result of the issuance of the Series 2015 Bonds on April 30, 2015 in the amount of $66.1 million. Total net assets increased $7.8 million, or 8.7%, for the year ended December 31, 2015.

***Fiscal Year 2014 Compared to Fiscal Year 2013***

Inpatient discharges for 2014 increased by 2,572, or 12.8%. ORMC added services related to trauma, pediatric emergency services and hand surgery in 2014, resulting in an increase in inpatient volume. Inpatient revenue as a percent of total patient revenue increased to 65% in 2014 from 64% in 2013. Outpatient volumes increased at a slower rate and as a result, outpatient net revenue as a percent of total patient revenue decreased to 35% in 2014 from 36% in 2013. Operating revenues for ORMC increased $28.3 million, or 8.0% for the year ended December 31, 2014, over the same period in 2013. Operating expenses increased by $13.1 million, or 4.0% for the same year-over-year period. The increase in revenues and expenses were largely attributable to the inpatient volume increase over the previous year.

Salaries and employee benefits decreased by $1.2 million or 0.6% for the year ended December 31, 2014, over the same period in 2013. Supplies increased $5.5 million, or 8.6%, purchased services, insurance and other increased $8.7 million, or 15.0%. In 2013, management reduced its workforce in response to lower patient utilization. The savings associated with this workforce reduction resulted in less salary costs in 2014. In addition, there were one time pension and retirement cost reductions in 2014 which decreased benefit costs. Other initiatives that favorably impacted operating results were process improvements that focused on decreasing controllable patient insurance claim denials; improving the utilization management processes related to observation patients to more accurately determined medical necessity for inpatient admissions; and continued focus on efficient productivity staffing and supply chain initiatives implemented in 2013.

Excess of revenue over expenses for ORMC was $4.9 million, an increase of $14.7 million for the year ended December 31, 2014 versus the same period in 2013. ORMC's Operating EBITDA increased $15.3 million, or 49.4% for the year ended December 31, 2014 versus the same period in 2013.

ORMC's total assets decreased by $13.4 million from December 31, 2013 to December 31, 2014, a 2.7% decrease, due to a net decrease in property, plant and equipment. Cash and equivalents and short-term investments increased by $16.3 million, or 37.6% for the same period. The increase in cash and equivalents resulted from revenue cycle process improvement initiatives implemented in the second quarter of 2014. The process

improvements emphasized point of service collection increases, patient access and utilization efforts to reduce the incidences of claim denials and acceleration of billing and collection processes. Current assets increased $7.9 million, or 6.5%, while current liabilities decreased $3.0 million, or 4.7%. Within current assets, net patient accounts receivable decreased $11.7 million, or 21.6%. Net days in patient accounts receivable went from 56.7 days at December 31, 2013, to 41.0 days at December 31, 2014, a 27.7% decrease. Net property, plant and equipment decreased by $19.8 million, or 7.0%, as a result of depreciation expense that exceeded lower capital spending for such fiscal year. Long-term debt, including current maturities, decreased by $12.0 million, or 4.8%. Total net assets decreased $19.1 million, or 17.5%, for the year ended December 31, 2014.

**Selected Financial Statistics**

The following tables present selected historical financial statistics and trends, reflecting ORMC's profitability, liquidity and leverage. The tables' financial statistics and trends for fiscal year ended December 31, 2013 and for 11 months of the year ended December 31, 2014 include the Employed Physicians Financial Results. Since 2013, ORMC has improved across all key metrics.

**Key Financial Statistics and Trends**

| | Fiscal Year Ended December 31, | | |
|---|---|---|---|
| | **2013** | **2014** | **2015** |
| **Profitability Ratios** | | | |
| Operating Margin[(1)] | (3.3%) | 1.0% | 1.3% |
| Operating EBITDA Margin[(2)] | 8.7% | 12.1% | 11.5% |
| **Liquidity Ratios** | | | |
| Cash to Debt[(3)] | 27.6% | 36.1% | 37.3% |
| Days Cash on Hand[(4)] | 74.4 | 89.1 | 106.7 |
| **Leverage Ratios** | | | |
| Debt to Operating EBITDA[(5)] | 8.1x | 5.2x | 6.3x |
| MADS Coverage[(6)] | 1.4x | 2.2x | 2.0x |

(1) Defined as operating income (loss) divided by operating revenue.
(2) Defined as operating revenue less operating expenses plus interest expense, taxes and depreciation and amortization expense divided by operating revenue.
(3) Defined as the sum of cash and unrestricted investments divided by total long term debt.
(4) See "Days' Cash on Hand" table herein. Days Cash On Hand calculations assumes 365 days for 2013, 2014, and 2015.
(5) Defined as total long term debt divided by Operating EBITDA.
(6) See "DEBT SERVICE COVERAGE" table herein.

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**Debt Service Coverage**
*($ thousands)*

| | Fiscal Year Ended December 31, | | |
|---|---|---|---|
| | **2013** | **2014** | **2015** |
| Excess (deficiency) of revenues over expenses | ($9,807) | $4,920 | $6,040 |
| Less: Unrealized gains on investments | (295) | (16) | (118) |
| Add: Impairment on equipment | - | - | - |
| Add: Unrealized losses on investments | 1,046 | 600 | 1,040 |
| Add: Depreciation & Amortization | 26,407 | 26,415 | 26,521 |
| Add: Interest | 16,187 | 15,827 | 15,578 |
| Income Available for Debt Service | $33,538 | $47,746 | $49,061 |
| Maximum Annual Debt Service | $23,179 | $21,492 | $24,565 |
| Maximum Annual Debt Service Coverage Ratio | 1.4x | 2.2x | 2.0x |
| Pro Forma Maximum Annual Debt Service[(1)] | N/A | N/A | $24,376 |
| Pro Forma Maximum Annual Debt Service Coverage Ratio | N/A | N/A | 2.0x |

(1) Calculated on the assumptions set forth under "PART 5 - PRINCIPAL AND INTEREST REQUIREMENTS" in the forepart of this Official Statement. Assumes interest on the Series 2017 Bonds at currently estimated market rates.

**Capitalization**
*($ thousands)*

| | Fiscal Year Ended December 31, | | | As of September 30, |
|---|---|---|---|---|
| | **2013** | **2014** | **2015** | **2016** |
| Total Long-Term Debt | $250,121 | $238,097 | $300,589 | $304,025 |
| Unrestricted Net Assets | 101,245 | 81,872 | 88,655 | 103,500 |
| Total Capitalization | $351,366 | $319,969 | $389,244 | $407,526 |
| Total Debt to Capitalization | 71.2% | 74.4% | 77.2% | 74.6% |

**Days Cash on Hand**
*($ thousands)*

| | Fiscal Year Ended December 31, | | | As of September 30, |
|---|---|---|---|---|
| | **2013** | **2014** | **2015** | **2016** |
| Unrestricted Cash | $25,187 | $38,747 | $43,080 | $39,137 |
| Unrestricted Investments[(1)] | 43,968 | 47,223 | 68,948 | 70,497 |
| Cash on Hand | $69,155 | $85,970 | $112,028 | $109,634 |
| Operating Expenses | | | | |
| Total Operating Expenses | $365,861 | $378,583 | $409,569 | $329,764 |
| Less: Depreciation & Amortization | (26,407) | (26,415) | (26,521) | (19,525) |
| Total Expenses | $339,454 | $352,168 | $383,048 | $310,239 |
| Average Daily Operating Expenses[(2)] | 930 | 965 | 1,049 | 1,132 |
| Days Cash on Hand | 74.4 | 89.1 | 106.7 | 96.8 |

(1) Unrestricted Investments included assets that are convertible into cash in one month or less.
(2) Average Daily Operating Expense calculations assumes 365 days for 2013, 2014, and 2015. Average Daily Operating Expense calculation for September 30, 2016 assumes 274 days.

**Sources of Revenues**

Payments to ORMC are made on behalf of certain patients by third party payors including Blue Cross, managed care and commercial insurance plans, and the federal and state governments under the Medicare and Medicaid programs. The percentage distribution of ORMC's total gross patient service revenue by source of payment for the fiscal years ended December 31, 2013, 2014, and 2015, and the nine months ended September 30, 2015 and 2016 are contained in the charts below.

**Orange Regional Medical Center Percent of Gross Patient Service Revenue**

| | Fiscal Year Ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2013 | | | 2014 | | | 2015 | | |
| Orange Regional Medical Center | Inpatient | Outpatient | Total | Inpatient | Outpatient | Total | Inpatient | Outpatient | Total |
| Medicare | 54.5% | 37.2% | 48.0% | 56.8% | 36.5% | 49.9% | 57.3% | 37.1% | 49.9% |
| Medicaid | 15.4% | 14.3% | 15.0% | 15.3% | 17.1% | 15.9% | 16.1% | 18.6% | 17.0% |
| Blue Cross | 12.4% | 18.5% | 14.7% | 11.8% | 18.3% | 14.0% | 11.9% | 17.9% | 14.1% |
| Commercial / HMO | 15.3% | 22.9% | 18.2% | 14.0% | 22.1% | 16.8% | 13.4% | 22.2% | 16.6% |
| Self-pay | 2.4% | 7.1% | 4.1% | 2.1% | 6.0% | 3.4% | 1.3% | 4.2% | 2.4% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

| | Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | | 2016 | | |
| Orange Regional Medical Center | Inpatient | Outpatient | Total | Inpatient | Outpatient | Total |
| Medicare | 57.0% | 36.6% | 49.5% | 55.8% | 37.3% | 48.9% |
| Medicaid | 16.5% | 18.7% | 17.3% | 18.2% | 20.0% | 18.9% |
| Blue Cross | 11.7% | 18.1% | 14.0% | 12.4% | 18.7% | 14.7% |
| Commercial / HMO | 11.7% | 18.2% | 14.0% | 12.5% | 20.1% | 15.3% |
| Self-pay | 3.1% | 8.4% | 5.2% | 1.1% | 3.9% | 2.2% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

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**Reimbursement**

***Medicare and Medicaid Case Mix Index***

As outlined in the "Reimbursement Methodologies" discussion below, Medicare and Medicaid case rates are factored by an acuity index to reflect appropriate reimbursement for the level of care rendered. Overall, ORMC's Case Mix Index has been increasing gradually for a number of years, as evidence by the 3-year trend in the table below. The trend reflects multiple factors, including the treatment of more complicated cardiology and spine cases, among others, and the associated reimbursement as well as ORMC's improved case coding and documentation capabilities.

**Orange Regional Medical Center Case Mix Index Trend**

| | Fiscal Year Ended December 31, | | | Nine Months Ended September 30, |
|---|---|---|---|---|
| | **2013** | **2014** | **2015** | **2016** |
| **All Acute** | | | | |
| Medicare | 1.5500 | 1.4600 | 1.5369 | 1.5742 |
| Medicaid | 0.9000 | 0.8800 | 0.8437 | 0.9931 |
| **Medical/Surgical** | | | | |
| Medicare | 1.5500 | 1.4600 | 1.5369 | 1.5742 |
| Medicaid | 1.2300 | 1.1100 | 1.1190 | 1.2129 |
| **Mother / Baby (including NICU)** | | | | |
| Medicare | - | - | - | - |
| Medicaid | 0.4800 | 0.4000 | 0.3976 | 0.3282 |

***Reimbursement Methodologies***

A brief synopsis of reimbursement methodologies applicable to ORMC follows:

Medicare. Medicare is the commonly used name for health care reimbursement or payment programs governed by certain provisions of the federal Social Security Act Amendments of 1965.

Medicare Part A covers institutional health services, including hospital, home health and nursing home care; and Medicare Part B covers certain physicians' services, medical supplies and durable medical equipment. The Medicare Advantage Program, also known as Medicare Part C, enables Medicare beneficiaries, who are entitled to Part A and are enrolled in Part B to choose to obtain their benefits through a variety of risk-based plans. The Medicare Prescription Drug, Improvement and Modernization Act of 2003 created a new Medicare Part D which, effective January 1, 2006, entitles program beneficiaries to coverage for outpatient prescription drugs.

Medicare is administered by the CMS, which is an agency of the U.S. Department of Health and Human Services ("***DHHS***"). DHHS's rule-making authority is substantial and the rules are extensive and complex. Substantial deference is given by courts to rules promulgated by DHHS. Non-governmental organizations or agencies (generally insurance companies), known as "intermediaries" or "carriers," contract with CMS to serve as Medicare's fiscal agent in specific states or regions. These intermediaries and carriers determine the appropriateness of and process claims for payment from Medicare to providers in these states or regions.

ORMC is paid for services to the majority of Medicare inpatients under the federal Inpatient Prospective Payment System ("***IPPS***"). Under IPPS, payments are based on a standard national amount (adjusted for local area wage levels), depending on the patient's diagnosis ("***Diagnostic Related Group***" or "***DRG***") without regard to each hospital's actual inpatient operating and capital costs. Hospitals are thus at financial risk for providing services to the patient at an actual cost greater than the applicable DRG payment. Under IPPS, ORMC and CRMC receive payment for both direct and indirect costs of medical education, capital-related costs and organ acquisition. IPPS also permits additional payments to be made within specified limitations regarding atypical cases (outliers) and payments for providing care to a high level of Medicaid and disabled patients (disproportionate share payments).

Hospitals are generally paid for outpatient services provided to Medicare beneficiaries under the Outpatient Prospective Payment System ("***OPPS***"). Under OPPS, most outpatient services are grouped into one of approximately 660 Ambulatory Payment Classifications and paid a uniform national payment amount adjusted for area wage differences and the average amount of resources required to provide the service (e.g., visit, chest x-ray, surgical procedure). The payment for each service is comprised of a payment from the Medicare program and a coinsurance payment of the balance from the beneficiary. Over time, the program payment will likely comprise a higher percentage of the total payment, culminating in approximately 80% of the total payment.

An additional factor regarding Medicare payment is the 60% rule regarding rehabilitation services. In order to be classified as an inpatient rehabilitation facility, 60% of the total patient population in a rehabilitation unit or hospital must require treatment for one or more of 13 specific conditions. This rule is commonly known as the "60% Rule." ORMC's 24-bed rehabilitation unit has continuously achieved full compliance with this rule.

Medicaid. Medicaid is designed to pay providers for care given to the medically indigent and others who receive federal aid.

Unlike Medicare, which is an exclusively federal program, Medicaid is a partially federally funded state program. States obtain federal funds for their Medicaid programs by obtaining the approval of CMS of a "state plan" which conforms to Title XIX of the Social Security Act and its implementing regulations. Within broad national guidelines which the federal government provides, each state establishes its own eligibility standard, determines the type, amount, duration, and scope of services, sets the rate of payment for services, and administers its own program. Thus, the Medicaid program varies considerably from state to state. After its state plan is approved, a state is entitled to claim federal matching funds for Medicaid expenditures. The current federal share is approximately 50% in New York State, and the remainder of the cost is shared by the State and the local county where the patients reside.

Medicaid operates as a vendor payment program. Subject to federally imposed upper limits and specific restrictions, states may either pay providers directly or may pay for Medicaid services through various prepayment arrangements such as health maintenance organizations ("***HMOs***"). Providers participating in Medicaid in the State must accept Medicaid payment rates as payment in full. States must make additional payments to qualified hospitals that provide services to a disproportionately large number of Medicaid, low income and/or uninsured patients.

States may impose nominal deductibles, coinsurance or co-payments on some Medicaid recipients for certain services. Emergency services and family planning services must be exempt from such co-payments. Certain Medicaid recipients must be excluded from this cost sharing: pregnant women, children under 18, hospital or nursing home patients who are expected to contribute most of their income to institutional care and categorically needy HMO enrollees.

Payment for services rendered to Medicaid, workers' compensation and no-fault patients continues to employ a per discharge reimbursement methodology similar to PPS. The case payment rate consists of 55% of the total payment per case based on a group average and 45% of the total payment per case based on a hospital specific rate. Psychiatry, rehabilitation medicine and, when certain conditions are met, AIDS services are exempt services and are reimbursed on a per diem methodology. Payment rates are adjusted annually by applying an inflation factor to each hospital's historical operating cost base, less applicable penalties. Capital costs, including interest and principal or depreciation and amortization of financing expense, but excluding certain Medicaid capital costs, are considered separately and in effect are passed through in reimbursement rates.

Pursuant to the New York State Health Care Reform Act ("***HCRA***"), Blue Cross plans, commercial carriers, self-insured plans and HMOs have been able to negotiate rates with hospitals.

Under HCRA, mechanisms are established for the financing of public goods consisting of indigent care, health care initiatives and Medicare graduate medical education ("***GME***"). Third party payors are encouraged through fiscal incentives to make payments directly to public good pools although they have the choice of paying providers directly on an encounter basis. HCRA specifies the distribution from the public good pools. The Indigent Care Pool is funded through an assessment charged to general hospitals and payments from Medicaid, Blue Cross and other payors to reflect the need for financing losses resulting from bad debts and the cost of charity care. The assessment against a hospital is related to actual non-Blue Cross, non-Medicaid inpatient revenues received by a hospital.

Amounts received from the pool are determined by the hospital's bad debt and charity care needs as they relate to the total statewide bad debt and charity care needs. The GME pools are funded and distributed on a regional basis. Pool distributions are based on receipts for each calendar year. Health care initiatives pay for special projects, particularly expansion of coverage of special need categories, including children.

Medicare and Medicaid Managed Care. The Medicare Prescription Drug, Improvement and Modernization Act of 2003 created the Medicare Advantage program, which redefines the Medicare+Choice program, and is intended to offer more competitive reimbursement to participating managed care plans.

Enrollment in Medicare Advantage plans is voluntary, but beneficiaries have been permitted to dis-enroll and reenroll in the traditional Medicare fee-for-service system only during an annual open enrollment period. Through the Medicare Advantage plans, Medicare is encouraging and facilitating the development of managed care products for Medicare beneficiaries, which are typically offered by commercial insurers and HMOs. Management cannot predict how comparative premiums will affect the popularity of managed care products with Medicare beneficiaries over time.

In order to control Medicaid expenditures, the State has sought to enroll large numbers of Medicaid patients in managed care programs because experience in other states has shown that inpatient utilization decreases for Medicaid recipients who are enrolled in such programs. Enrollment of Medicaid patients in managed care programs, payments to managed care organizations for care rendered to them, the financial risk assumed by the managed care organization and the resulting and potential financial and other risks to ORMC are similar to those for Medicare managed care programs. Enrollment in Medicaid managed care plans over the last number of years has continued to grow as most counties in the State have become mandatory managed care. Through mid-December of 2016, traditional FFS Medicaid admissions into Acute Care and Mother/Baby represented only 18% of the total Medicaid and Medicaid HMO admissions. The primary companies representing the 87% balance of those admissions include Affinity Health Plan, Hudson Health Plan, Fidelis and Wellcare.

Managed Care Programs and Commercial Insurance. Payments to a hospital on behalf of subscribers of HMOs and Preferred Provider Organizations ("***PPOs***") are generally based on contracts between the hospital and the HMO or PPO. These contracts provide for various reimbursement methodologies including per diem rates, per discharge rates and discounts from established charges.

There are currently six major HMO's operating in ORMC's market area. As of December 31, 2016, they include: Aetna (including 1199 Fund), Cigna, Empire Blue Cross, Emblem Health (including GHI and HIP), MVP and United Healthcare/Oxford. ORMC's annual managed care contracts with these six HMO's accounted for approximately 26% of its discharges through December 2016. The contracts provide for payment primarily on a DRG/Case basis with some per diems as well. All of ORMC's managed care contracts provide for additional payments for high cost cases and contain rate-opening provisions for new technology, or new surgical techniques where the cost of care increases substantially.

Contracted commercial insurers make payment directly to the hospital based on contracted rates. Non-contracted commercial insurers make payment directly to the hospital, or reimburse their subscribers primarily on the basis of charges, or an agreed upon percentage.

***Managed Care Strategy***

As of September 30, 2016 ORMC had net patient services revenue of $333.9 million, 58.5%, or approximately $195.4 million is derived through managed care. ORMC has over 50 "primary" contracts with a number of Managed Care Organizations and related sub-contracts for specialty care such as behavioral health and laboratory services. The managed care contracting function is carried out by a dedicated Managed Care Department (MCD) and is under the purview of the Chief Financial Officer. The MCD works in conjunction with the Revenue Cycle, Case Management and Operations groups for a comprehensive approach to the payer community. This office is also the focal point for relations with the employer/payer community who are expected to increasingly focus on:

- Costs of an episode of care
- Patient Service Satisfaction
- Quality & Value Based Outcomes

ORMC Management recognized the need to develop a comprehensive managed care strategy. To that end, ORMC created its Managed Care Division to develop and carry out such a strategy. Initial priorities focused on achieving inpatient rate levels that were more in-line with other markets that surrounded the Hudson Valley, where inpatient rate levels had long been surpressed.

Beginning mid-2013 ORMC has been successful in shifting major commercial carriers from a Per Diem basis to a DRG or case rate reimbursement model. Additionally, ORMC has focused on payor programs that include more risk sharing arrangements wherein bonus monies and/or partial reimbursement is tied to quality outcomes, value based findings and patient satisfaction.

Also, focus was given to ORMC's Emergency Room and newly formed Trauma Program rate levels, in addition to Observation patients and higher-level specialty services and surgeries, including cardiac and bariatric surgeries.

In addition to the regularly scheduled meetings with payors, Management has formed a multi-disciplinary Managed Care Contract Implementation Group to address all aspects of managed care.

***Reimbursement Factors***

The health care industry is subject to extensive federal, state and, in some cases, local laws and regulations with respect to reimbursement. Government revenue sources are subject to statutory and regulatory changes, administrative rulings, interpretations of policy, determinations by fiscal intermediaries and government funding restrictions, all of which may materially increase or decrease the rates of payment and cash flow to health care facilities, including ORMC.

PPS hospitals may also qualify for additional payments when caring for high levels of low income Medicare and Medicaid beneficiaries. Such Disproportionate Share Hospital ("***DSH***") adjustments are based upon the relative proportion of Medicaid recipients and Supplemental Security Income beneficiaries. Under the Benefits Improvement and Protection Act of 2000, the threshold for rural and small hospitals receipt of DSH payments was reduced from 30% to 15%.

The Patient Protection and Affordable Care Act ("***ACA***"), enacted in 2010, authorized significant payment reductions and policy changes to the DSH program beginning federal fiscal year ("***FFY***") 2014, which reductions and other reimbursement changes are described in greater detail in the section titled "Legislative, Regulatory and Contractual Matters Affecting Revenue" under "RISK FACTORS AND REGULATORY CHANGES WHICH MAY AFFECT THE OBLIGATED GROUP."*

**Investment Policy**

GHVHS' investment policy, as overseen by the Finance Committee, is intended to provide ORMC management with guidelines for the investment of ORMC's reserves. ORMC maintains an Operating Funds portfolio to provide liquid, unrestricted assets that can be used to support its operations. It also maintains an Endowment Funds portfolio to provide long-term support for its mission, together ("***Funds***"). The Funds will be invested in a prudent manner. The use of short sales, margin, or warrants is not permitted. Securities lending arrangements are not permitted, except within commingled investment vehicles. The use of options and futures is restricted to defensive strategies as permitted under ERISA. Exception is made to these restrictions for investment strategies that routinely utilize these and similar strategies as a core aspect of their investment strategy.

The overall objective of the Operating Funds portfolio is to ensure sufficient cash flow and liquidity to fund the operations of ORMC. The Operating Funds portfolio will favor fixed income securities of investment-grade quality. Investments will remain highly liquid, with partial exemption for short-term bank Certificates of Deposit. Duration of the portfolio shall not exceed 5.0 years. No more than 5% may be invested in the securities of any one issuer excluding obligation of the US Government and its Agencies. Not more than 25% may be invested in a single corporate industry group as defined by Moody's. While the portfolio is intended to be focused on US bonds, changing boundaries of issuance and domicile require some flexibility. In that regards, bonds originally issued by US-based entities that subsequently become obligations of non-US based entities are permitted to a maximum of

* For FFY 2016, ORMC received a 2.065% add-on for every DRG discharge (8.26% x .25) as well as an estimated $366.52 per discharge; DSH and the newly formulated DSH Uncompensated Care (UCC) add-on respectively.

15% of the portfolio. Bonds issued by non-US based entities that trade with strong liquidity in the US markets are permitted to a maximum of 10% of the portfolio, provided they are denominated in US dollars. In August 2015, ORMC allowed up to 30% of its operating funds portfolio to be invested in equities, preferred stock and bonds convertible into equities. The targeted allocation percentages are 50% for U.S. equities, 40% for international equities, and 10% for alternatives. In November 2016 ORMC allowed up to 10% of its operating funds portfolio to be invested in high yield fixed income securities, without being subject to quality restrictions that apply to the core fixed income managers. As of September 30, 2016, ORMC was in material compliance with its investment allocations.

The Endowment Funds portfolio will favor equity securities with the intention of higher long-term investment returns. The investment objective of the Endowment Funds is a modest level of current income and long-term growth of principle. The investment return is expected to exceed the Consumer Price Index (measure of inflation) by 5% per year annualized over periods of 5-7 years.

**Pension and Other Post-retirement Benefits**

ORMC's employees not covered by collective-bargaining agreements have a defined-contribution retirement plan that includes a base employer contribution to a 403(b) account equal to a percentage of compensation, to a maximum of 5% based on years of service. During 2015 and 2014, the base employer contribution was $1.3 million and $1.3 million, respectively. In addition, for those employees who make contributions to their 403(b) account there is an employer-matching component to the plan. As of January 1, 2008, ORMC makes a matching contribution equal to 100% of the employee's 403(b) contribution, up to 4% of the employee's compensation. During 2015 and 2014, the matching contribution was $998,000 and $987,000, respectively.

ORMC maintains a fully frozen noncontributory defined-benefit pension plan for current and past employees not covered by a collective-bargaining agreement. Effective January 1, 2006, ORMC froze participation in the pension plan to any employees hired after December 31, 2005. Effective January 1, 2008, ORMC froze the pension plan for the remaining active participants in the plan by ceasing any future accrual of credited service and compensation under the plan. The funded ratio as of December 31, 2015 and 2014 was 60.8% and 69.5%.

ORMC participates in a multiemployer Local 1199 defined-benefit pension plan for participating staff. The balance sheet of ORMC does not include a liability related to the Local 1199 defined-benefit pension plan. The contribution percentages are defined in the collective-bargaining agreements. The risks of participation in this multiemployer plan are different from a single-employer plan in the following aspects: a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; b) if a participating employer stops contributing to the plan, the unfunded obligation of the plan may be borne by the remaining participating employers; and c) if ORMC chooses to stop participating in its multiemployer plan and if the plan is underfunded, ORMC may be required to pay the plan an amount based on the underfunded status of the plan, referred to as the withdrawal liability.

Total amounts expensed under the union-sponsored multiemployer plans were $10.6 million and $10.4 million for the years ended December 31, 2015 and 2014, respectively. There have been no significant changes that affect the comparability of 2015 and 2014 contributions. ORMC was not listed in the plan's most recent available annual report (Form 5500 for U.S. Plans) for providing more than five percent of the total contributions to the plan for the years ended December 31, 2015 and 2014. At the date the consolidated financial statements were issued, Form 5500 was not available for the plan year ended December 31, 2015.

ORMC sponsors a defined-contribution healthcare plan that provides postretirement medical, dental, and life insurance benefits to employees who meet the eligibility requirements under the plans.

ORMC offers executives, who are at least age 55 with five years of service, subsidized medical coverage to age 65 based on years of service. Nonunion and security employees who were hired before January 1, 1988 receive a nominal monthly reimbursement. Employees in the nursing and professional unions who are at least age 62 with 20 years of service receive 100% subsidized medical benefits until age 65. Employees in the professional group who are age 62 with 20 years of service also receive fully subsidized dental coverage. A select group of grandfathered retirees receive dental coverage for life.

ORMC contributed $6.0 million to the pension plan during 2016 and expects to contribute $680,000 to its postretirement plans for 2016. ORMC expects to contribute $7.2 million to the pension plan during 2017. The postretirement plan contribution is not yet available for 2017.

**Licenses and Accreditation**

***New York Department of Health***

- ORMC maintains unrestricted Article 28 licensure operating under the rules and regulations of the New York State Department of Health.

***Joint Commission***

- ORMC maintains full accreditation under The Joint Commission, with the most recent triennial survey in December of 2016.

ORMC has received additional accreditation and licensing approvals for services in which clinical complexity or competency requires specialized evaluation, including the following:

- Oncology. ORMC is accredited as a Comprehensive Community Cancer Center by the Commission on Cancer of the American College of Surgeons.

- Diagnostic Imaging. ORMC's multi-site program, including PET/CT scan, MRI, CT, ultrasound, vascular lab and digital mammography programming maintains accreditation in each discipline from the American College of Radiology and the New York State Bureau of Radiation Protection.

- Breast Center. The Ray W. Moody Breast Center is accredited by the National Accreditation Program for Breast Centers of the American College of Surgeons. ORMC's Breast Center also maintains licensure under the New York State Department of Health and the FDA Mammography Quality Standards Act. ORMC is without deficiencies on both. ORMC is also recognized as a Breast Imaging Center of Excellence from the American College of Radiologists. ORMC also participates in NQMBC which is the National Quality Measures for Breast Centers (this is voluntary).

- Bariatric. ORMC's Bariatric Surgical Program is accredited by the American Society for Metabolic and Bariatric Surgery and expects to achieve accreditation from the American College of Surgeons with a survey anticipated by May 2017.

- Nurses Improving Care for Healthsystem Elders. ("***NICHE***"): ORMC has achieved NICHE designation which demonstrates a commitment to improving care for patients 65 and older. ORMC staff is trained to provide a patient centered experience for our elderly population both in the hospital and also within our community.

- Rehabilitation. ORMC's 29 bed Inpatient Rehabilitation Service is accredited by the Commission on Accreditation of Rehabilitation Facilities.

- Laboratory Services. ORMC's Laboratory Services are accredited by the New York State Department of Health, Wadsworth Bureau of Laboratory Medicine, as well as the Joint Commission.

**HIPAA Patient Privacy Program**

This program is administered by the Compliance Department, and ensures compliance with HIPAA, HITECH, and HIPAA Omnibus Regulations. Reference tools, policies, and staff education, address patient privacy rights and processes. All new and existing employees receive training. ORMC enters into HIPAA Business Associate Agreements with all parties that use or disclose patient Protected Health Information on the hospital's behalf. The Compliance Department works closely with the IT Department, which oversees the activities related to IT Security.

**Insurance and Risk Management**

ORMC maintains commercial comprehensive insurance coverage for professional (malpractice) and general liability through Medical Liability Mutual Insurance Company. The current policy expires September 1, 2017. Currently, the limits of coverage under the insurance plan are $2 million per claim and $7 million annual aggregate for professional liability, and $2 million per claim and $7 million annual aggregate for general liability. ORMC maintains an excess layer through Lexington (AIG), with current limits in the amount of $10 million per claim and $10 million annual aggregate for professional liability and general liability. ORMC also maintains a second excess layer through Ironshore Indemnity, with current limits in the amount of $25 million per claim and $25 million annual aggregate for professional liability and general liability. ORMC has an active patient safety and risk management program that focuses on performance improvement, loss prevention, continuous staff education, as well as management of claims The risk management program is annually evaluated with recommendations for improvement by insurance carrier consultants.

In addition to professional and general liability insurance, ORMC maintains the following insurance coverage:

- Directors and Officers (including employment practices liability)
- Fiduciary Liability (including crime and kidnapping)
- Business Automobile, Property, Boiler & Machinery (including all risks)
- Business Interruption
- Information Security and Privacy Liability (Cyber Liability)
- Pollution Liability

The Workers' Compensation program is considered a loss retrospective plan and is administered by PMA Companies. ORMC is active in managing its exposures and claims, and cost containment programs have been put in place to address high frequency injuries. Special emphasis is placed on safe lifting techniques, avoidance of slips, trips and falls, and preventing and managing crisis situations which result in employee injury.

**Litigation**

Professional and general liability claims have been asserted against ORMC by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. The outcome of these actions cannot be predicted with certainty by the Management or by counsel to ORMC or by the respective insurance companies handling such matters. There are known incidents that may result in the assertion of additional claims, and such other claims may arise.

It is the opinion of the Management, based on prior experience, that adequate insurance is maintained to provide for all significant professional liability losses that may arise, and that the eventual liability from general liability claims, if any, will not have a material adverse effect on the financial position or the results of operations of ORMC or on its ability to make required debt service payments. There is no litigation pending or threatened against ORMC (other than claims against which ORMC is fully insured) that, in the opinion of the Management, would materially adversely affect ORMC's ability to meet its financial obligations.

## PART 8 - RISK FACTORS AND REGULATORY CHANGES WHICH MAY AFFECT THE OBLIGATED GROUP

The following discussion of risks to holders of the Series 2017 Bonds is not intended to be exhaustive, but rather to summarize certain matters which could affect payment of the Series 2017 Bonds, in addition to other risks described throughout this Official Statement.

The revenue and expenses of the Members of the Obligated Group are affected by the changing healthcare environment. These changes are a result of efforts by the federal and state governments, managed care organizations, private insurance companies and business coalitions to reduce and contain healthcare costs, including,

but not limited to, the costs of inpatient and outpatient care, physician fees, capital expenditures and the costs of graduate medical education. In addition to matters discussed elsewhere herein, the following factors may have a material effect on the operations of the Members of the Obligated Group to an extent that cannot be determined at this time.

Fitch, one of the rating services maintaining ratings on the Series 2017 Bonds, has assigned the Series 2017 Bonds a "speculative grade" rather than an "investment grade" rating, and Moody's has assigned an "investment grade" rating on the Series 2017 Bonds. Bonds in the speculative grade category may have significant credit uncertainties and risks. As a result, the purchase of the Series 2017 Bonds is suitable only for investors that understand and are able to bear the credit, liquidity and market risks associated with the Series 2017 Bonds. Accordingly, the Series 2017 Bonds are being offered only to (i) "qualified institutional buyers" as defined in Rule 144A of the Securities Act, (ii) "accredited investors" within the meaning of Rule 501 of Regulation D under the Securities Act and (iii) "sophisticated municipal market professionals" as defined in Municipal Securities Rulemaking Board Rule D-15.

**General**

The Series 2017 Bonds are not a debt or liability of the State or any political subdivision thereof, but are special and limited obligations of the Authority payable solely from the Revenues which consist of payments payable by each Member of the Obligated Group, payments by the Obligated Group pursuant to Obligation No. 3, the funds and accounts held by the Trustee pursuant to the Series Resolution (except the Arbitrage Rebate Fund) and certain investment income thereon. The Authority has no taxing power. No representation or assurance can be made that revenues will be realized from the Obligated Group in amounts sufficient to provide funds for payment of debt service on the Series 2017 Bonds when due and to make other payments necessary to meet the obligations of the Obligated Group. Further, there is no assurance that the revenues of the Obligated Group can be increased sufficiently to match increased costs that may be incurred.

The receipt of future revenues by the Obligated Group is subject to, among other factors, federal and state regulations and policies affecting the healthcare industry and the policies and practices of managed care providers, private insurers and other third party payors and private purchasers of healthcare services. The effect on ORMC of recently enacted statutes, regulatory changes and the effect on ORMC and any future Members of the Obligated Group of future changes in federal, state and private policies cannot be determined at this time. Loss of established managed care contracts by ORMC or future Members of the Obligated Group could also adversely affect the future revenues of the Obligated Group.

Future revenues and expenses of the Obligated Group may be affected by events and economic conditions, which may include an inability to control expenses in periods of inflation, as well as other conditions such as demand for healthcare services; the capability of the management of Members of the Obligated Group; the receipt of grants and contributions; referring physicians' and self-referred patients' confidence in the Members of the Obligated Group; and increased use of contracted discounted payment schedules with health maintenance organizations ("***HMOs***"), preferred provider organizations ("***PPOs***") and other payors. Other factors which may affect revenues and expenses include: the ability of the Obligated Group to provide services required by patients; the relationship of the Obligated Group with physicians; the success of the Obligated Group's strategic plans; the degree of cooperation among and competition with other hospitals in the Obligated Group's area; changes in levels of private philanthropy; malpractice claims and other litigation; economic and demographic developments in the United States and in the service areas in which facilities of the Obligated Group are located; changes in interest rates that affect investment results; and changes in rates, costs, third-party payments (including, without limitation, Medicare and Medicaid program reimbursement) and governmental regulations concerning payment. All of the above referred to factors could affect ORMC's ability to make payments pursuant to the applicable Loan Agreement and the Obligated Group's ability to make payments under Obligation No. 3. See "PART 7 - ORANGE REGIONAL MEDICAL CENTER" and APPENDIX B hereto.

**Speculative Rating**

Fitch, one of the rating services maintaining ratings on the Series 2017 Bonds, has assigned the Series 2017 Bonds a "speculative grade" rather than an "investment grade" rating. Fitch defines obligations in the "BB" category as "indicat[ing] an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists which supports the servicing of financial commitments." See "PART 15 - RATINGS" herein.

**Legislative, Regulatory and Contractual Matters Affecting Revenue**

The healthcare industry is heavily regulated by the federal and state governments. A substantial portion of revenue comes from governmental sources. Governmental revenue sources are subject to statutory and regulatory changes, administrative rulings, interpretations of policy, determinations by fiscal intermediaries, and government funding restrictions, all of which may materially increase or decrease the rates of payment and cash flow to hospitals. In recent years, there have been frequent and significant changes in methods and standards used by government agencies to reimburse and regulate the operation of hospitals. No assurances can be given that further substantial changes will not occur in the future or that payments made under such programs will remain at levels comparable to the present levels or be sufficient to cover all existing costs. While changes are anticipated, the impact of such changes on the Obligated Group cannot be predicted.

Legislation is periodically introduced in Congress and in the state Legislature that could result in limitations on the Obligated Group's revenue, third-party payments, and costs or charges, or that could result in increased competition or an increase in the level of indigent care required to be provided by the Members of the Obligated Group. From time to time, legislative proposals are made at the federal and state level to engage in broader reform of the healthcare industry, including proposals to promote competition in the healthcare industry, to contain healthcare costs, to provide national health insurance and to impose additional requirements and restrictions on healthcare insurers, providers and other healthcare entities. The effects of existing and future reform efforts on the Obligated Group cannot be predicted.

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 ("***ARRA***"). ARRA includes several provisions that were intended to provide financial relief to the health care sector, including a requirement that states promptly reimburse healthcare providers. ARRA also established a framework for the implementation of a nationally-based health information technology program, including incentive payments that commenced in 2011 to eligible healthcare providers to encourage implementation of health information technology and "meaningful use" of certified electronic health record technology ("***CEHRT***").

In 2010, Congress enacted the Patient Protection and Affordable Care Act, as subsequently amended by the Health Care and Education Reconciliation Act of 2010 (the "***ACA***"), the health reform legislation that mandates substantial changes in how and to whom government and private health insurance is provided and how much providers of health care services to government insured patients are paid.

A significant component of the ACA is reformation of the sources and methods by which consumers pay for health care for themselves and their families and by which employers will procure health insurance for their employees and dependents, which is expected to result in an expansion of the health care services consumer base. One of the primary drivers of the ACA is the availability of health care insurance for uninsured or underinsured consumers who fall below certain income levels through subsidies or other means.

The ACA was adopted to accomplish this objective through various provisions, including the following: (i) transparent insurance markets (referred to as exchanges) intended to increase competition among private health insurers and to allow individuals and small employers to purchase health care insurance for themselves and their families or their employees and dependents; (ii) subsidies for insurance premium costs to individuals and families based upon their income relative to federal poverty levels; (iii) individual mandate for consumers to obtain, and for certain employers to provide, a minimum level of health care insurance, enforced through penalties (i.e., taxes) on consumers and employers that do not comply with these mandates; (iv) elimination of lifetime or annual cost caps and prohibition on private insurers denying coverage or adjusting insurance premiums based on health status (i.e., pre-existing conditions), gender or other specified factors; (v) substantially increased federal and state-funded Medicaid insurance program, authorizing states to establish federally subsidized non-Medicaid health plans for low-income residents ineligible for Medicaid; and (vi) voluntary expansion of Medicaid programs to a broader population with incomes up to 133% of federal poverty levels. Under the ACA, payments to providers for the provision of health care services under federally-funded health insurance programs are reduced. To the extent all or any of those provisions produce the intended result, an increase in utilization of health care services by those who are currently avoiding or rationing their health care can be expected and bad debt expenses may be reduced.

The ACA is complex and comprehensive, and it includes myriad new programs, initiatives and changes to existing programs, policies, practices and laws. Some of the specific provisions of the ACA that may affect hospital operations, financial performance or the financial condition are described below. This listing is not, nor should be considered, comprehensive.

- Reduced annual Medicare "market basket" updates for many providers, including hospitals, and adjustments to payment for expected productivity gains. Market baskets are used to determine compensation rates. Reduced adjustments may have a disproportionately negative effect on providers serving large Medicare populations. Since federal fiscal year 2012, the annual Medicare market basket updates have been subject to productivity adjustments as well, further reducing Medicare payments to hospitals. The reductions in market basket updates and the productivity adjustments have had a disproportionately negative effect upon those providers that are relatively more dependent upon Medicare than other providers. Additionally, these reductions were effective prior to the periods during which insurance coverage and the insured consumer base were expanded. The combination of reductions to the market basket updates and the imposition of the productivity adjustments may, in some cases and in some years, result in reductions in Medicare payment per discharge on a year-to-year basis. Changes in the payments received for all services, including specialty services, could have an adverse effect on the Obligated Group.

- Reduced payments under the Medicare Advantage programs (Medicare managed care), which have been delayed to date, may result in increased premiums or out-of-pocket costs to Medicare beneficiaries enrolled in Medicare Advantage plans if implemented. These beneficiaries may terminate their participation in those plans and opt for the traditional Medicare fee for service program. The reduction in payments to Medicare Advantage programs may also lead to decreased payments to providers by managed care companies operating Medicare Advantage programs. All or any of these outcomes would have a disproportionately negative effect upon providers with relatively high dependence upon Medicare managed care revenues.

- Beginning in federal fiscal year 2014, a significant reduction in hospitals receiving supplemental disproportionate share hospital payments ("***DSH***") from Medicare (*i.e.*, those hospitals that care for a disproportionate share of low-income Medicare beneficiaries and Medicaid enrollees). This reduction potentially will be offset by new, additional payments based on the volume of uninsured and uncompensated care provided by each such hospital, and is anticipated to be offset by a higher proportion of covered patients as other provisions of the ACA go into effect. The extent to which these reductions are offset depends considerably on whether the state in which the hospital is located expanded Medicaid eligibility. Medicare DSH payments will continue to decrease as the number of uninsured also decreases.

  On September 13, 2013, Centers for Medicare and Medicaid Services ("***CMS***") issued a final rule confirming its methodology, which accounted for statewide reductions in uninsured and uncompensated care, and reduced Medicaid DSH allotments to each state. Under this final rule, the federal share of Medicaid DSH payments was reduced by $500 million in fiscal year 2014 and $600 million in fiscal year 2015. Such reductions have been delayed several times, most recently under the Medicare Access and CHIP Reauthorization Act of 2015 ("***MACRA***"), but are scheduled to take effect October 1, 2018, while extending cuts through fiscal year 2025.

- Reduced Medicare payments to hospitals with high rates of potentially preventable readmissions of Medicare patients for three clinical conditions (acute myocardial infarction, pneumonia and heart failure) to account for those excess and "preventable" hospital readmissions; reduced Medicare payments for services related to hospital care-acquired conditions.

- Incentive-based Medicare reimbursement payments to hospitals under the value-based purchasing program centered on quality and efficiency measures. These incentive payments are funded through a pool of money collected from all hospital providers.

- New Center for Medicare and Medicaid Innovation to test innovative payment and service delivery models, and to implement various demonstration programs and pilot projects to test, evaluate, encourage and expand new payment structures and methodologies to reduce health care expenditures while maintaining or improving quality of care. Demonstration efforts include bundled payments under Medicare and Medicaid and comparative effectiveness research programs that compare the clinical effectiveness of medical treatments and develop recommendations concerning practice guidelines and coverage determinations. Other provisions encourage the creation of new health care delivery programs, such as accountable care organizations or combinations of provider organizations that voluntarily meet quality thresholds to share in

the cost savings they achieve for the Medicare program. The outcomes of these projects and programs, including their effect on payments to providers and financial performance, cannot be predicted.

- Healthcare.gov, the health care exchange website created by the federal government under the provisions of the ACA, launched on October 1, 2013. The website is designed to allow residents of states, which opted not to create their own state exchanges or to enter into a partnership with the federal government to purchase health insurance or qualify for Medicaid coverage. Under the ACA, uninsured Americans must either purchase insurance through the health care exchanges or other venues, or, if no exemption is available and obtained, face a financial penalty. In addition, beginning in 2020, an excise tax on certain high-cost employment based health plans will be imposed. This tax, created under the ACA, was originally scheduled to take effect in 2018 but its implementation was delayed by subsequent legislation.

- Establishing a Medicare Shared Savings Program ("***MSSP***") that seeks to promote accountability and coordination of care through the creation of Accountable Care Organizations ("***ACOs***"). The program allows hospitals, physicians and others to form ACOs and work together to invest in infrastructure and redesign integrated delivery processes to achieve high quality and efficient delivery of services. ACOs that achieve quality performance standards are eligible to share in a portion of the amounts saved by the Medicare program. The U.S. Department of Health and Human Services ("***DHHS***") has significant discretion to determine key elements of the program, including what steps providers must take to be considered an ACO, how to decide if Medicare program savings have occurred, and what portion of such savings will be paid to ACOs.

  In June 2016, CMS published a final rule adopting proposed modifications to ACO benchmark methodology. While these revised benchmark rebasing calculations may be particularly attractive for high performing ACOs, the delayed onset of these revised benchmark calculations (*e.g.*, the revised methodology would not apply for the earliest ACOs until the start of their third participation agreement in 2019) leaves the ACO landscape somewhat uncertain. Also, the Federal Trade Commission ("***FTC***") and Department of Justice ("***DOJ***") issued a joint statement of antitrust enforcement policy in October 2011 as applied to ACOs; CMS and the Office of the Inspector General ("***OIG***") issued a final rule in October 2015 on certain waivers of the Anti-Kickback Statute (as defined herein), Stark Law (as defined herein) and the Civil Monetary Penalties Law ("***CMPL***") for ACOs; and the Internal Revenue Service ("***IRS***") issued a notice and fact sheet in October 2011 addressing the impact on tax-exempt organizations participating in ACOs; however, there may remain regulatory risks for participating hospitals, as well as financial and operational risks. Participants in ACOs will have to marshal a large upfront financial investment to form unique and untested ACO structures, which may or may not succeed in gaining qualification. For those that do qualify, it is uncertain whether the savings will be adequate to recoup the initial investment.

- Commencing in 2015, an Independent Payment Advisory Board (the "***IPAB***") may develop proposals to improve the quality of care and limitations on cost increases. In the event that the projected Medicare per capita growth rate exceeds a target growth rate in any year, the IPAB is directed to make recommendations for cost reduction, and those recommended reductions will be automatically implemented unless Congress adopts alternative legislation that meets equivalent savings targets. While hospitals are largely exempted from recommendations from the IPAB, industry experts also expect that government cost reduction actions may be followed by private insurers and payors. The IPAB was to begin submitting its annual recommendations no later than January 15, 2014. However, President Obama has yet to appoint the members of the IPAB. Additionally, the Chief Actuary of CMS has concluded that the projected Medicare per capita growth rate has not yet exceeded the target growth rate and there will be no need for IPAB activity at least through 2017. It is unclear what effect the Trump administration will have on the IPAB.

- Reduction of waste, fraud and abuse in public programs by allowing provider enrollment screening, enhanced oversight periods for new providers and suppliers, and enrollment moratoria in areas identified as being at elevated risk of fraud in all public programs; and by requiring Medicare and Medicaid program providers and suppliers to establish compliance programs. The ACA requires the development of a database to capture and share healthcare provider data across federal healthcare programs and also provides for increased penalties for fraud and abuse violations, and increased funding for anti-fraud activities.

- Payments for services to federally-insured patients have been reduced under the ACA because Congress anticipated that providers operating in markets with large Medicaid, Medicare and uninsured populations

would benefit from the increased consumer-base, utilization and thus revenues. Congress anticipated that increased utilization of health care services by the newly insured would result in reductions in bad debt or uncompensated care. It is still unclear whether this expectation will be realized.

- As of January 1, 2015, health care insurers participating in the health insurance exchanges are now allowed to only contract with hospitals that have implemented programs designed to ensure patient safety and enhance quality of care. The effect of these provisions upon the process of negotiating contracts with insurers or the costs of implementing such programs cannot be predicted.

- Finally, because the Medicaid expansion does not pertain to undocumented patients, the number of uninsured, undocumented patients receiving care from the Members of the Obligated Group is not expected to reduce under the ACA. Therefore, the true effects of the ACA on bad debt and charity care expenses remain to be seen.

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

Initiatives to repeal the ACA, in whole or in part, to delay elements of implementation or funding, and to offer amendments or supplements to modify its provisions have been persistent and may increase as a result of the 2016 election. The ultimate outcomes of legislative attempts to repeal or amend the ACA and legal challenges to the ACA are unknown. Results of recent Congressional elections and the change of Presidential administrations beginning in 2017 could create a political environment in which substantial portions of the ACA are repealed or revised. Specifically, President-elect Donald Trump's 100 Day Action Plan called for full repeal of the ACA and its replacement with health savings accounts, cross-states sales of health insurance, and modifications to state-managed Medicaid programs. Nevertheless, prospects for rapid enactment of radical change in the health care regulatory landscape are not clear, and President-elect Donald Trump has already indicated that popular provisions of the ACA should be preserved. It remains unclear what portions of the ACA may remain, or what any replacement or alternative programs may be created by any future legislation. Any such future repeal or replacement may have significant impact on the reimbursement for healthcare services generally, and may create reimbursement for services competing with the services offered by the Obligated Group. Accordingly, there can be no assurance that the adoption of any future federal or state healthcare reform legislation will not have a negative financial impact on the Obligated Group, including its ability to compete with alternative healthcare services funded by such potential legislation, or for the Obligated Group to receive payment for services. Further, to the extent that sections of the ACA remain after any legislative repeal or replacement, it is difficult to predict the full impact of the ACA due to the law's complexity, lack of implementing regulations or interpretive guidance, gradual implementation, as well as an inability to foresee how individuals and businesses will respond to the choices afforded them by these statutes. Additional uncertainty as to the impact of the ACA stems from the wide discretion given to DHHS to issue implementing regulations and the less than precise language in the ACA that will give DHHS expanded latitude to shape the ultimate effect of that statute. The Obligated Group is therefore unable to predict the full impact of the ACA on it at this time.

Moreover, as part of the Budget Control Act of 2011, which raised the federal government's borrowing capacity, Congress 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 extend these reductions through 2025. There is a substantial risk that Congress could act to extend or increase these across-the-board reductions. Thus, the 2% reduction to Medicare payments will continue unless additional Congressional action is taken.

**Increased Costs and State-Regulated Reimbursement**

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 reimbursement formulas, including those for Medicaid and other third-party payors. Rising health care costs have resulted from, among other factors, health care costs exceeding inflation, staff shortages, pharmaceutical 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 will not be similarly affected by the impact of additional unreimbursed costs in the future.

The State has adopted for Medicaid, workers' compensation and no-fault insurance an inpatient hospital reimbursement system similar to the Medicare system. The financial viability of all health care facilities in the State is dependent, in part, upon, among other things, the ability and willingness of the State Legislature and the State Department of Health to establish reimbursement rates under this hospital reimbursement system sufficient to reimburse ORMC at appropriate levels to meet their obligations. In recent years, a number of proposals to further limit or restrict the amounts provided for financing health care have been discussed and a number of related bills have been introduced in the State Legislature. In the future, similar proposals and bills, which could have an adverse impact on health care financing, may be adopted by the State Legislature.

The State is operating a state-based healthcare exchange, known as the NY State of Health and has also expanded Medicaid coverage to individuals at or below 133% of the federal poverty level. However, there can be no assurance that the State will continue to provide either the state-based healthcare exchange or expanded Medicaid coverage in the future.

**Medicare and Medicaid Programs**

*Medicare*. Medicare is a federal governmental health insurance system under which physicians, hospitals and other health care providers are reimbursed or paid directly for services provided to eligible elderly and disabled persons. See PART 7 - "ORANGE REGIONAL MEDICAL CENTER - Reimbursement" for a discussion of Medicare generally. In order to achieve and maintain Medicare certification, a health care provider must meet CMS's "Conditions of Participation" on an ongoing basis, certain licensure requirements as determined by the state in which the provider is located and/or ongoing compliance with the standards of a chosen accreditation program, such as those administered by The Joint Commission or other CMS-approved accrediting organization. The requirements for Medicare certification are subject to change and, therefore, it may be necessary for hospitals to effect changes from time to time in their facilities, equipment, operations, personnel, billing, policies and services to ensure continued compliance.

A substantial portion of the Medicare revenues of ORMC is anticipated to be derived from payments made for services rendered to Medicare beneficiaries under the Inpatient Prospective Payment System (the "***IPPS***"). Under the IPPS, for each covered hospitalization Medicare pays a predetermined base operating payment and a separate predetermined base payment for capital-related costs. Each hospitalization of a Medicare beneficiary is classified into one of several hundred diagnosis-related groups ("***DRGs***"), which determine the IPPS base payment rate for the hospitalization. Each DRG has its own predetermined rate, which, in the case of the service component, is based upon the national average costs to care for patients for the specific DRG, adjusted for geographic wage differences and, in the case of the capital component, at a per-case federal rate, adjusted for limited hospital-specific characteristics. The actual cost of care, including capital costs, may be more or less than the DRG rate. There is no guarantee that DRG rates, as they change from time to time, will cover actual costs of providing services to Medicare patients. Several hospital characteristics are reflected in payment adjustments, including an indirect medical education adjustment, the disproportionate share adjustment to pay certain hospitals for a portion of the higher costs of treating a large proportion of poor patients and for indirect costs of operating in areas accessible to poor patients and outlier case adjustments (an additional payment for selected cases of unusually long stays or high costs). In addition, Medicare IPPS reimbursement is to be adjusted annually based on the hospital "market basket" index, or the cost of providing health care services; however, in practice, historically the government either has not increased payment rates annually or the increases to DRG rates have been less than the increase in the cost of delivering health care services. Moreover, there is no assurance that future updates to IPPS payment rates will keep pace with the increases in the cost of providing hospital services.

The Secretary of DHHS is required to review the DRG categories annually to take into account any new procedures, reclassify DRGs and recalibrate the DRG relative weights that reflect the relative hospital resources

used by hospitals with respect to discharges classified within a given DRG category. From time to time, CMS creates new DRGs and revises or deletes others in order to better recognize the severity of illness for each patient. CMS may only adjust DRG weights on a budget-neutral basis. As a result, there is no assurance that Medicare payments will adequately reflect changes in the cost of providing health care or in the cost of health care technology being made available to the Obligated Group's patients.

ORMC depends significantly on Medicare as a source of revenue. Because of this dependence, changes in the Medicare program may have a material effect on ORMC. As indicated above, the ACA will present an unknown financial impact on all hospitals. Future reductions in Medicare reimbursement, or increases in Medicare reimbursement in amounts less than increases in the costs of providing care, may have a material adverse financial effect on ORMC.

As a result of monitoring and review conducted under the ORMC Corporate Compliance Program, ORMC discovered and self-disclosed to the Medicare Administrative Contractor ("***MAC***"), a clerical error omission of certain Medicare charges from the 2013 Cost Report. During 2015, ORMC refiled an Amended Cost Report per the MAC's instructions, and has recorded an estimated liability for this omission within the third-party payor liabilities as of December 31, 2015.

Inpatient rehabilitation facilities and units ("***IRFs***") and inpatient psychiatric facilities and unit ("***IPFs***") have been excluded from the DRG-based IPPS established for general inpatient acute care facilities. Both IPFs and IRFs are paid by Medicare under a separate generally higher-paying inpatient prospective payment system that is distinct from general IPPS. The Social Security Act authorizes the Secretary of DHHS to determine which facilities are classified as IRFs. Such facilities and units are required to draw at least 60% of their inpatients from 13 specific rehabilitation diagnoses identified by CMS in order to qualify for payment as an IRF. Effective October 1, 2014, CMS reduced the number of diagnoses presumed to "count" toward meeting the 60% rule. There is no guarantee that the IRF payment will be adequate to cover the Obligated Group's cost of furnishing care, or that a given IRF will continue to satisfy the 60% rule.

Recent Medicare Payment Advisory Commission ("***MedPAC***") guidance has recommended site-neutral payment policies for certain services provided in the IRF setting. These policies reflect MedPAC's position that Medicare should not pay more for care in one setting than in another if the care can safely and effectively be provided in a lower cost setting. Accordingly, MedPAC has proposed to reimburse certain IRF services at rates commensurate with payments made to skilled nursing facilities. To the extent adopted by CMS, these policies would have the potential to decrease Medicare revenues available to IRFs.

Additionally, effective October 1, 2013, CMS adopted a policy known as the Inpatient Hospital Prepayment Review "Probe & Educate" review process or the "Two-Midnight" rule. The "Two-Midnight" policy specifies that hospital stays spanning two or more midnights after the beneficiary is properly and formally admitted as an inpatient will be presumed to be "reasonable and necessary" for purposes of inpatient reimbursement. With some exceptions, stays not expected to extend past two midnights should not be admitted and instead should be billed as outpatient. CMS adopted the policy due to growing concern with the overuse of the "observation" status at hospitals; CMS found that Medicare beneficiaries were spending extended periods of time in observation units without being admitted as inpatients. Congress voted to extend the enforcement moratorium on the "Two-Midnight" rule through the end of fiscal year 2015. As a result Medicare Recovery Audit Contractors ("***RACs***") won't be able to audit inpatient hospital claims from October 1, 2013, through September 30, 2015. The Outpatient Prospective Payment System ("***OPPS***") Final Rule, issued in November 2015 and effective January 1, 2016, revised the Two-Midnight Rule to allow an exception for Medicare Part A payment on a case-by-case basis for inpatient admissions that do not satisfy the two-midnight benchmark if documentation in the medical records supports that the patient required inpatient care. CMS has announced that it will not continue to impose an inpatient payment cut to hospitals under the "Two-Midnight" rule starting in 2017 following ongoing industry criticism and a legal challenge. In the 2017 Medicare IPPS final rule released on August 2, 2016, CMS removed the inpatient payment cuts under the "Two Midnight" rule for fiscal year 2017 and onward and provided a temporary increase of 0.6% payment in fiscal year 2017 to help offset the fiscal year 2014-2016 cuts under the "Two-Midnight" rule. The "Two-Midnight" rule has had and will likely continue to have an adverse financial impact for hospitals.

*Payment for Hospital Outpatient Services*. Hospitals are generally paid for outpatient services provided to Medicare beneficiaries under the OPPS, which is 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. Generally, Medicare payment rates to hospitals for outpatient

hospital services are adjusted annually based on estimated cost increases and other factors, including productivity and budget neutrality adjustments. These adjustments are typically positive, and often range from 0.5% to 2.5%. However, occasionally, because of statutory formulas and other legislative and administrative actions, these adjustments can be negative, and Medicare payments to hospitals can be reduced as a result. Moreover, Congress often takes action to specify payment update reductions, which can have the effect of constraining or reducing hospital payments. There is no guarantee that APC rates, as they change from time to time, will cover actual costs of providing services to Medicare patients.

*Payment for Physician Services*. Certain physician services are reimbursed under Medicare Part B on the basis of a national fee schedule called the "resource based-relative value scale" ("***RBRVS***"). The RBRVS fee schedule establishes payment amounts for all physician services, including services of provider-based physicians, and is subject to annual updates. CMS had relied on a formula known as the Sustainable Growth Rate ("***SGR***"), which limited the growth of Medicare payments for physician services based on changes to the U.S. Gross Domestic Product over a ten-year period. Since 2003, Congress has passed legislation to delay application of the SGR, as payment under SGR methodology could have resulted in reductions to physician reimbursement exceeding 20%. Legislation had postponed the implementation of SGR cuts only until March 31, 2015. However, in April 2015, Congress adopted legislation to permanently repeal the SGR formula. This legislation, MACRA, when implemented in 2017, would move the SGR program from a fee-for-service to a pay-for-performance model that would control the growth of physician payments based on clinical outcomes. This legislation will increase physician Medicare reimbursement by 0.5% annually until 2019 and then provide for no additional increases to base physician reimbursement through 2025. In addition to the base payment methodology, physicians could earn merit-based payments based on factors including compliance with meaningful use of CEHRT and demonstration of quality-based medicine. Ultimately, it remains unclear what effect this legislation will have on ORMC.

Beginning January 1, 2019, and continuing through 2025, physician payment adjustments will occur through the Quality Payment Program's two reimbursement tracks - the Merit-based Incentive Payment System ("***MIPS***") or an Advanced Alternative Payment Model ("***APM***"). In calculating physician payment adjustments, MIPS streamlines existing quality and value programs, accounting for physician performance under the meaningful use of electronic health records incentive program, the value-based modifier, and physician quality reporting system. Payments to physicians participating in APMs similarly accounts for performance under such programs. Beginning January 1, 2026, and effective January 1 of each subsequent calendar year thereafter, physician payments will be increased by 0.75% for physicians who adequately participate in APMs, and by 0.25% for those who participate in MIPS. Notably, CMS has designated calendar year 2017 as the "transition year" during which physician reporting obligations for participation in these programs are substantially reduced. The outcomes of these programs, including the likelihood of being revised or expanded or their effect on health care organizations' revenues or financial performance cannot be predicted, and it remains unclear what effect this legislation will have on the Obligated Group. For example, these programs may encourage more physicians to retire, not accept Medicare (or only accept Medicare Advantage). Alternatively, or in addition to other externalities of the implementation of these programs, increased focus and performance scoring on resource use may impact utilization of the Obligated Group's health care resources. Furthermore, implementation of a quality payment system will likely require regular reporting to CMS and greater internal resources to monitor performance and prevent payment reductions.

*Off-Campus Provider-Based Departments.* Beginning January 1, 2017, under provisions of the Bipartisan Budget Act of 2015 and regulations proposed by CMS, most new off-campus hospital outpatient departments established on or after November 2, 2015 will not be eligible for payment under the OPPS for non-emergency services. Instead, non-emergency services performed at these facilities will be paid under the physician fee schedule in fiscal year 2017, and at a to-be-determined rate in subsequent years. The new payment methodology for these locations and services will likely result in lower payments to hospitals than in previous years for providing the same services, if the services are provided in a new off-campus outpatient department or a new service added to an existing off-campus outpatient department. A hospital outpatient department is considered to be "off-campus" if it is located more than 250 yards from a main provider hospital or a remote location of a hospital. Administrative and judicial review are unavailable for determinations relating to applicable payment systems or determinations whether a provider department is considered an off-campus hospital outpatient department.

*Medicaid*. Medicaid is a health insurance program for certain low-income and needy individuals that is jointly funded by the federal government and the states. Pursuant to federal guidelines, each state establishes its own eligibility standards; determines the type, amount, duration and scope of services; sets the payment rates for services; and administers its own programs. 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 133% of the

federal poverty level. Attempts to balance or reduce the federal and state budgets, including the balanced budget requirements in the State, may negatively impact spending for Medicaid and other State health care programs spending. See PART 7 - "ORANGE REGIONAL MEDICAL CENTER - Reimbursement."

**Medicaid 1115 Waiver Amendment**

As of April 14, 2014, the State Medicaid Section 1115 Waiver 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 Redesign Team reforms discussed below. Up to $6.42 billion of this amount will be applied to the Delivery System Reform Incentive Payment ("***DSRIP***") Program, which has a goal of reducing avoidable Medicaid hospitalizations by 25% over the next five years. The DSRIP payments are to be made to providers who collaborate in some fashion to achieve this goal and are to be paid based on performance. While ORMC may participate in the DSRIP Program, the impact of the 1115 Waiver and the potentially significant loss in revenue from decreased hospitalizations upon the projected financial performance of the Obligated Group cannot be determined at this time.

**Children's Health Insurance Program**

The Children's Health Insurance Program ("***CHIP***") provides federal matching funds to states that cover 65% to 85% of the costs of health care coverage, primarily for low-income children. CMS administers CHIP, 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 CHIP program, known by its marketing name Child Health Plus, was created by the State 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 CHIP payments on ORMC. Moreover, each state must periodically submit its CHIP 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 CHIP. Furthermore, under MACRA, federal funding for CHIP is extended through September 30, 2017. The loss of federal approval for a state's program or a reduction in the amounts available under CHIP could have an adverse impact on the financial condition of ORMC.

**State Budget**

In January 2011, Governor Andrew M. Cuomo issued Executive Order No. 5 creating the Medicaid Redesign Team and setting in motion a process of substantial reform of the State's Medicaid program. The Medicaid Redesign Team, comprised of health care professionals, stakeholders in the industry and legislators, was charged with reducing Medicaid costs and improving patient care.

For FY 2017, the Medicaid Global Spending Cap is projected to grow at the indexed rate of 3.4%, consistent with the Medicaid Global Spending Cap, to $17.7 billion. In total, State-funded Medicaid will increase to $18.5 billion. The bump is based on cost of care increases and utilization increases but also decreased in consideration of planned investments. There is no guarantee that ongoing Medicaid Redesign Team Phase V recommendations will continue to achieve the level of gap closing savings anticipated or limit the rate of annual growth in State Medicaid spending as projected.

The effect of the Medicaid redesign process on ORMC will depend significantly on participation in new models of integrated care delivery, and its ability to collaborate with different types of providers and relationships with Medicaid managed care plans, as those plans will continue to play an increasingly larger role over the next several years.

**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. ORMC'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. However, many questions regarding implementation remain, and the way in which the final regulations may affect ORMC remains unclear. Accordingly,

it is impossible at this time to predict what changes in accounting or practices might be required of ORMC as a result of these regulations. On April 8, 2014, in a case entitled *Agencies for Children's Therapy Services, Inc., v. New York State Department of Health, et. al*, the New York Supreme Court for Nassau County held that the Executive Order and regulations promulgated by the Department of Health are invalid and may not be enforced. On April 27, 2015, the New York Supreme Court Appellate Division, Second Judicial Department in the same case determined that the Supreme Court for Nassau County should have declared the Executive Order and implementing regulations both valid and enforceable. The New York Supreme Court Appellate Division, Second Judicial Department remitted the case to the Supreme Court for Nassau County for entry of an order declaring the Executive Order and implementing regulations valid and enforceable. Additionally, on July 29, 2014, the Supreme Court for Suffolk County upheld the Department of Health regulations promulgated under the Executive Order, in a case entitled *Concerned Home Care Providers, Inc. v. New York State Department of Health*.

**Managed Care and Other Private Initiatives**

Currently, the term "managed care" refers to all commercial relationships between payors and providers. The term covers the negotiated arrangement for prices and payment terms that a healthcare provider will accept from a payor on behalf of a covered individual. All prices and terms are carefully articulated in contracts between providers and payors. Prices and terms differ for each hospital and for each payor and, usually, for each product sold by each payor. For example, a payor may sell HMO, PPO, Medicare and Medicaid products to various populations. That payor will then have a unique price established with each individual hospital for every covered service offered for each product sold.

Typical payment methodologies that have been established include severity-adjusted case neutral rates; per diem rates for stays in a Medical/Surgical Unit, Intensive Care Unit, and Cardiac Care Unit; case rates for obstetric deliveries, open heart surgeries and other tertiary level services; discounts from full charges; and set fees for outpatient services. Management believes ORMC, on a yearly contracting basis, has developed equitable pricing arrangements with most of the payors with which they contract. Some contracts contain provisions for advances and periodic interim payments as well as other terms that are financially acceptable to its hospitals. However, these contracts have finite terms and are subject to renegotiation, and managed care payors are expected to continue to seek ways to reduce the utilization of healthcare services such as through the use of primary care physicians. Enrollment in managed care programs has increased, and managed care programs are expected to have a greater influence on the manner in which healthcare services are delivered and paid for in the future. In addition, some managed care organizations have been delaying reimbursements to hospitals, thereby affecting cash flows. The Obligated Group's financial condition may be adversely affected by these trends.

**Regulatory Reviews and Audits**

CMS has contracts with RACs to search for improper Medicare payments in all 50 states. RAC contractors retrospectively review provider claims for the following types of services: hospital inpatient and outpatient, skilled nursing facility, physician, ambulance and laboratory, as well as durable medical equipment. The RAC program was expanded through the ACA to Medicare Part C (Medicare Advantage plans), Medicare Part D (prescription drug coverage) and Medicaid. The Obligated Group does not anticipate or have reason to believe that a substantial audit adjustment would be recommended as a result of a RAC audit; however, there can be no assurance that, if any audit adjustments were to be assessed, they would not have a material adverse effect on the financial position of the Obligated Group.

**Competition**

Increased competition from a wide variety of potential sources, including, but not limited to, other hospitals and health care systems, inpatient and outpatient health care facilities, long-term care and skilled nursing services facilities, specialty hospitals, ambulatory surgery centers, clinics, physicians and others, could adversely affect the utilization and revenues of the Obligated Group. Existing and potential competitors may not be subject to various restrictions applicable to the Obligated Group, and competition, in the future, may arise from new sources not currently anticipated or prevalent. In addition, if the State Legislature revokes the Certificate of Need program administered by the State Department of Health, it could have a negative impact on the financial condition of the Obligated Group. While the effect of such actions is uncertain, it can be expected to increase competition in the health care field generally, and the utilization and revenues of the Obligated Group could be adversely affected thereby.

Additionally, 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 Obligated Group in the future. Technological advances in recent years have accelerated the trend toward the use by hospitals and other health care providers of sophisticated and costly equipment and services for diagnosis and treatment, as well as of the increased administration of outpatient care. The acquisition and operation of certain equipment or services may continue to be a significant factor in hospital and other provider utilization, but the ability of the Members of the Obligated Group to offer such equipment or services may be subject to the availability of equipment or specialists, governmental approval or the ability to finance such acquisitions or operations. 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.

**Workforce Shortages**

Workforce shortages are affecting healthcare organizations at the local, regional and national level, in part due to the fact that a smaller number of students are considering careers in nursing and the allied health professions than in the past. As reimbursement amounts are reduced to health care facilities and organizations that employ or contract with physicians, nurses and other health care professionals, pressure to control and possibly reduce wage and benefit costs may further strain the supply of those professionals. Therefore, there can be no assurance that such workforce shortages will not continue or increase over time and adversely affect the Obligated Group's ability to control costs and its financial performance.

In order to recruit and retain professional and nursing staff to strengthen clinical services, ORMC has offered, and in the future intends to offer, competitive salaries to both newly recruited individuals and existing staff.

**Labor Relations and Collective Bargaining**

Hospitals and other health care providers often are large employers with a wide diversity of employees. Increasingly, employees of hospitals and other providers are becoming unionized, and many hospitals and other providers have collective bargaining agreements with one or more labor organizations. Employees subject to collective bargaining agreements may include essential nursing and technical personnel, as well as food service, maintenance and other trade personnel. Renegotiation of such agreements upon expiration may result in significant cost increases to the affected members. In addition, employee strikes or other adverse labor actions may have an adverse impact on the Obligated Group.

**Federal "Fraud and Abuse" Laws and Regulations**

***Anti-Kickback Statute.*** The Federal Anti-Kickback Statute (the "***Anti-Kickback Statute***") is a criminal statute that prohibits anyone from knowingly or willfully offering, paying, soliciting or receiving any remuneration, directly or indirectly, in return for or to induce business that may be paid for, in whole or in part, under a federal healthcare program including, but not limited to, the Medicare or Medicaid programs. Violation of the Anti-Kickback Statute is a felony, subject to a maximum fine of $25,000 for each criminal act, imprisonment for up to five years and exclusion from the Medicare and Medicaid programs. The OIG, the enforcement arm of DHHS, can also initiate an administrative exclusion of a provider from the Medicare and Medicaid programs. In addition, civil monetary penalties of $50,000 for each act in violation of the Anti-Kickback Statute or damages equal to three times the amount of prohibited remuneration may be imposed. The scope of prohibited payments in the Anti-Kickback Statute is broad and includes many economic arrangements involving hospitals, physicians and other healthcare providers, including (but not limited to) joint ventures, space and equipment rentals, purchases of physician practices and management and personal services contracts.

DHHS has published certain safe harbor regulations which describe certain arrangements that will not be deemed to constitute violations of the Anti-Kickback Statute. The safe harbors described in the regulations are narrow and do not cover a wide range of economic relations which many hospitals, physicians and other health care providers consider to be legitimate business arrangements not prohibited by the statute. Failure to fall within a safe harbor does not mean that a particular arrangement violates the Anti-Kickback statute; it means only that the arrangement does not qualify for safe harbor protection.

ORMC may have or had certain relationships with physicians and other referral sources which do not meet all of the requirements of each applicable safe harbor under the safe harbor regulations. In light of the narrowness of the safe harbor regulations and the scarcity of the case law and advisory opinions interpreting the Anti-Kickback

Statute, there can be no assurances that ORMC will not be found to have violated the Anti-Kickback Statute, and if so, that any sanction imposed would not have a material adverse effect on the operations or the financial condition of ORMC.

***Federal False Claims Act.*** The criminal False Claims Act ("***criminal FCA***") makes it illegal to submit or present a false, fictitious or fraudulent claim to the federal government. Violation of the criminal FCA can result in imprisonment and/or a fine. The civil False Claims Act ("***civil FCA***"), one of the government's primary weapons against health care fraud, allows the federal government to recover significant damages from persons or entities that submit fraudulent claims for payment to any federal agency through actions taken by the United States Attorney's Office or the DOJ. The civil FCA also permits individuals to initiate actions on behalf of the government in lawsuits called qui tam actions. These qui tam plaintiffs, or "whistleblowers," can share in the damages recovered by the government.

Under the civil FCA, health care providers may be liable if they obtain improper payments from the government by submitting false claims. Civil FCA violations have been pursued largely on the existence of alleged kickback or self-referral arrangements. Even in the absence of evidence that literally false claims have been submitted, these cases argue that the improper business relationship tainted the subsequently submitted claims, thereby rendering the claims false under the civil FCA. Other civil 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.

Amendments to the FCA in the Fraud Enhancement and Recovery Act of 2009 ("***FERA***") and the ACA amend and expand the reach of the FCA. FERA expanded the FCA's reverse false claims provision, imposing liability on any person who "knowingly conceals" or "knowingly and improperly avoids or decreases" an "obligation to pay or transmit money or property to the government," whether the person uses a false record or statement to do so or not. FERA also clarified that an "obligation" can arise from the retention of an overpayment. Section 6402 of the ACA further addresses the retention of overpayments by defining the term overpayment and the circumstances and timing under which an overpayment need be returned to the government before it becomes an "obligation" under the FCA. The 2016 Medicare Overpayments Final Rule, which took effect on March 14, 2016, requires that providers report and return identified overpayments by the later of 60 days after identification, or the date the corresponding cost report is due, if applicable. If the overpayment is not so reported and returned, it becomes an "obligation" under the FCA. This expansion of the FCA exposes hospitals and other health care providers to liability under the FCA for a considerably broader range of claims than in the past. CMS clarified that the 60-day timeframe for report and return begins when either reasonable diligence is completed (including determination of the overpayment amount) or on the day the person received credible information of a potential overpayment (if the person failed to conduct reasonable diligence and the person in fact received an overpayment). Failure to report and return overpayments as described herein may result in false claims liability. That same final rule also established a six-year lookback period, meaning overpayments must be reported and returned only if a person identifies the overpayment within six years of the date the overpayment was received.

In June 2016, the U.S. Supreme Court announced its decision in *Universal Health Services, Inc. v. United States ex rel. Escobar*. Prior to Escobar, lower courts had split on the issue of whether the FCA extended to so-called "implied certification" of compliance with laws, and whether such compliance was limited to express conditions of payment or extended to conditions of participation. The Court affirmed the theory of "implied certification" and rejected the distinction between conditions of payment and conditions of participation for these purposes, ruling that the relevant inquiry is whether the alleged noncompliance, if known to the government, would have in fact been material to the government's determination as to whether to pay the claim. There is considerable uncertainty as to the application of the *Escobar* holding, but depending on how it is interpreted by the lower courts, it could result in an expanded scope of potential FCA liability for noncompliance with applicable laws, regulations and subregulatory guidance.

Violations of the civil FCA can result in penalties up to triple the actual damages incurred by the government and also monetary penalties. Civil penalties range from monetary fines that may be levied on a per-violation basis to temporary or permanent exclusion from the federal health programs (which account for a significant portion of revenue and cash flow of most hospitals, including ORMC). Criminal penalties may also be imposed. If determined adversely to the provider involved, an enforcement or qui tam action could have a materially adverse effect on such provider.

As noted above, FCA liability may derive from the finding that an arrangement violates the Anti-Kickback statute, and, as a result, any claims submitted pursuant to that relationship are tainted. Such arrangements include joint business activities conducted by hospitals and physicians, practice purchases, physician recruiting and retention programs, various forms of hospital assistance to individual physicians and medical practices or the physician contracting entities, physician referral services, hospital-physician service or management contracts, and space or equipment rentals between hospitals and physicians. ORMC conducts these and other similar activities, which pose varying degrees of risk. Much of that risk cannot be assessed accurately due to the lack of case law or material guidance by the OIG. While ORMC is not aware of any challenge or investigation concerning ORMC with respect to such matters, there can be no assurance that ORMC, or future Members of the Obligated Group, will not be charged with, or found to have violated, the FCA and, if so, that any fines or other penalties would not have a material adverse effect on its operations or the operations of the Obligated Group.

***Stark Law***. The Federal Ethics in Patient Referrals Act (known as the "***Stark Law***") prohibits, subject to certain exceptions, the referral of Medicare and Medicaid patients for certain "designated health services" to entities with which the referring physician (or an immediate family member of such physician) has a financial relationship. The statute also prohibits the entity furnishing the "designated health services" (including inpatient and outpatient hospital services, clinical laboratory services, and radiology and other imaging services) from billing the Medicare or Medicaid program for designated health services furnished pursuant to a prohibited referral.

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

A financial relationship, for purposes of the Stark Law and State Provisions (the Stark Law and State Provisions are hereinafter collectively referred to as "***Stark***") is defined as either an ownership or investment interest in the entity or a compensation arrangement between the physician (or immediate family member) and the entity. An ownership or investment interest may be through equity, debt, or other means and includes an interest in an entity that holds an ownership or investment interest in the entity providing the designated health services. Many ordinary business practices and economically desirable arrangements with physicians would constitute "financial relationships" within the meaning of Stark.

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

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

Medicare may deny payment for all services performed 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 self-disclosure to CMS under its Self-Referral Disclosure Protocol ("***SRDP***"). For example, if an office lease between a hospital and a large group of heart surgeons is found to violate the Stark Law, the hospital could be obligated to repay CMS for the payments received from Medicare for all of the heart surgeries performed by all of the physicians in the group for the duration of the lease; a potentially significant amount. As a result, even relatively minor, technical violations of the Stark Law may trigger substantial refund obligations. Moreover, if the violations of the Stark Law were knowing, the government may also seek substantial civil monetary penalties, 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 impact 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 "Federal False Claims Act" above. The DOJ and relators have asserted that Medicaid referrals in which an non-excepted financial arrangement exists under the Stark

Law also create FCA exposure, and have had some success with these arguments outside the Ninth Circuit, where it has not yet been litigated.

CMS has established a voluntary self-disclosure program under which hospitals and other entities may report Stark Law violations and seek a reduction in their potential refund obligations. The limited publicly available information with respect to the self-disclosure program suggests that most voluntary self-disclosure submissions remain under consideration by CMS for an extended period of time, and that it is difficult to predict how CMS will react to any specific voluntary self-disclosure. ORMC 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 Statute or impose civil monetary penalties.

***EMTALA.*** Federal and State laws require hospitals to provide emergency treatment to all persons presenting themselves with emergency medical conditions. Congress enacted the Emergency Medical Treatment and Active Labor Act ("***EMTALA***") in response to concerns regarding inappropriate hospital transfers of emergency patients based on the patient's inability to pay for the services provided. EMTALA requires hospitals with emergency rooms, including ORMC, to conduct an appropriate and uniform medical screening to determine the presence of an emergency medical condition (including active labor) on all patients and to provide treatment sufficient to stabilize a patient's emergency medical condition before releasing, discharging or transferring the patient to another hospital.

Failure to comply with EMTALA can result in exclusion from the Medicare and/or Medicaid programs as well as civil penalties of up to $103,139 per violation. In addition, a hospital would be liable for any claim by an individual who has suffered harm as a result of such violation.

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

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

Under the ACA, Congress amended the CMPL 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.

**Liability Under State Laws**

Health care providers are subject to prosecution and civil penalties under the New York False Claims Act, which is modeled after the FCA, and imposes liability on providers or persons who, among other actions, (i) knowingly present or cause to be presented, a false or fraudulent claim for payment approval; (ii) knowingly making or using a false record or statement material to a false or fraudulent claim, or (iii) conspiring to defraud the State or local government in connection with a false or fraudulent claim. Violations of this state law may result in monetary penalties, for each falsification, three times the amount in damages sustained by the State or local government plus interest, payment of the state or local government's expenses to pursue reimbursement, and termination of a provider agreement.

The State also has a similar anti-kickback statutory scheme, which applies to the State Medicaid program and prohibits medical assistance providers from soliciting, receiving, accepting or agreeing to receive or accept or offer, agree to give or give any payment or other consideration in any form to the extent such payment is given for

the referral of services or purchase, lease or order of any good, facility, service or item for which payment is made under the Medicaid program. The law seems to also incorporate all federal statutory exceptions and safe harbors.

**Exclusions from Medicare or Medicaid Participation**

The Secretary of DHHS is required to exclude from governmental program participation (including Medicare and Medicaid) for not less than five years any individual or entity who has been convicted of a criminal offense relating to the delivery of any item or service reimbursed under Medicare or a state health care program, any criminal offense relating to patient neglect or abuse in connection with the delivery of health care, felony fraud against any federal, state or locally financed health care program or an offense relating to the illegal manufacture, distribution, prescription or dispensing of a controlled substance. DHHS also may exclude individuals or entities under certain other circumstances, such as an unrelated conviction of fraud, theft, embezzlement, breach of fiduciary duty or other financial misconduct relating either to the delivery of health care in general or to participation in a federal, state or local government program. Exclusion from the Medicare/Medicaid program means that a health care provider would be decertified from program participation and no program payments can be made. Any health care provider exclusion could be a materially adverse event. In addition, exclusion of health care organization employees or independent contractors or their employees under Medicare or Medicaid may be another source of potential liability for hospitals or health systems based on services provided by those excluded employees.

**Enforcement Activity**

Enforcement activity against health care providers has increased, and enforcement authorities are adopting more aggressive approaches. In the current regulatory climate, it is anticipated that many hospitals will be subject to an investigation, audit or inquiry regarding billing practices or false claims. Due to the complexity of these laws, the instances in which an alleged violation may arise to trigger such investigations, audits or inquiries are increasing and could result in enforcement action against ORMC, or future Members of the Obligated Group.

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

**Department of Health Regulations**

The Members of the Obligated Group are subject to regulations of the New York State Department of Health. Compliance with such regulations may require substantial expenditures for administrative or other costs. The Obligated Group's ability to add services or beds and to modify existing services materially is also subject to the State Department of Health review and approval. Approvals can be highly discretionary, may involve substantial delay, and may require substantial changes in the proposed request. Accordingly, the Obligated Group's ability to make changes to its service offerings and respond to changes in the environment may be limited.

**Other Governmental Regulation**

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

Renewal and continuation of certain of these licenses, certifications and accreditations are based on inspections, surveys, audits, investigations or other reviews, some of which may require or include affirmative activity or response by the Members of the Obligated Group. These activities generally are conducted in the normal course of business of health facilities. Nevertheless, an adverse result could cause a loss or reduction in the

Obligated Group Member's scope of licensure, certification or accreditation, could reduce the payment received or could require repayment of amounts previously remitted to the provider.

**Tax-Exempt Status of Interest on the Series 2017 Bonds**

The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Series 2017 Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that certain investment earnings on bond proceeds be paid periodically to the United States, and a requirement that the issuers file an information report with the IRS, as well as maintenance by ORMC and certain affiliates of their status as organizations described in Section 501(c)(3) of the Code (see "Not-for-Profit Tax Exempt Status" below). Failure to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of the interest on the Series 2017 Bonds as taxable. Such adverse treatment may be retroactive to the date of issuance. See also "PART 12 - TAX MATTERS" below.

Neither the Authority nor ORMC has sought to obtain a private letter ruling from the IRS with respect to the exempt status of interest on the Series 2017 Bonds, and the opinions of Co-Bond Counsel are not binding on the IRS. There is no assurance that any IRS examination of the Series 2017 Bonds will not adversely affect the market value of the Series 2017 Bonds. See "PART 12 - TAX MATTERS" below.

Schedule K to Form 990 is intended to address what the IRS believes is significant noncompliance by tax-exempt organizations with recordkeeping and record retention requirements relating to their outstanding tax-exempt bonds. Schedule K requires substantial additional efforts on the part of many tax-exempt organizations to complete. Schedule K also focuses on the investment of bond proceeds that could violate the arbitrage rebate requirements and on the private use of bond-financed facilities.

**Not-for-Profit Tax Exempt Status**

Hospitals are permitted to acquire tax-exempt status under the Code because the provision of health care historically has been treated as a "charitable" enterprise. This treatment arose before most Americans had health insurance, when charitable donations were required to fund the health care provided to the sick and disabled. Some commentators and others have taken the position that, with the onset of employer health insurance and governmental reimbursement programs, there is no longer any justification for special tax treatment for the health care industry, and the availability for tax-exempt status should be eliminated. Federal and state tax authorities are beginning to demand that tax-exempt hospitals justify their tax-exempt status by documenting their charitable care and other community benefits.

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

The ACA added requirements for tax-exempt hospitals under Code Section 501(r). IRS Form 990 has been expanded for tax-exempt hospitals to report on these requirements in Schedule H. These requirements include obligations to (i) conduct a community health needs assessment at least every three years and adopt an implementation strategy to meet those identified needs; (ii) adopt, implement and widely publicize a financial assistance policy and a policy to provide emergency medical treatment without discrimination; (iii) limit charges to patients who qualify for financial assistance under the hospital's financial assistance policy to no more than the amounts generally billed to individuals who have insurance covering such care and refrain from using "gross charges" when billing such individuals; and (iv) refrain from taking extraordinary collection actions without first

making reasonable efforts to determine whether the individual is eligible for assistance under the hospital's financial assistance policy. Failure to comply with the provisions of Section 501(r) of the Code and the final regulations issued thereunder may result in the imposition of fines and the loss of tax-exempt status. The Form 990 is intended to provide enhanced transparency as to the operations of exempt organizations. It is likely that the IRS will use the detailed information to assist in its enhanced enforcement efforts.

Form 990 provides additional, detailed information to the IRS, as well as to states' attorneys general, unions, plaintiff class action lawyers and public interest groups, that is likely to result in increased enforcement actions, the effect of which cannot be determined at this time.

The Code contains restrictions on the issuance of tax-exempt bonds for the purpose of financing and refinancing different types of healthcare facilities for not-for-profit organizations, including facilities generating taxable income. Consequently, the Code could adversely affect the Obligated Group's ability to finance its future capital needs using tax-exempt bonds and could have other adverse effects on the Obligated Group that cannot be predicted at this time. The Code continues to subject unrelated business income of nonprofit organizations to taxation. An investigation or audit could lead to a challenge that could result in taxes, interest and penalties with respect to taxable unrelated business income and, in some cases, ultimately could affect the tax-exempt status of ORMC or its tax-exempt affiliates, as well as the exclusion from gross income for federal income tax purposes of the interest payable on the Series 2017 Bonds.

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

Any suspension, limitation, or revocation of the tax-exempt status of ORMC or assessment of significant tax liability could have a material adverse effect on ORMC and might lead to loss of tax exemption of interest on the Series 2017 Bonds.

Revocation of the tax-exempt status of the Members of the Obligated Group under Section 501(c)(3) of the Code could subject the interest paid to Bondholders to federal income tax retroactively to the date of the issuance of the Series 2017 Bonds. Section 501(c)(3) of the Code specifically conditions the continued exemption of all Section 501(c)(3) organizations upon the requirement, among others, that no part of the net earnings of the organization inure to the benefit of any private individual. Any violation of the prohibition against private inurement may cause the organization to lose its tax-exempt status under Section 501(c)(3) of the Code. The IRS has issued guidance in informal private letter rulings and general counsel memoranda on some situations that give rise to private inurement, but there is no definitive body of law and no regulations or public advisory rulings that address many common arrangements between exempt healthcare providers and nonexempt individuals or entities. There can be no assurance concerning the outcome of an audit or other investigation given the lack of clear authority interpreting the range of activities undertaken by the Members of the Obligated Group.

Intermediate sanctions legislation enacted in 1996 imposes penalty excise taxes in cases where an exempt organization is found to have engaged in an "excess benefit transaction" with a "disqualified person." Such penalty excise taxes may be imposed in lieu of revocation of exemption or in addition to such revocation in cases where the magnitude or nature of the excess benefit calls into question whether the organization functions as a public charity. The tax is imposed both on the disqualified person receiving such excess benefit and on any officer, director, trustee or other person having similar powers or responsibilities who participated in the transaction willfully or without reasonable cause, knowing it will involve "excess benefit." "Excess benefit transactions" include transactions in which a disqualified person receives unreasonable compensation for services or receives other economic benefit from the organization that either exceeds fair market value or, to the extent provided in regulations yet to be promulgated, is determined in whole or in part by the revenues of one or more activities of such organization. "Disqualified persons" include "insiders" such as board members and officers, senior management, and members of the medical staff, who in each case are in a position to substantially influence the affairs of the organization, their

family members, and entities which are more than 35% controlled by a disqualified person. The legislative history sets forth Congress' intent that compensation of disqualified persons shall be presumed to be reasonable if it is: (1) approved by disinterested members of the organization's board or compensation committee; (2) based upon data regarding comparable compensation arrangements paid by similarly situated organizations; and (3) adequately documented by the board or committee as to the basis for its determination. A presumption of reasonableness will also arise with respect to transfers of property between the exempt organization and disqualified persons if a similar procedure with approval by an independent board is followed. The imposition of penalty excise tax in lieu of revocation based upon a finding that an exempt organization engaged in an excess benefit transaction is likely to result in negative publicity and other consequences that could have a material adverse effect on the operations, property, or assets of the organization.

**Tax Audits**

Taxing authorities have recently been conducting tax audits on non-profit organizations to confirm that such organizations are in compliance with applicable tax rules and in some instances have collected significant payments as part of the settlement process. ORMC is not currently under audit.

**Antitrust**

Enforcement of the antitrust laws against health care providers is becoming more common. Antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, payor contracting, physician relations, joint ventures, merger, affiliation and acquisition activities, 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 appears to be increasing. Violation of the antitrust laws could result in criminal and civil enforcement proceedings by federal and state agencies, as well as actions by private litigants. In certain actions, private litigants may be entitled to treble damages, and in others, governmental entities may be able to assess substantial monetary fines. The most common areas of potential liability are joint action among providers with respect to payor contracting, medical staff credentialing, merger, acquisition and affiliation activity and use of a hospital's local market power for entry into related health care businesses. From time to time, the Members of the Obligated Group are or may be involved with all of these types of activities, and none of the Members of the Obligated Group can predict in general when or to what extent liability, if any, may arise. Liability in any of these or other trade regulation areas may be substantial, depending upon the facts and circumstances of each case.

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

**Health Insurance Portability and Accountability Act**

The Health Insurance Portability and Accountability Act of 1996 ("***HIPAA***") addresses the confidentiality of individuals' health information. The use and disclosure of certain broadly defined protected health information is prohibited unless expressly permitted under the provisions of the HIPAA statute and regulations or is authorized by the patient. HIPAA's confidentiality provisions extend not only to patient medical records, but also to a wide variety of health care clinical and financial settings where patient privacy restrictions often impose new communication, operational, accounting and billing restrictions. These add costs and create potentially unanticipated sources of legal liability.

HIPAA imposes civil monetary penalties for violations and criminal penalties for knowingly obtaining or using individually identifiable health information, including imprisonment if the information was obtained or used with the intent to sell, transfer or use the information for commercial advantage, personal gain or malicious harm.

The Health Information Technology for Economic and Clinical Health Act (the "***HITECH Act***"), enacted as part of ARRA, significantly changed the landscape of federal privacy and security law with regard to individually identifiable health information. The HITECH Act (i) extended the reach of HIPAA; (ii) imposed a breach

notification requirement on HIPAA covered entities like ORMC; (iii) limited certain uses and disclosures of individually identifiable health information; (iv) increased individuals' rights with respect to individually identifiable health information; and (v) increased enforcement of, and penalties for, violations of privacy and security of individually identifiable health information.

The breach notification requirement, in particular, may expose covered entities such as hospitals to heightened liability. The HITECH Act breach notification requirement created a uniform federal breach notification law that mirrors protections that many states have passed in recent years. The breach notification requirement requires ORMC to notify patients of any unauthorized access, acquisition, or disclosure of their unsecured protected health information unless it is demonstrated that there is a low probability that the protected health information was not compromised based on a four-factor test. In addition, all breaches must be reported to the Secretary of DHHS. If more than 500 individuals are affected by the breach, (i) the HIPAA covered entity must also notify the media and (ii) the Secretary of DHHS will post a description of the breach on its website. These reporting obligations increase the risk of government enforcement as well as class action lawsuits, especially if large numbers of individuals are affected by a breach.

Any violation of the HITECH Act is subject to HIPAA civil and criminal penalties. The HITECH Act broadened the applicability of the criminal penalty provisions under HIPAA to employees of covered entities and required penalties for violations resulting from willful neglect. The HITECH Act also significantly increased the maximum amount of civil penalties to up to $1.65 million for identical violations during a calendar year under HIPAA. In addition, the HITECH Act authorized state attorneys' general to bring civil actions seeking either injunction or damages in response to violations of HIPAA privacy and security regulations that threaten state residents. The Members of the Obligated Group believe they are in substantial compliance with all applicable current requirements of HIPAA.

Criminal penalties will be enforced against persons who knowingly obtain or disclose personal health information in violation of HIPAA. The Office for Civil Rights ("***OCR***"), which is the administrative office tasked with enforcing HIPAA, is also beginning to perform periodic audits of health care providers and group health plans to ensure that required policies under HIPAA (as amended by the HITECH Act) are in place. Finally, OCR is working to establish a methodology under which an individual who is harmed by an offense punishable under HIPAA may be able to recover a percentage of the civil monetary penalty or monetary penalty settlement collected with respect to the offense. These enforcement actions may significantly increase the number of HIPAA-related complaints from individuals, as well as increase penalty and settlement amounts. OCR has stated that it has now moved from education to enforcement in its implementation of the law. Recent settlement of HIPAA violations for breaches involving lost data have reached the millions of dollars. Any breach of HIPAA, regardless of intent or scope, may result in penalties or settlement amounts that are material to a covered health care provider or health plan.

ORMC's HIPAA program is administered by the Chief Compliance Officer ("***CCO***") assisted by a multi-disciplinary team that involves departments throughout ORMC. The CCO works cooperatively with appropriate personnel in overseeing patient rights and inspects, amends, and restricts access to protected health information when appropriate. ORMC enters into Business Associate Agreements with parties that use or disclose patient protected health information on ORMC's behalf, as required by law.

**Security Breaches and Unauthorized Releases of Personal Information**

State and local authorities are increasingly focused on the importance of protecting the confidentiality of individuals' personal information, including patient health information. Many states 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.

**Environmental Matters**

Healthcare providers are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations. These requirements govern medical and toxic or hazardous waste management, air and water quality control, notices to employees and the public and training requirements for employees. As owners and operators of properties and facilities, the Members of the Obligated Group may be subject to potentially material liability for costs of investigating and remedying the release of any such substances either on, or that have migrated off, its property. Typical health care provider operations include, but are not limited to, in various combinations, the handling, use, storage, transportation, disposal and/or discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. As such, health care provider operations are particularly susceptible to the practical, financial and legal risks associated with the obligations imposed by applicable environmental laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations and/or increase their cost; may result in legal liability, damages, injunctions or fines; may result in investigations, administrative proceedings, civil litigation, criminal prosecution, penalties or other governmental agency actions; and may not be covered by insurance. There can be no assurance that the Obligated Group will not encounter such risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of the Obligated Group.

**Professional Liability Claims and General Liability Insurance**

Although the number of malpractice lawsuits filed against physicians and hospitals has stabilized in recent years, the dollar amounts of patient damage recoveries still remain potentially significant. A number of insurance carriers have withdrawn from this segment of the insurance market citing underwriting losses, and premiums have increased sharply in the last several years. The effect of these developments has been to significantly increase the operating costs of hospitals, including the Obligated Group.

ORMC currently carries malpractice, directors' and officers' liability and general liability insurance, which management considers adequate, but no assurance can be given that the Obligated Group will maintain coverage amounts currently in place in the future, that the coverage will be sufficient to cover all malpractice judgments rendered against the Obligated Group or settlements of any such claims or that such coverage will be available at a reasonable cost in the future. For a discussion of the insurance coverage of the Obligated Group, see "PART 7 - ORANGE REGIONAL MEDICAL CENTER - Insurance" herein.

**Increasing Cost of Modern Technology**

Technological advances in recent years have forced hospitals to acquire sophisticated and costly equipment to remain competitive. 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, ORMC was less able to acquire new equipment required to remain competitive, ORMC could lose market share, and the financial condition of ORMC could be materially adversely affected.

**Enforceability of Lien on Gross Receipts and Pledged Collateral**

The Loan Agreement provides that ORMC shall make payments to the Trustee sufficient to pay the Series 2017 Bonds and the interest thereon as the same become due. The obligation of ORMC to make such payments is secured by Obligation No. 3, which, in turn, is secured by, among other things, a security interest granted to the Master Trustee in the Gross Receipts and Pledged Collateral of the Members of the Obligated Group. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS - Obligations under the Master Indenture - Security Interest in Gross Receipts" and "- The Security Agreement." The lien on Gross Receipts and Pledged Collateral may become subordinate to certain Permitted Liens under the Master Indenture. Gross Receipts paid by the Members of the Obligated Group to other parties in the ordinary course might no longer be subject to the lien on the Master Indenture and might therefore be unavailable to the Master Trustee.

To the extent that Gross Receipts are derived from payments by the federal or state government under the Medicare or Medicaid program, any right to receive such payments directly may be unenforceable. The Social Security Act and state regulations prohibit anyone other than the individual receiving care or ORMC providing service from collecting Medicare and Medicaid payments directly from the federal or state government. In addition, Medicare and Medicaid receivables may be subject to provisions of the Assignment of Claims Act of 1940, which

restricts the ability of a secured party to collect accounts directly from government agencies. With respect to receivables and Gross Receipts not subject to the Lien, the Master Trustee would occupy the position of an unsecured creditor.

In the event of bankruptcy of a Member of the Obligated Group, transfers of property by the bankrupt entity, including the payment of debt or the transfer of any collateral, including receivables, Gross Receipts or Pledged Collateral on or after the date which is 90 days (or, in some circumstances, one year) prior to the commencement of the case in bankruptcy court may be subject to avoidance or recoupment as preferential transfers. Under certain circumstances a court may have the power to direct the use of Gross Receipts or Pledged Collateral to meet expenses of the Members of the Obligated Group before paying debt service on the Series 2017 Bonds.

Pursuant to the New York Uniform Commercial Code, a security interest in the proceeds of Gross Receipts or Pledged Collateral may not continue to be perfected if such proceeds are not paid over to the Master Trustee by a Member of the Obligated Group under certain circumstances. If any required payment is not made when due, the Members of the Obligated Group must transfer or pay over immediately to the Master Trustee any Gross Receipts or Pledged Collateral with respect to which the security interest remains perfected pursuant to law. Any Gross Receipts or Pledged Collateral thereafter received shall upon receipt by a Member of the Obligated Group be transferred to the Master Trustee without such Gross Receipts being commingled with other funds, in the form received (with necessary endorsements), or Pledged Collateral up to an amount equal to the amount of the missed payment.

The obligation of ORMC to make payments with respect to the Series 2015 Bonds is secured by Obligation No. 2, which, like Obligation No. 3, is secured by, among other things, a security interest granted to the Master Trustee in the Gross Receipts of the Members of the Obligated Group, and will be secured by the Pledged Collateral. The value of the security interests in the Gross Receipts and Pledged Collateral could be diluted by the incurrence of additional Indebtedness secured equally and ratably with the Series 2015 Bonds and Series 2017 Bonds as to the security interests in the Gross Receipts and Pledged Collateral or by the incurrence of debt secured by Permitted Liens on certain portions of Gross Receipts and Pledged Collateral, which Permitted Liens may be in a superior lien position to the liens granted to the Master Trustee that secures the Series 2015 Bonds and Series 2017 Bonds. See "PART 1 - INTRODUCTION - Security for the Series 2017 Bonds."

**The 2017 Mortgage and the Guaranty Agreement Are of Limited Value**

The lien on property granted under the 2017 Mortgage provides limited security. Little property that is subject to the lien consist of general purpose buildings suitable for industrial or commercial use. Consequently, it could be difficult to find a buyer or lessee for the property, and, upon a default, the Master Trustee may not obtain an amount equal to the aggregate liabilities of the Obligated Group (including liabilities in respect of the Obligations then outstanding) from the sale or lease of the property, whether pursuant to a judgment against the Obligated Group, or otherwise.

The Guaranty Agreement is currently of no value and prospectively, may be of limited value. In 2015, ORMC's professional medical service expenses for Guarantor physicians exceeded professional medical service revenue generated by the employed physicians by approximately $11,172,000 and in 2016 (through September 30, 2016) the amount exceeded was approximately $9,922,000. See "PART 7 - CORPORATE STRUCTURE - GHVHS Medical Group, P.C." But for the agreement of ORMC and CRMC to fund their ratable share of the Guarantor's deficit attributable to the services provided ORMC and CRMC by the Guarantor, the Guarantor would be insolvent. There can be no assurance that the Guarantor will ever achieve self-sufficiency, and if it did, there can be no assurance that the Guarantor's obligation under the Guaranty Agreement would not be voided as a fraudulent conveyance as described below under "Enforceability of the Master Indenture and the Guaranty Agreement."

**Enforceability of the Master Indenture and the Guaranty Agreement**

Under State law, a not-for-profit corporation may guarantee the debt of another corporation only if such guaranty is in furtherance of the corporate purposes of such guarantor not-for-profit corporation. A court could find that the Guaranty Agreement is not in furtherance of the Guarantor's exempt purpose. In addition, it is possible that the Guaranty Agreement and/or the joint and several obligation of the Members of the Obligated Group to make payments due under an Obligation, relating to indebtedness issued for the benefit of ORMC, may be declared void in an action brought by a third-party creditor pursuant to the State fraudulent conveyance statutes or may be avoided

by the Guarantor or a Member, as applicable, or a trustee in bankruptcy in the event of the bankruptcy of the Guarantor or Member from which payment is requested. An obligation may be voided under the Federal Bankruptcy Code or under the State fraudulent conveyance statute, if (i) the obligation was incurred without receipt by the obligor of "fair consideration" or "reasonably equivalent value," and (ii) the obligation renders the obligor "insolvent," as such terms are defined under the applicable statute. Interpretation by the courts of the tests of "insolvency," "reasonably equivalent value" and "fair consideration" has resulted in a conflicting body of case law. For example, the Guaranty Agreement or a Member's joint and several obligation under the Master Indenture to make all payments thereunder, including payments in respect of funds used for the benefit of ORMC, may be held to be a "transfer" which makes the Guarantor or such Member "insolvent" in the sense that the total amount due under the Guaranty Agreement or Master Indenture could be considered as causing its liabilities to exceed its assets. Also, the Guarantor or one of the Members may be deemed to have received less than "fair consideration" for such obligation because none or only a portion of the proceeds of the indebtedness is to be used to finance projects occupied or used by the Guarantor or such Member. While the Guarantor and Members may benefit generally from the projects financed from the indebtedness for the other Members, the actual cash value of this benefit may be less than the amount guaranteed, or the joint and several obligation. The rights under the State fraudulent conveyance statutes may be asserted for a period of up to six years from the incurring of the obligations or granting of security under the Master Indenture.

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

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

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

**Enforceability of the Future Obligated Group Members and the Guarantor**

The ability of the Authority to pay the Series 2017 Bonds may depend on the enforceability of the contractual obligations of future Obligated Group Members under the Master Indenture and on the Guarantor under the Guaranty Agreement rather than merely the loan payment obligations of ORMC under the Loan Agreement. The joint and several obligations described herein of any future Obligated Group Members under the Master Indenture and the Guarantor's separate obligation under the Guaranty Agreement to make payments of debt service on the Obligations issued pursuant to and under the Master Indenture, the proceeds of which Obligations were not loaned or otherwise made available to such future Obligated Group Members and the Guarantor, may not be enforceable to the extent that such payments (i) will be made on the Obligations issued for a purpose that is not consistent with the charitable purposes of the entity from which such payment is requested or which is issued for the benefit of any entity other than a tax-exempt organization; (ii) will be made from property that is donor-restricted or that is subject to a direct or express trust that does not permit the use of such property for such payments; (iii) would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the entity from which such payment is requested; or (iv) will be made pursuant to any loan violating applicable usury laws. Due to the absence of clear legal precedent in this area, the extent to which the property of the future Obligated Group Members and the Guarantor falls within category (ii) referred to above cannot be determined and could be substantial. There is no clear precedent in the law as to whether payments by the future Obligated Group Members

and the Guarantor on the Obligations issued by or for the benefit of another entity or transfers of funds for such purposes may be voided by a trustee in bankruptcy in the event of a bankruptcy of a future Obligated Group Member or the Guarantor or by third party creditors in an action in bankruptcy court.

Application by courts of the tests of "insolvency," "reasonably equivalent value" and "fair consideration" has resulted in a conflicting body of case law. It is possible that, in an action to force a future Obligated Group Member or the Guarantor to pay debt service on any Obligation issued by or for the benefit of another entity, a court might not enforce such obligation in the event it is determined that such paying entity is analogous to a guarantor and that fair consideration or reasonably equivalent value for such guaranty was not received and that the incurrence of such obligation has rendered and will render the paying entity insolvent or the paying entity is or will thereby become undercapitalized.

**Exercise of Remedies under Master Indenture**

"Events of Default" under the Master Indenture include the failure of the Obligated Group to make payments on any Obligation Outstanding under the Master Indenture (such as Obligation No. 3) and may include nonpayment related defaults under documents such as the Loan Agreement, the Resolution or the 2017 Mortgage. The Master Indenture provides that upon an "Event of Default" thereunder, the Master Trustee may in its discretion, declare the principal of all (but not less than all) Obligations Outstanding thereunder to be due and payable immediately and may exercise other remedies thereunder. However, the Master Trustee is not required to declare amounts under the Master Indenture to be due and payable immediately except as provided in the Master Indenture, which includes written request of Holders of not less than 25% in aggregate principal amount of Obligations Outstanding. Obligation No. 3 will represent approximately 78% of the Obligations upon the issuance of the 2017 Bonds and defeasance of the 2008 Bonds. Consequently, upon the occurrence of an "Event of Default" under the Resolution with respect to the Series 2017 Bonds and an acceleration of the maturity of the Series 2017 Bonds, the Master Trustee may not be required to accelerate all Obligations Outstanding under the Master Indenture. See APPENDIX E "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE SUPPLEMENTAL INDENTURE."

**Bankruptcy**

The Series 2017 Bonds are payable from the sources and are secured as described in this Official Statement. The practical realization of value from the collateral for the Series 2017 Bonds described herein upon any default will depend upon the exercise of various remedies specified by the Loan Agreement, the 2017 Mortgage and the Master Indenture. These and other remedies may, in many respects, require judicial actions which are often subject to discretion and delay.

Under existing law, the remedies specified by the Loan Agreement, the 2017 Mortgage and the Master Indenture may not be readily available or may be limited. A court may decide not to order the performance of the covenants contained in those documents. The legal opinion to be delivered concurrently with the delivery of the Series 2017 Bonds will be qualified as to the enforceability of the various agreements and other instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies and by bankruptcy, reorganization or other laws affecting the enforcement of creditors' rights generally.

The rights and remedies of the holders of the Series 2017 Bonds are subject to various provisions of Title 11 of the United States Code (the "***Bankruptcy Code***"). If a Member of the Obligated Group were to file a petition for relief under the Bankruptcy Code, the filing would automatically stay the commencement or continuation of any judicial or other proceedings against a Member of the Obligated Group and its property, including the commencement of foreclosure proceedings under the 2017 Mortgage. The Member of the Obligated Group would not be permitted or required to make payments of principal or interest under the Loan Agreement (if ORMC) and the Obligation, unless an order of the United States Bankruptcy Court were issued for such purpose. In addition, without an order of the United States Bankruptcy Court the automatic stay may serve to prevent the Trustee from applying amounts on deposit in certain funds and accounts held under the Resolution from being applied in accordance with the provisions of the Resolution, including the transfer of amounts on deposit in the Debt Service Reserve Fund to the Debt Service Fund, and the application of such amounts to the payment of principal of, and interest on, the Series 2017 Bonds. Moreover, any motion for an order canceling the automatic stay and permitting such funds and accounts to be applied in accordance with the provisions of the Resolution would be subject to the discretion of the United States Bankruptcy Court, and may be subject to objection and/or comment by other creditors of the Member of the Obligated Group, which could affect the likelihood or timing of obtaining such relief.

The automatic stay may also extinguish the Master Trustee's continuing security interest in the Member's Gross Receipts arising subsequent to the filing of the bankruptcy petition, adversely affect the ability of the Master Trustee to exercise remedies upon default, including the acceleration of all amounts payable by the Member under the Obligation, the Master Indenture, the Mortgages, and the Loan Agreement, and may adversely affect the Master Trustee's or the Trustee's ability to take all steps necessary to file a claim under the applicable documents on a timely basis.

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

**Considerations Relating to Additional Debt**

Subject to the coverage and other tests set forth therein, the Resolution and the Master Indenture, as amended and supplemented, permit the Members of the Obligated Group to incur additional indebtedness, including Additional Bonds. Such indebtedness would increase the Obligated Group's debt service and repayment requirements and may adversely affect debt service coverage on the Series 2017 Bonds.

**Secondary Market**

There can be no assurance that there will be a secondary market for the purchase or sale of the Series 2017 Bonds and, from time to time, there may be no market for the Series 2017 Bonds depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition and results of operations of the Members of the Obligated Group. The Series 2017 Bonds should therefore be considered long-term investments in which funds are committed to maturity.

**Amendments of the Master Indenture**

Certain amendments to the Master Indenture may be made with the consent of the owners of not less than a majority of the principal amount of the Outstanding Obligations. Such amendments may adversely affect the security of Obligation No. 3 and, with respect to amendments to the Master Indenture, such majority may be comprised wholly or partially of the holders of Obligations other than Obligation No. 3. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND SUPPLEMENTAL INDENTURE - Master Trust Indenture - Supplements Requiring Consents of Holders" in APPENDIX E. When Obligation No. 3 is issued and Obligation No. 1 is deemed no longer Outstanding, Obligation No. 3 will comprise approximately 78% in aggregate principal amount of the Outstanding Obligations

**Other Risk Factors**

In the future, the following factors, among others, may adversely affect the operations of health care providers, including the Obligated Group, or the market value of the Series 2017 Bonds, to an extent that cannot be determined at this time:

- Adoption of legislation that would roll back or eliminate, in whole or in part, the ACA.
- Adoption of legislation that would establish a national or statewide single-payor health program or that would establish national, statewide or otherwise regulated rates.
- Increased unemployment or other economic conditions in the service area of the Obligated Group, which could increase the proportion of patients who are unable to pay fully for the cost of their care.

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

- Reduced demand for the services of the Obligated Group that might result from decreases in population, innovations in technology, competition from other providers, including from other hospitals and outpatient clinics in or around the Obligated Group's service area.

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

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

- Adoption of a so-called "flat" federal income tax, a reduction in the marginal rates of federal income taxation or replacement of the federal income tax with another form of taxation, any of which might adversely affect the market value of the Series 2017 Bonds and the level of charitable donations to the Obligated Group.

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

- Developments affecting the federal or state tax-exempt status of not-for-profit hospitals or of securities such as the Series 2017 Bonds.

## PART 9 - THE AUTHORITY

### Background, Purposes and Powers

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

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

To carry out its programs, the Authority is authorized to issue and sell negotiable bonds and notes to finance the construction of facilities for such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions. At December 31, 2016, the Authority had approximately $49 billion aggregate principal amount of bonds and notes outstanding. The Authority also is authorized to make tax-exempt leases, with its Tax-Exempt Leasing Program ("***TELP***"). As part of its operating activities, the Authority also administers a wide variety of grants authorized by the State for economic development, education and community

improvement and payable to both public and private grantees from proceeds of State Personal Income Tax Revenue Bonds issued by the Authority.

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

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

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

The Authority has a staff of approximately 507 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 46 field sites across the State.

**Governance**

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

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

The current members of the Authority are as follows:

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

Alfonso L. Carney, Jr. was reappointed as a Member of the Authority by the Governor on June 19, 2013. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical consulting services in New York City. He has served as Acting Chief Operating Officer and Corporate Secretary for the Goldman Sachs Foundation in New York where, working with the President of the Foundation, he managed the staff of the Foundation, provided strategic oversight of the administration, communications and legal affairs teams, and developed selected Foundation program initiatives.

Mr. Carney has held senior level legal positions with Altria Group Inc., Philip Morris Companies Inc., Philip Morris Management Corporation, Kraft Foods, Inc. and General Foods Corporation. Mr. Carney holds a Bachelor's degree in philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His current term expired on March 31, 2016 and by law he continues to serve until a successor shall be chosen and qualified.

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

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

SANDRA M. SHAPARD, *Secretary*, Delmar.

Sandra M. Shapard was appointed as a Member of the Authority by the State Comptroller on January 21, 2003. Ms. Shapard served as Deputy Comptroller for the Office of the State Comptroller from 1995 until her retirement in 2001, during which time she headed the Office of Fiscal Research and Policy Analysis and twice served as Acting First Deputy Comptroller. Previously, Ms. Shapard held the positions of Deputy Director and First Deputy Director for the New York State Division of the Budget from 1991 to 1994. She began her career in New York State government with the Assembly where she held the positions of Staff Director of the Office of Counsel to the Majority, Special Assistant to the Speaker, and Deputy Director of Budget Studies for the Committee on Ways and Means. A graduate of Mississippi University for Women, Ms. Shapard received a Masters of Public Administration from Harvard University, John F. Kennedy School of Government, where she has served as visiting lecturer, and has completed graduate work at Vanderbilt University.

JONATHAN H. GARDNER, ESQ., Buffalo.

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

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

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

GERARD ROMSKI, ESQ., Mount Kisco.

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

PAUL S. ELLIS, ESQ., New York.

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

Chairman of the Housing Committee of Bronx Community Board 8. He holds a Bachelor of Arts degree from Harvard University and a Juris Doctor degree from Georgetown University Law Center.

MARYELLEN ELIA, Commissioner of Education of the State of New York, Loudonville; ex-officio.

MaryEllen Elia was appointed by the Board of Regents to serve as Commissioner of Education and President of the University of the State of New York effective July 6, 2015. As Commissioner of Education, Ms. Elia serves as Chief Executive Officer of the State Education Department and as President of the University of the State of New York which is comprised of public and non-public elementary and secondary schools, public and independent colleges and universities, libraries, museums, broadcasting facilities, historical repositories, proprietary schools and services for children and adults with disabilities. Prior to her appointment in New York, Ms. Elia served as Superintendent of Schools in Hillsborough County, Florida for 10 years. She began her career in education in 1970 as a social studies teacher in Buffalo's Sweet Home Central School District and taught for 19 years before becoming an administrator.

She holds a Bachelor of Arts degree in History from Daemen College in Buffalo, a Master of Education from the University at Buffalo and a Master of Professional Studies from SUNY Buffalo.

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

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

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

Robert F. Mujica, Jr. was appointed Director of the Budget by the Governor and began serving on January 14, 2016. He is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio. Prior to his appointment, Mr. Mujica was Chief of Staff to the Temporary President and Majority Leader of the Senate and concurrently served as the Secretary to the Senate Finance Committee. For two decades, he advised various elected and other government officials in New York on State budget, fiscal and policy issues. Mr. Mujica received his Bachelor of Arts degree in Sociology from Brooklyn College at the City University of New York. He received his Master's degree in Government Administration from the University of Pennsylvania and holds a Juris Doctor degree from Albany Law School.

The principal staff of the Authority is as follows:

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

MICHAEL T. CORRIGAN is the Vice President of the Authority, and assists the President in the administration and operation of the Authority. Mr. Corrigan came to the Authority in 1995 as Budget Director. and served as Deputy Chief Financial Officer from 2000 until 2003. He began his government service career in 1983 as a budget analyst for Rensselaer County and served as the County's Budget Director from 1986 to 1995. Immediately

before coming to the Authority, he served as the appointed Rensselaer County Executive for a short period. Mr. Corrigan holds a Bachelor of Arts degree in Economics from the State University of New York at Plattsburgh and a Master of Arts degree in Business Administration from the University of Massachusetts.

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

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

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

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

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

She holds a Bachelor of Arts degree in Communications from Boston College.

**Claims and Litigation**

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

**Other Matters**

***New York State Public Authorities Control Board***

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

***Legislation***

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

***Environmental Quality Review***

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

***Independent Auditors***

The accounting firm of KPMG LLP audited the financial statements of the Authority for the fiscal year ended March 31, 2016. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

## PART 10 - LEGALITY OF THE SERIES 2017 BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2017 Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control. However, enabling legislations or bond resolutions of individual authorities and public benefit corporations of the State may limit the investment of funds of such authorities and corporations in the Series 2017 Bonds.

## PART 11 - NEGOTIABLE INSTRUMENTS

The Series 2017 Bonds shall be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution and in the Series 2017 Bonds.

## PART 12 - TAX MATTERS

**Federal Income Tax**

In the opinion of Harris Beach PLLC, Co-Bond Counsel to the Authority, and subject to the limitations set forth below, under existing statutes, regulations, administrative rulings and court decisions as of the date of such opinions, interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes, pursuant to Section 103 of the Code. Furthermore, Harris Beach PLLC is of the opinion that interest on the Series 2017

Bonds is not an "item of tax preference" for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. Interest on the Series 2017 Bonds is, however, included in "adjusted current earnings" for purposes of calculating the federal alternative minimum tax imposed on certain corporations. Corporate purchasers of the Series 2017 Bonds should consult with their tax advisors regarding the computation of any alternative minimum tax liability.

The Series 2017 Bonds (which, for purposes of this paragraph, are referred to as the "***Premium Bonds***") are being offered at prices in excess of their principal amounts. 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. As a result of the tax cost reduction requirements of the Code relating to amortization of bond premium, under certain circumstances, an initial owner of Premium Bonds may realize a taxable gain upon disposition of such Premium Bonds even though they are sold or redeemed for an amount equal to such owner's original cost of acquiring such Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the tax consequences of owning such Premium Bonds.

The Code establishes certain requirements which must be met at the time of, and subsequent to, the issuance and delivery of the Series 2017 Bonds in order that interest on the Series 2017 Bonds be and remain excluded from gross income for federal income tax purposes, pursuant to Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use of the proceeds of the Series 2017 Bonds, restrictions on the investment of bond proceeds and other moneys or properties, required ownership of the facilities financed by the Series 2017 Bonds by an organization described in Section 501(c)(3) of the Code or a governmental unit, and the rebate to the United States of certain earnings in respect of investments. Noncompliance with such continuing requirements may cause the interest on the Series 2017 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2017 Bonds, irrespective of the date on which such noncompliance occurs. In the Resolution, the Loan Agreement and accompanying documents, exhibits and certificates, the Authority and the Institution have made certain representations and certifications, and have covenanted to comply with certain procedures, designed to assure compliance with the requirements of the Code. The opinions of Harris Beach PLLC described above are made in reliance upon, and assumes continuing compliance with, such covenants and procedures and the continuing accuracy, in all material respects, of such representations and certifications.

Harris Beach PLLC expresses no opinion regarding any other federal tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2017 Bonds. The proposed form of approving opinion of Harris Beach PLLC is attached to this Official Statement as APPENDIX F.

In addition to the matters referred to in the preceding paragraphs, prospective purchasers of the Series 2017 Bonds should be aware that the accrual or receipt of tax-exempt interest on the Series 2017 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences may depend upon the recipient's particular tax status or other items of income or deduction. Harris Beach PLLC expresses no opinion regarding any such consequences. Examples of such other federal income tax consequences of acquiring or holding the Series 2017 Bonds include, without limitation, that (i) with respect to certain insurance companies, the Code reduces the deduction for loss reserves by a portion of the sum of certain items, including interest on the Series 2017 Bonds, (ii) interest on the Series 2017 Bonds earned by certain foreign corporations doing business in the United States may be subject to a branch profits tax imposed by the Code, (iii) passive investment income, including interest on the Series 2017 Bonds, may be subject to federal income taxation under the Code for certain S corporations that have certain earnings and profits, and (iv) the Code requires recipients of certain Social Security and certain other federal retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Series 2017 Bonds. In addition, the Code denies the interest deduction for indebtedness incurred or continued by a taxpayer, including without limitation, banks, thrift institutions, and certain other financial institutions to purchase or carry tax-exempt obligations, such as the Series 2017 Bonds. The foregoing is not intended as an exhaustive list of potential tax consequences. Prospective purchasers should consult their tax advisors regarding any possible collateral consequences with respect to the Series 2017 Bonds.

Certain requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice of, or with the approving opinion of, a nationally recognized bond counsel. Harris Beach PLLC expresses no opinion as to any tax consequences with respect to the Series 2017 Bonds, or the interest thereon, if any such change occurs or actions are taken upon the advice or approval of bond counsel other than Harris Beach PLLC.

**State and Local Income Taxes**

Harris Beach PLLC is also of the opinion that, under existing statutes, including the Act, interest on the Series 2017 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof.

Any noncompliance with the federal income tax requirements set forth above would not affect the exemption of interest on the Series 2017 Bonds from personal income taxes imposed by New York State or any political subdivision thereof.

Harris Beach PLLC expresses no opinion regarding any other state or local tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2017 Bonds.

Interest on the Series 2017 Bonds may or may not be subject to state or local income taxes in jurisdictions other than the State of New York under applicable state or local tax laws. Harris Beach PLLC expresses no opinion as to the tax treatment of the Series 2017 Bonds under other state or local jurisdictions. Each purchaser of Series 2017 Bonds should consult his or her own tax advisor regarding the taxable status of the Series 2017 Bonds in a particular state or local jurisdiction other than the State of New York.

**Other Considerations**

Harris Beach PLLC has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2017 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2017 Bonds.

No assurance can be given that any future legislation or governmental actions, including amendments to the Code or State income tax laws, regulations, administrative rulings, or court decisions, will not, directly or indirectly, cause interest on the Series 2017 Bonds to be subject to federal, State or local income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any judicial decision or action of the Internal Revenue Service or any State taxing authority, including, but not limited to, the promulgation of a regulation or ruling, or the selection of the Series 2017 Bonds for audit examination or the course or result of an audit examination of the Series 2017 Bonds or of obligations which present similar tax issues, will not affect the market price, value or marketability of the Series 2017 Bonds. For example, various legislative proposals have been released, the effect of which would be to limit the extent of the exclusion from gross income of interest on obligations of states and political subdivisions under Section 103 of the Code (including the Series 2017 Bonds) for taxpayers whose income exceeds certain threshold levels. No prediction is made as to whether any such proposals will be enacted. Prospective purchasers of the Series 2017 Bonds should consult their own tax advisors regarding the foregoing matters.

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

ALL PROSPECTIVE PURCHASERS OF THE SERIES 2017 BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AS TO THESE AND OTHER FEDERAL AND STATE TAX CONSEQUENCES, AS WELL AS ANY LOCAL TAX CONSEQUENCES, OF PURCHASING OR HOLDING THE SERIES 2017 BONDS.

## PART 13 - STATE NOT LIABLE ON THE SERIES 2017 BONDS

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

Resolution specifically provides that the Series 2017 Bonds shall not be a debt of the State nor shall the State be liable thereon.

## PART 14 - COVENANT BY THE STATE

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

## PART 15 - RATINGS

Moody's and Fitch have assigned their ratings of "Baa3" (stable outlook) and "BB+" (positive outlook), respectively, to the Series 2017 Bonds. Such ratings reflect only the respective views of Moody's and Fitch and do not constitute a recommendation to buy, sell or hold the Series 2017 Bonds. Generally, rating agencies base their ratings on information and material furnished by the Authority and the Obligated Group and on investigations, studies and assumptions made by the rating agencies. The ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from the respective rating agencies at: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, telephone: (212) 553-0300; and Fitch Ratings, Inc., 33 Whitehall Street, New York, New York 10004, telephone: (212) 908-0500. There is no assurance that any rating will continue for any given period of time or that it will not be revised or withdrawn entirely by such rating agency, if, in the judgment of such rating agency, circumstances so warrant. Any such revision or withdrawal of such rating may have an effect on the market price of the Series 2017 Bonds.

The rating assigned by Fitch to the Series 2017 Bonds set forth in the preceding paragraph is considered "speculative grade." Fitch defines obligations in the "BB" category as "indicat[ing] an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists which supports the servicing of financial commitments." See "PART 8 - RISK FACTORS AND REGULATORY CHANGES WHICH MAY AFFECT THE OBLIGATED GROUP - Speculative Rating."

## PART 16 - LEGAL MATTERS

Certain legal matters incidental to the offering of the Series 2017 Bonds by the Authority are subject to the approval of Harris Beach PLLC, New York, New York, and Brown Hutchinson LLP, Rochester, New York, Co-Bond Counsel to the Authority. The approving opinions of Co-Bond Counsel will be delivered with the Series 2017 Bonds. The proposed forms of opinion of Co-Bond Counsel are set forth in APPENDIX F hereto.

Certain legal matters will be passed upon for the Obligated Group by Arent Fox, LLP, New York, New York. Certain legal matters will be passed upon for the Underwriters by their counsel, Katten Muchin Rosenman LLP, New York, New York.

There is not now pending any litigation restraining or enjoining the issuance, offering or delivery of the Series 2017 Bonds or questioning or affecting the validity of the Series 2017 Bonds or the proceedings and authority under which the Series 2017 Bonds are to be issued and offered.

## PART 17 - VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore P.C., a firm of independent public accountants (the "***Verification Agent***"), will deliver to the Authority its report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the Authority and its representatives. Included in the scope of its examination will be a verification of (a) the mathematical accuracy of the mathematical computations of the adequacy of the cash, the maturing principal amounts and the interest on the Governmental Securities deposited with the trustee under the resolution pursuant to which the Series 2008 Bonds was issued to pay the interest on and the maturing principal and redemption price of the Series 2008 Bonds on the redemption date as described in "PART 4 - PLAN OF FINANCING," and (b) the mathematical computations supporting

the conclusion of Harris Beach PLLC that the Series 2017 Bonds are not "arbitrage bonds" under the Code and regulations promulgated thereunder. The Verification Agent will express no opinion on the reasonableness of the assumptions provided to them, the likelihood that the principal of and interest on the Series 2017 Bonds will be paid as described in the schedules provided to them, or the exclusion of the interest on the Series 2017 Bonds from gross income for federal income tax purposes.

## PART 18 - UNDERWRITING

J.P. Morgan Securities LLC and Bank of America Merrill Lynch (collectively, the "***Underwriters***") have jointly and severally agreed, subject to certain conditions, to purchase the Series 2017 Bonds from the Authority at a purchase price of $252,075,356.72 (representing par value, plus an original issue premium of $16,725,171.00, and less an Underwriters' discount of $1,749,814.28), and to make a public offering of the Series 2017 Bonds at prices that are not in excess of the public offering prices or less than the yields indicated on the inside front cover of this Official Statement. The Underwriters will be obligated to purchase all of such Series 2017 Bonds if any are purchased.

The Underwriters intend to offer the Series 2017 Bonds to the public initially at the prices and yields set forth on page (i) of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriters reserve the right to join with dealers and other underwriters in offering the Series 2017 Bonds to the public. The Underwriters may offer and sell the Series 2017 Bonds to certain dealers at prices lower than the public offering prices. In connection with this offering, the Underwriters may overallot or effect transactions that stabilize or maintain the market price of the Series 2017 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 obligation of the Underwriters to accept delivery of the Series 2017 Bonds will be subject to various conditions of the Bond Purchase Agreement.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the Authority and ORMC and its affiliates in connection with such activities. In the various course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Authority and ORMC (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Authority and ORMC. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## PART 19 - FINANCIAL ADVISOR

H2C Securities Inc., a wholly-owned subsidiary of Hammond Hanlon Camp LLC and member of FINRA/SIPC (the "***Financial Advisor***"), has served as financial advisor to ORMC for purposes of assisting with the structuring of the Series 2017 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken, an independent verification of nor does the Financial Advisor assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Financial Advisor is an independent healthcare advisory firm and has not been engaged in the underwriting or distribution of the Series 2017 Bonds.

## PART 20 - CONTINUING DISCLOSURE

### General

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, ORMC will enter into a written agreement (the "***Continuing Disclosure Agreement***") with Digital Assurance Certification LLC, as disclosure

dissemination agent, the Trustee and the Authority. The proposed form of the Continuing Disclosure Agreement is attached hereto as "APPENDIX G - PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT."

**ORMC's Historical Compliance with Continuing Disclosures Undertakings**

For the years ended December 31, 2011 through 2016, ORMC made timely filings of the updated annual financial and operating information required by its continuing disclosure agreements executed in connection with the issuance of the Series 2008 Bonds and Series 2015 Bonds. However, ORMC failed to include certain required information relating to market share and ORMC failed to include certain liquidity indicators described in the Official Statement for the 2008 Bonds in certain filings.

These filing deficiencies were cured in a filing made with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System on April 20, 2015. ORMC is now current in its continuing disclosure filings.

## PART 21 - MISCELLANEOUS

References in this Official Statement to the Act, the Revenue Bond Resolution, the Series Resolution, the Loan Agreement, the 2017 Mortgage, the Security Agreement, the Guaranty Agreement, the Master Indenture, the Supplemental Indenture and Obligation No. 3 do not purport to be complete. Refer to the Act, the Revenue Bond Resolution, the Series Resolution, the Loan Agreement, the 2017 Mortgage, the Security Agreement, the Guaranty Agreement, the Master Indenture, the Supplemental Indenture and Obligation No. 3 for full and complete details of their provisions. Copies of the Revenue Bond Resolution, the Series Resolution, the Loan Agreement, the 2017 Mortgage, the Security Agreement, the Guaranty Agreement, the Master Indenture, Supplemental Indenture and Obligation No. 3 are on file with the Authority and the Trustee.

The Members of the Obligated Group pursuant to the Master Indenture have agreed to furnish, or cause to be furnished, no later than 45 days subsequent to the last day of each of the first three quarters and no later than 60 days subsequent to the last day of the fourth quarter in each Fiscal Year, to (1) the Master Trustee, (2) each Related Bond Issuer (so long as there are Related Bonds of such Related Bond Issuer Outstanding), (3) each Disclosure Dissemination Agent, (4) each Related Credit Facility Issuer, and (5) each Bondholder who has so requested, the following information: (A) the unaudited combined financial statements of the Obligated Group, including the balance sheet as of the end of such quarter, and as of the end of the prior Fiscal Year, the statement of operations, changes in net assets and cash flow for the quarter and for the Fiscal Year to date, and for the comparable prior year period; (B) utilization statistics of each Member of the Obligated Group, including certified beds, discharges, patient days, average length of stay, average percentage of occupancy (based on certified beds), emergency room visits, ambulatory surgery procedures and outpatient clinic visits; (C) major payor mix by percentage of inpatient discharges and payor; provided, however, that such utilization statistics may be modified if the Obligated Group Representative reasonably determines that such information no longer is useful in indicating the utilization of the Health Care Facilities or that other statistics would be more useful for that purpose. In addition, the Obligated Group has agreed to furnish, or cause to be furnished, to each of the parties identified in clauses (1),(2), (3), (4) and (5) above, the audited financial statements of the Obligated Group, within 15 days after receipt thereof but in no event later than 150 days after the completion of the Obligated Group's fiscal year.

The agreements of the Authority with the holders of the Series 2017 Bonds are fully set forth in the Resolution. Neither any advertisement of the Series 2017 Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2017 Bonds.

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

The information regarding DTC and DTC's Book-Entry Only System has been furnished by DTC. The Authority believes that this information is reliable, but the Authority makes no representations or warranties whatsoever as to the accuracy or completeness of this information.

"APPENDIX A - CERTAIN DEFINITIONS," "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT," "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" and "APPENDIX F - PROPOSED FORM OF APPROVING OPINION OF HARRIS BEACH PLLC," have been prepared by Harris Beach PLLC, New York, New York, Co-Bond Counsel to the Authority. "APPENDIX E - SUMMARY OF CERTAIN PROVISIONS OF

THE MASTER TRUST INDENTURE AND SUPPLEMENTAL INDENTURE" has been prepared by Arent Fox LLP, counsel to ORMC. "APPENDIX G - FORM OF CONTINUING DISCLOSURE AGREEMENT" has been prepared by the Counsel's Office of the Authority.

The consolidated financial statements of Orange Regional Medical Center as of December 31, 2015 and 2014, and for the years then ended included in APPENDIX B have been audited by KPMG LLP, independent auditors, as stated in their report appearing therein.

ORMC has reviewed the information contained in this Official Statement describing ORMC, the Obligated Group and the Master Indenture, including but not limited to "PART 1 - INTRODUCTION," "PART 4 - PLAN OF FINANCING," "PART 7 - ORANGE REGIONAL MEDICAL CENTER," "PART 8 - RISK FACTORS AND REGULATORY CHANGES WHICH MAY AFFECT THE OBLIGATED GROUP," "PART 20 - CONTINUING DISCLOSURE" and "APPENDIX B - CONSOLIDATED FINANCIAL STATEMENTS OF ORANGE REGIONAL MEDICAL CENTER AS OF DECEMBER 31, 2015 AND 2014." ORMC has certified as of the date hereof and will certify as of the date of delivery of the Series 2017 Bonds that such information does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

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

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

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

By: /s/ *Gerrard P. Bushell*
Authorized Officer

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# APPENDIX A

# CERTAIN DEFINITIONS

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## CERTAIN DEFINITIONS

The following are definitions of certain terms used in this Official Statement.

"Act" means the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, and constituting Title 4 of Article 8 of the Public Authorities Law), as the same may be amended from time to time, including, but not limited to, the Health Care Financing Consolidation Act and as incorporated thereby the New York State Medical Care Facilities Finance Agency Act being Chapter 392 of Laws of New York 1973, as amended.

"Annual Administrative Fee" means the annual fee for the general administrative expenses of the Authority in the amount or percentage stated in the Loan Agreement.

"Applicable" means (i) with respect to any Construction Fund, Arbitrage Rebate Fund, Debt Service Fund, Debt Service Reserve Fund or any other fund, the fund so designated and established by an Applicable Series Resolution authorizing an Applicable Series of Bonds relating to a particular Project(s), (ii) with respect to any Debt Service Reserve Fund Requirement, the said Requirement established in connection with a Series of Bonds by the Applicable Series Resolution or Bond Series Certificate, (iii) with respect to any Series Resolution, the Series Resolution relating to a particular Series of Bonds, (iv) with respect to any Series of Bonds, the Series of Bonds issued under a Series Resolution for particular Projects, (v) with respect to any Loan Agreement, the Loan Agreement by and between the Authority and any one or more Institutions and the contractual obligations contained therein relating to particular Projects for each such Institution, (vi) with respect to any Institution, the Institution identified in the Applicable Series Resolution, (vii) with respect to a Bond Series Certificate, such certificate authorized pursuant to an Applicable Series Resolution (viii) with respect to any Credit Facility, if any, or Credit Facility Issuer, if any, the Credit Facility or Credit Facility Issuer relating to a particular Series of Bonds and (ix) with respect to a Supplemental Indenture entered into pursuant to and an Obligation authorized to be issued thereunder, the Supplemental Indenture and Obligation issued under the Master Indenture for the purpose of securing an Applicable Series of Bonds.

"Arbitrage Rebate Fund" means each fund so designated and established by the Applicable Series Resolution pursuant to the Resolution with respect to a Series of Tax-Exempt Bonds.

"Authority" means the Dormitory Authority of the State of New York, a body corporate and politic constituting a public benefit corporation of the State created by the Act, or any body, agency or instrumentality of the State which succeeds to the rights, powers, duties and functions of the Authority.

"Authority Fee" means a fee payable to the Authority equal to the payment to be made upon the issuance of a Series of Bonds in an amount set forth in the Applicable Loan Agreement, unless otherwise provided in the Applicable Series Resolution.

"Authorized Newspaper" means The Bond Buyer or any other newspaper of general circulation printed in the English language and customarily published at least once a day for at least five days (other than legal holidays) in each calendar week in the Borough of Manhattan, City and State of New York, designated by the Authority.

"Authorized Officer" means (i) in the case of the Authority, the Chair, the Vice-Chair, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Executive Director, the Deputy Executive Director, the Chief Financial Officer, the Managing Director of Public Finance, the Managing Director of Construction, the General Counsel and any other person authorized by a resolution or the by-laws of the Authority, from time to time, to perform any specific act or execute any specific

document; (ii) in the case of an Institution, the person or persons authorized by a resolution or the by-laws of such Institution to perform any act or execute any document; and (iii) in the case of the Trustee, the President, a Vice President, an Assistant Vice President, a Corporate Trust Officer, a Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of such Trustee or the by-laws of such Trustee.

"Bond" or "Bonds" means any of the bonds of the Authority authorized pursuant to the Resolution and issued pursuant to an Applicable Series Resolution.

"Bond Counsel" means an attorney or a law firm, appointed by the Authority with respect to a particular Series of Bonds, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

"Bond Series Certificate" means a certificate of the Authority fixing terms, conditions and other details of Bonds of an Applicable Series in accordance with the delegation of power to do so under an Applicable Series Resolution.

"Bond Year" means, with respect to the Series 2017 Bonds, a period of twelve (12) consecutive months beginning December 1 in any calendar year and ending on November 30 of the succeeding calendar year.

"Bondholder", "Holder of Bonds", "Holder", "owner" or any similar term, when used with reference to a Bond or Bonds of a Series, means the registered owner of any Bonds of such Series, except as provided in the Resolution.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which the Trustee is authorized by law to remain closed.

"Code" means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

"Construction Fund" means each such fund so designated and established by the Applicable Series Resolution pursuant to the Resolution.

"Cost" or "Costs of Issuance" means the items of expense incurred in connection with the authorization, sale, issuance and delivery of a Series of Bonds, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee and any Credit Facility Issuer and Remarketing Agent, legal fees and charges, professional consultants' fees, fees and charges for execution, transportation and safekeeping of such Bonds, premiums, costs and expenses of refunding such Bonds, commitment fees or similar costs in connection with obtaining any Credit Facility and any Liquidity Facility, Reserve Fund Facility, or interest rate exchange agreement or other hedge instrument, costs and expenses of refunding of other bonds or notes of the Authority with proceeds of such Series including termination fees for any interest rate exchange agreement in connection with such refunding such Bonds and other costs, charges and fees, including those of the Authority, incurred in connection with the foregoing.

"Cost" or "Costs of the Project(s)" means, with respect to a Project(s), the costs and expenses or the refinancing of costs and expenses determined by the Authority to be necessary in connection with such Project(s), including, but not limited to, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses

incurred for labor and materials and payments to contractors, builders and materialmen, for the acquisition, construction, reconstruction, rehabilitation, repair and improvement of the Project(s), (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to completion of the Project(s), which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, environmental inspections and assessments, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction of the Project(s), (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs which the Institution shall be required to pay or cause to be paid for the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of the Project(s), (vii) any sums required to reimburse the Institution, or the Authority for advances made by them for any of the above items or for other costs incurred and for work done by them in connection with the Project(s) (including interest on moneys borrowed from parties other than the Institution), (viii) interest on the Bonds prior to, during and for a reasonable period after completion of the acquisition, construction, reconstruction, rehabilitation, repair, improvement or equipping of the Project(s), and (ix) fees, expenses and liabilities of the Authority incurred in connection with such Project(s) or pursuant to the Resolution or to the Loan Agreement, or a Reserve Fund Facility relating to such Project(s).

"Credit Facility" means (i) any municipal bond insurance policy satisfactory to the Authority which insures payment of principal, interest and, if agreed to by the Credit Facility Issuer and the Institution, redemption premium on the Bonds of any Series when due and issued and delivered to the Trustee, (ii) a letter of credit issued by a Credit Facility Issuer with respect to any Series of Bonds or one or more Series of Bonds on the date of issuance of such Series of Bonds or (iii) similar insurance or credit enhancement or guarantee facility if so designated, all in accordance with the Applicable Series Resolution.

"Credit Facility Default" means with respect to a Credit Facility Issuer any of the following: (a) there shall occur a default in the payment of principal of or any interest on any Bond or Purchase Price thereof by the Credit Facility Issuer when required to be made under the terms of the Credit Facility, (b) a Credit Facility shall have been declared null and void or unenforceable in a final determination by a court of law of competent jurisdiction or (c) such Credit Facility Issuer shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or in effect after the date of the Resolution, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of such Credit Facility Issuer or for any substantial part of its property, or shall make a general assignment for the benefit of creditors.

"Credit Facility Issuer" means, with respect to any Series of Bonds for which a Credit Facility is held by the Trustee, the firm, association or corporation, including public bodies and governmental agencies, acceptable to the Authority, which has issued such Credit Facility in connection with such Series of Bonds, and any successors or assigns of the obligations of such firm, association or corporation under such Credit Facility.

"Credit Facility Repayment Fund" means each fund so designated, created and established by the Applicable Series Resolution pursuant to the Resolution.

"Debt Service Fund" means each such fund so designated and established by the Applicable Series Resolution pursuant to the Resolution.

"Debt Service Reserve Fund" means each fund so designated, created and established pursuant to the Resolution and by the Applicable Series Resolution.

"Debt Service Reserve Fund Requirement" means, unless otherwise specified in an Applicable Series Resolution or an Applicable Bond Series Certificate, as of any particular date of computation, an amount equal to the greatest amount required in the then current or any future calendar year to pay the sum of (i) interest on the Outstanding Bonds of a Series payable during such year, excluding interest accrued thereon prior to December 1 of the next preceding year and (ii) the principal and the Sinking Fund Installments of such Bonds except that if, upon the issuance of a Series of Bonds, such amount would require a deposit of moneys therein, in an amount in excess of the maximum amount permitted under the Code to be deposited therein from the proceeds of such Series of Bonds, the Debt Service Reserve Fund Requirement shall mean the maximum amount permitted under the Code to be deposited therein from the proceeds of such Series of Bonds, as certified by an Authorized Officer of the Authority.

"Defeasance Security" means, unless otherwise provided in an Applicable Series Resolution, any of the following: (a) a Government Obligation of the type described in clauses (i), (ii), (iii) or (iv) of the definition of Government Obligations (other than an obligation subject to variation in principal repayment); Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations; and an Exempt Obligation, provided such Exempt Obligation (i) is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (ii) is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (i) above, (iii) as to which the principal of and interest on the direct obligations of the United States of America which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) is rated by at least two nationally recognized statistical rating services in the highest rating category for such Exempt Obligation; provided, however, that (1) such term shall not include any interest in a unit investment trust or mutual fund or (2) any obligation that is subject to redemption prior to maturity other than at the option of the holder thereof.

"Department of Health" means the Department of Health of the State of New York.

"Depository" means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other person, firm, association or corporation designated in the Series Resolution authorizing a Series of Bonds or a Bond Series Certificate relating to a Series of Bonds to serve as securities depository for the Bonds of such Series;

"Excess Earnings" means, with respect to the Applicable Series of Bonds, the amount equal to the rebatable arbitrage and any income attributable to the rebatable arbitrage as required by the Code.

"Exempt Obligation" means any of the following: (i) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, which is not a "specified private activity bond" within the meaning of Section 57(a)(5) of the Code and which, at the time an investment therein is made or such obligation is deposited in any fund or account under the Resolution, is rated, without regard to qualification of such rating by symbols such as

"+" or "–" and numerical notation, no lower than the second highest rating category for such obligation by at least two nationally recognized statistical rating services; (ii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and (iii) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations.

"Facility Provider" means the issuer of a Reserve Fund Facility delivered to the Trustee pursuant to the Resolution.

"Federal Agency Obligation" means any of the following: (i) an obligation issued by any federal agency or instrumentality approved by the Authority; (ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by a federal agency approved by the Authority; (iii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and (iv) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations.

"Fitch" means Fitch IBCA, Inc., its successors and assigns.

"Government Obligation" means any of the following: (i) a direct obligation of the United States of America; (ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment of principal and interest by the United States of America; (iii) an obligation to which the full faith and credit of the United States of America are pledged; (iv) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and (v) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations.

"Gross Proceeds" means, with respect to any Applicable Series of Tax-Exempt Bonds, unless inconsistent with the provisions of the Code, (i) amounts received by the Authority from the sale of such Series of Bonds (other than amounts used to pay underwriters' fees and other expenses of issuing such Series of Bonds), (ii) amounts treated as transferred proceeds of such Series of Bonds in accordance with the Code, (iii) amounts treated as proceeds under the provisions of the Code relating to invested sinking funds, including any necessary allocation between two or more Series of Bonds in the manner required by the Code, (iv) amounts in the Debt Service Reserve Fund, (v) securities or obligations pledged by the Authority or the Institution as security for payment of debt service on such Bonds, (vi) amounts received with respect to obligations acquired with Gross Proceeds, (vii) amounts used to pay debt service on such Series of Bonds, and (viii) amounts received as a result of the investment of Gross Proceeds at a yield equal to or less than the yield on such Series of Bonds as such yield is determined in accordance with the Code.

"Institution" means with respect to any Applicable Series of Bonds or any portion thereof, the not-for-profit hospital corporation, nursing home corporation or other entity or person that is a Member of the Obligated Group and for whose benefit the Authority has, as authorized under the Public Health Law or any other law or regulation, issued such Series of Bonds or any portion thereof.

"Insurance Trustee" means the person, if any, designated in the municipal bond insurance policy issued by a Credit Facility Issuer in connection with a Series of Outstanding Bonds with whom funds are to be deposited by such Credit Facility Issuer to make payment pursuant to such policy on account of the principal and Sinking Fund Installments of and interest on the Bonds of such Series.

"Investment Agreement" means an agreement for the investment of moneys with a Qualified Financial Institution.

"Loan Agreement" means the Loan Agreement executed by the Authority and any Applicable Institution, or other agreement, by and between the Authority and an Applicable Institution, as the same may from time to time be amended, supplemented or otherwise modified as permitted by the Resolution and by such Loan Agreement.

"Master Indenture" means the Master Trust Indenture by and among the Obligated Group and the Master Trustee dated as of May 1, 2008, as may be amended and supplemented from time to time.

"Master Trustee" means Manufacturers and Traders Trust Company, Buffalo, New York, and any successor under the Master Indenture.

"Maximum Interest Rate" means, with respect to any Applicable Series of Variable Interest Rate Bonds, the rate of interest, if any, set forth in the Applicable Series Resolution authorizing such Series of Bonds or Applicable Bond Series Certificate relating thereto as the maximum rate of interest Bonds of such Series may bear at any time.

"Minimum Interest Rate" means, with respect to any Applicable Series of Variable Interest Rate Bonds, the rate of interest, if any, set forth in the Applicable Series Resolution authorizing such Series of Bonds or Applicable Bond Series Certificate relating thereto as the minimum rate of interest Bonds of such Series may bear at any time.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns.

"Obligation" means an Obligation issued pursuant to the Master Indenture and a Supplemental Indenture to secure indebtedness of a Member of the Obligated Group.

"Obligated Group" means the Orange Regional Medical Center Obligated Group of which Orange Regional Medical Center is currently the sole member; and such other organizations as may from time to time be added as members of such Obligated Group, and excluding such organizations as may from time to time withdraw as members of such Obligated Group, all as provided in the Master Indenture, pursuant to which such Obligated Group was created.

"Option Bond" means any Bond which by its terms may be or is required to be tendered by the Holder thereof for redemption by the Authority prior to the stated maturity thereof or for purchase thereof, or the maturity of which may be extended by and at the option of the Holder thereof in accordance with the Applicable Series Resolution authorizing such Bonds or the Applicable Bond Series Certificate related to such Bonds.

"Outstanding" when used in reference to Bonds of any Applicable Series means, as of a particular date, all Bonds of such Series authenticated and delivered under the Resolution and under the Applicable Series Resolution except: (i) any such Bond cancelled by the Trustee at or before such date; (ii) any such Bond deemed to have been paid in accordance with the Resolution; (iii) any such Bond in lieu of or in substitution for which another such Bond shall have been authenticated and delivered pursuant to the Resolution; and (iv) Option Bonds tendered or deemed tendered in accordance with the provisions of the Applicable Series Resolution authorizing such Bonds or the Applicable Bond Series Certificate relating to such Bonds on the applicable adjustment or conversion date, if interest thereon shall have been paid through such applicable date and the Purchase Price thereof shall have been paid or amounts are available for such payment as provided in the Resolution and in the Applicable Series Resolution authorizing such Bonds or the Applicable Bond Series Certificate relating to such Bonds.

"Paying Agent" means, with respect to any Applicable Series of Bonds, the Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions of the Resolution or of an Applicable Series Resolution, an Applicable Bond Series Certificate or any other resolution of the Authority adopted prior to authentication and delivery of such Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed.

"Permitted Collateral" means any of the following: (i) Government Obligations described in clauses (i), (ii) or (iii) of the definition of Government Obligations; (ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations; (iii) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one nationally recognized statistical rating service and (c) is issued by a domestic corporation whose unsecured senior debt is rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category; and (iv) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least $125,000,000 and is rated by Best's Insurance Guide or a nationally recognized statistical rating service in the highest rating category.

"Permitted Investments" means any of the following: (i) Government Obligations; (ii) Federal Agency Obligations; (iii) Exempt Obligations; (iv) Uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State; (v) Collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than $125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, are rated by at least one nationally recognized statistical rating service in at least the second highest rating category, and (b) are fully collateralized by Permitted Collateral; and (vi) Investment Agreements that are fully collateralized by Permitted Collateral.

"Project" means, any eligible hospital project, nursing home project or other project qualified under the Act or otherwise eligible to be financed by the Authority through the issuance of obligations under the laws of the State of New York, as defined in the Applicable Loan Agreement.

"Provider Payments" means any payments made by a Facility Provider pursuant to its Reserve Fund Facility on deposit in the Applicable Debt Service Reserve Fund.

"Purchase Price" means, except as otherwise set forth in an Applicable Bond Series Certificate, 100% of the principal amount of any Option Bond tendered or deemed tendered for purchase to the tender agent for such Bonds, plus accrued and unpaid interest thereon to the date of purchase; provided, however, that if the date of purchase is an Interest Payment Date, then the Purchase Price shall not include accrued and unpaid interest, which shall be paid to the Holder of record on the applicable Record Date.

"Qualified Financial Institution" means any of the following entities that has an equity capital of at least $125,000,000 or whose obligations are unconditionally guaranteed by an affiliate or parent having an equity capital of at least $125,000,000:

(i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank of New York list of primary government securities dealers and (b) whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one nationally recognized statistical rating service no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be

utilized to determine whether an entity qualifies under the Resolution as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or Applicable Credit Facility Issuer;

(ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of the United States of America, any state of the United States of America or any foreign nation, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one nationally recognized statistical rating service no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or Applicable Credit Facility Issuer;

(iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one nationally recognized statistical rating service no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under the Resolution as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or Applicable Credit Facility Issuer;

(iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, the Student Loan Marketing Association, or any successor thereto, or any other federal agency or instrumentality approved by the Authority; or

(v) a corporation whose obligations, including any investments of any moneys held under the Resolution purchased from such corporation, are insured by a Credit Facility Issuer that meets the applicable rating requirements set forth above.

"Rating Service(s)" means S&P, Moody's, Fitch or any other nationally recognized statistical rating organization which shall have assigned a rating on any Bonds Outstanding as requested by or on behalf of the Authority, and which rating is then currently in effect.

"Record Date" means, unless the Applicable Series Resolution authorizing an Applicable Series of Bonds or a Bond Series Certificate relating thereto provides otherwise with respect to Bonds of such Series, the fifteen (15th) day (whether or not a business day) of the month preceding each interest payment date.

"Redemption Price" when used with respect to a Bond of an Applicable Series, means the principal amount of such Bond plus the applicable premium, if any, payable upon redemption thereof pursuant to the Resolution or to the Applicable Series Resolution or Applicable Bond Series Certificate.

"Refunding Bonds" means all Bonds, whether issued in one or more Applicable Series of Bonds, authenticated and delivered pursuant to the Resolution, and originally issued pursuant to the Resolution, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds.

"Remarketing Agent" means the person or entity, appointed by or pursuant to the Applicable Series Resolution authorizing the issuance of a particular Series of Variable Interest Rate Bonds, to remarket such Variable Interest Rate Bonds tendered or deemed to have been tendered for purchase in accordance with such Series Resolution or the Applicable Bond Series Certificate relating to such Variable Interest Rate Bonds.

"Remarketing Agreement" means, with respect to a particular Series of Variable Interest Rate Bonds, an agreement between the Authority and the Remarketing Agent, between the Institution and the Remarketing Agent, or among the Authority, the Institution and the Remarketing Agent, relating to the remarketing of such Variable Interest Rate Bonds.

"Reserve Fund Facility" means a surety bond, insurance policy or letter of credit which constitutes any part of the Debt Service Reserve Fund authorized to be delivered to the Trustee pursuant to the Resolution.

"Resolution" means the Orange Regional Medical Center Obligated Group Revenue Bond Resolution, adopted March 26, 2008, as the same may be from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions of the Resolution.

"Revenues" means all payments payable by the Applicable Institution to the Authority pursuant to an Applicable Loan Agreement, and payments made or payable by the Obligated Group to the Authority pursuant to an Applicable Obligation and all amounts realized upon liquidation of collateral securing the Applicable Obligation, which payments and amounts are pledged and assigned by the Resolution to the Trustee by the Authority and pursuant to the Loan Agreement and the Obligation are to be paid to the Trustee (except payments to the Trustee for the administrative costs and expenses or fees of the Trustee and payments to the Trustee for deposit to the Applicable Arbitrage Rebate Fund and Applicable Credit Facility Repayment Fund and except as otherwise provided in an Applicable Series Resolution or Applicable Bond Series Certificate relating to a Series of Bonds).

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, and its successors and assigns.

"Serial Bonds" means the Bonds so designated in an Applicable Series Resolution or an Applicable Bond Series Certificate.

"Series" means all of the Bonds authenticated and delivered on original issuance and pursuant to the Resolution and the Applicable Series Resolution, and any Bonds of such Series thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

"Series Resolution" means a resolution of the members of the Authority authorizing the issuance of a Series of Bonds adopted by the Authority pursuant to the Resolution.

"Sinking Fund Installment" means, with respect to any Series of Bonds, as of any date of calculation and with respect to any Bonds of such Series, so long as any such Bonds thereof are Outstanding, the amount of money required by the Applicable Series Resolution pursuant to which such Bonds were issued or by the Applicable Bond Series Certificate, to be paid on a single future sinking fund

payment date for the retirement of any Outstanding Bonds of said Series which mature after said future sinking fund payment date, but does not include any amount payable by the Authority by reason only of the maturity of such Bond, and said future sinking fund payment date is deemed to be the date when such Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be Bonds entitled to such Sinking Fund Installment.

"State" means the State of New York.

"Substitute Credit Facility" means any municipal bond insurance policy, a letter of credit issued by a Credit Facility Issuer or similar credit enhancement or guarantee facility constituting a Credit Facility within the meaning of the Resolution issued and delivered to the Trustee in connection with a particular Series of Bonds and effective upon the expiration or earlier termination of the then existing Credit Facility relating to such Series of Bonds in replacement such existing Credit Facility, all in accordance with the provisions of the Applicable Series Resolution and the Applicable Bond Series Certificate.

"Supplemental Indenture" means any Supplemental Indenture under the Master Indenture authorizing the issuance of an Obligation to secure a Series of Bonds.

"Supplemental Resolution" means any Applicable Series Resolution or any Supplemental Resolution adopted and becoming effective in accordance with the terms of the Resolution.

"Tax Exempt Bonds" means any Bonds authorized to be issued under the Resolution and under an Applicable Series Resolution, the interest on which Bonds is not included in gross income for purposes of federal income taxation pursuant to Section 103 of the Code.

"Term Bonds" means with respect to Bonds of a Series, the Bonds so designated in an Applicable Series Resolution or an Applicable Bond Series Certificate and payable from Sinking Fund Installments.

"Trustee" means Manufacturers and Traders Trust Company or any other bank or trust company appointed as Trustee for an Applicable Series of the Bonds pursuant to the Resolution or any Applicable Series Resolution or any Applicable Bond Series Certificate delivered under the Resolution and having the duties, responsibilities and rights provided for in the Resolution and any Applicable Series Resolution and Bond Series Certificate with respect to such Series, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant to the Resolution.

"Variable Interest Rate" means the rate or rates of interest to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds which is or may be varied from time to time in accordance with the method of computing such interest rate or rates specified in the Applicable Series Resolution authorizing such Bonds or the Applicable Bond Series Certificate relating to such Bonds and which shall be based on (i) a percentage or percentages or other function of an objectively determinable interest rate or rates (e.g., a prime lending rate) which may be in effect from time to time or at a particular time or times, provided, however, that such variable interest rate may be subject to a maximum interest rate and a minimum interest rate and that there may be an initial rate specified, in each case, as provided in such Applicable Series Resolution or Applicable Bond Series Certificate, or (ii) a stated interest rate that may be changed from time to time as provided in such Applicable Series Resolution or Applicable Bond Series Certificate provided, further, that such Applicable Series Resolution or Applicable Bond Series Certificate shall also specify either (x) the particular period or periods of time or manner of determining such period or periods of time for which each variable interest rate shall remain in effect or (y) the time or times at which any change in such variable interest rate shall become effective or the manner of determining such time or times.

"Variable Interest Rate Bond" means any Bond which bears a Variable Interest Rate; provided, however, that a Bond, the interest rate on which shall have been fixed for the remainder of the term thereof, shall no longer be a Variable Interest Rate Bond.

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**APPENDIX B**

**ORANGE REGIONAL MEDICAL CENTER CONSOLIDATED FINANCIAL STATEMENTS**

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# ORANGE REGIONAL MEDICAL CENTER

Consolidated Financial Statements

December 31, 2015 and 2014

(With Independent Auditors' Report Thereon)

**KPMG LLP**
345 Park Avenue
New York, NY 10154-0102

# Independent Auditors' Report

The Board of Directors
Greater Hudson Valley Health System, Inc.:

We have audited the accompanying consolidated financial statements of Orange Regional Medical Center, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

## *Management's Responsibility for the Financial Statements*

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

## *Auditors' 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 auditors' 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 auditors consider 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 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.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Orange Regional Medical Center as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

New York, New York
May 27, 2016

**ORANGE REGIONAL MEDICAL CENTER**

Consolidated Balance Sheets

December 31, 2015 and 2014

(In thousands)

| Assets | | 2015 | 2014 |
|---|---|---|---|
| Current assets: | | | |
| Cash and cash equivalents | $ | 43,080 | 38,747 |
| Patient accounts receivable less allowance for uncollectible accounts of $71,047 in 2014 and $61,807 in 2013 | | 39,856 | 42,270 |
| Investments | | 42,887 | 20,840 |
| Assets limited or restricted as to use | | 13,085 | 5,045 |
| Due from third-party payors | | 2,958 | 3,773 |
| Other current assets | | 22,492 | 18,883 |
| Total current assets | | 164,358 | 129,558 |
| Assets limited or restricted as to use, net of current portion | | 71,947 | 25,716 |
| Long-term investments | | 26,061 | 26,383 |
| Interest in net assets of Orange Regional Medical Center Foundation, Inc., net | | 6,552 | 5,530 |
| Due from third-party payors, net of current portion | | 2,572 | 2,200 |
| Insurance claims receivable | | 18,542 | 15,109 |
| Other assets, net | | 7,240 | 6,690 |
| Property, plant, and equipment, net | | 272,852 | 262,382 |
| Total assets | $ | 570,124 | 473,568 |
| **Liabilities and Net Assets** | | | |
| Current liabilities: | | | |
| Current installments of long-term debt and capital lease obligations | $ | 5,979 | 5,821 |
| Accounts payable and accrued expenses | | 60,238 | 49,744 |
| Deferred revenue | | 628 | 628 |
| Current portion of estimated third-party payor liabilities | | 2,208 | 5,564 |
| Total current liabilities | | 69,053 | 61,757 |
| Long-term debt and capital lease obligations, net of current installments | | 294,610 | 232,276 |
| Estimated third-party payor liabilities, net of current portion | | 24,298 | 4,583 |
| Estimated malpractice liabilities | | 21,893 | 18,482 |
| Other liabilities, net | | 7,545 | 7,476 |
| Deferred revenue, net of current portion | | 2,024 | 2,943 |
| Accrued retirement benefits, net of current portion | | 52,934 | 56,087 |
| Total liabilities | | 472,357 | 383,604 |
| Commitments and contingencies | | | |
| Unrestricted | | 88,655 | 81,872 |
| Temporarily restricted | | 7,118 | 6,098 |
| Permanently restricted | | 1,994 | 1,994 |
| Total net assets | | 97,767 | 89,964 |
| Total liabilities and net assets | $ | 570,124 | 473,568 |

See accompanying notes to consolidated financial statements.

**ORANGE REGIONAL MEDICAL CENTER**

Consolidated Statements of Operations

Years ended December 31, 2015 and 2014

(In thousands)

| | 2015 | 2014 |
|---|---|---|
| Unrestricted revenues, gains, and other support: | | |
| Patient service revenue, less contractual and other allowances | $ 424,431 | 388,806 |
| Provision for bad debts, net of recoveries | (14,413) | (12,557) |
| Net patient service revenue | 410,018 | 376,249 |
| Investment (loss) income, net | (17) | 816 |
| Other revenue | 5,073 | 6,229 |
| Net assets released from restrictions used for operations | 3 | 18 |
| Total unrestricted revenues, gains, and other support | 415,077 | 383,312 |
| Expenses: | | |
| Salaries and wages | 146,282 | 142,157 |
| Employee benefits | 59,501 | 57,157 |
| Supplies | 73,587 | 70,093 |
| Purchased services and other | 88,100 | 66,934 |
| Interest | 15,578 | 15,827 |
| Depreciation and amortization | 26,521 | 26,415 |
| Total expenses | 409,569 | 378,583 |
| Income from operations | 5,508 | 4,729 |
| Nonoperating gains: | | |
| Nonoperating income | 532 | 191 |
| Excess of unrestricted revenues, gains, and other support over expenses | 6,040 | 4,920 |
| Other changes in net assets: | | |
| Net assets released from restrictions used for property, plant, and equipment | — | 11 |
| Transfer from (to) Greater Hudson Valley Health Systems, Inc., net | 2,127 | (887) |
| Contributions for property, plant, and equipment | 1,079 | 1,093 |
| Pension-related changes other than net periodic pension costs | (2,575) | (22,506) |
| Postretirement-related changes other than net benefit cost | 112 | (2,004) |
| Increase (decrease) in unrestricted net assets | $ 6,783 | (19,373) |

See accompanying notes to consolidated financial statements.

**ORANGE REGIONAL MEDICAL CENTER**

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2015 and 2014

(In thousands)

| | Unrestricted | Temporarily restricted | Permanently restricted | Total |
|---|---|---|---|---|
| Net assets at December 31, 2013 | $ 101,245 | 5,860 | 1,994 | 109,099 |
| Excess of unrestricted revenues, gains, and other support over expenses | 4,920 | — | — | 4,920 |
| Net assets released from restrictions for operating purposes | — | (18) | — | (18) |
| Net assets released from restrictions used for property, plant, and equipment | 11 | (11) | — | — |
| Transfer to Greater Hudson Valley Health System, Inc., net | (887) | — | — | (887) |
| Contributions for property, plant, and equipment | 1,093 | — | — | 1,093 |
| Pension-related changes other than net periodic pension cost | (22,506) | — | — | (22,506) |
| Postretirement-related changes other than net periodic benefit cost | (2,004) | — | — | (2,004) |
| Change in interest in net assets of Orange Regional Medical Center Foundation, Inc. | — | 264 | — | 264 |
| Investment income, net | — | 3 | — | 3 |
| Total changes in net assets | (19,373) | 238 | — | (19,135) |
| Net assets at December 31, 2014 | 81,872 | 6,098 | 1,994 | 89,964 |
| Excess of unrestricted revenues, gains, and other support over expenses | 6,040 | — | — | 6,040 |
| Net assets released from restrictions for operating purposes | — | (3) | — | (3) |
| Net assets released from restrictions used for property, plant, and equipment | — | — | — | — |
| Transfer from Greater Hudson Valley Health System, Inc., net | 2,127 | — | — | 2,127 |
| Contributions for property, plant, and equipment | 1,079 | — | — | 1,079 |
| Pension-related changes other than net periodic pension cost | (2,575) | — | — | (2,575) |
| Postretirement-related changes other than net periodic benefit cost | 112 | — | — | 112 |
| Change in interest in net assets of Orange Regional Medical Center Foundation, Inc. | — | 1,022 | — | 1,022 |
| Investment income, net | — | 1 | — | 1 |
| Total changes in net assets | 6,783 | 1,020 | — | 7,803 |
| Net assets at December 31, 2015 | $ 88,655 | 7,118 | 1,994 | 97,767 |

See accompanying notes to consolidated financial statements.

**ORANGE REGIONAL MEDICAL CENTER**

Consolidated Statements of Cash Flows

Years ended December 31, 2015 and 2014

(In thousands)

| | 2015 | 2014 |
|---|---|---|
| Cash flows from operating activities: | | |
| Changes in net assets | $ 7,803 | (19,135) |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 26,521 | 26,415 |
| Amortization of bond issuance costs | 467 | 406 |
| Amortization of deferred revenue | (628) | (628) |
| Contributions for property, plant, and equipment | (1,079) | (1,093) |
| Restricted income, net | (1) | (3) |
| Provision for bad debts, net of recoveries | 14,413 | 12,557 |
| Net realized and unrealized losses on investments | 1,399 | 311 |
| Transfer (from) to Greater Hudson Valley Health System, Inc., net | (2,127) | 887 |
| Change in interest in net assets of Orange Regional Medical Center Foundation, Inc. | (1,022) | (264) |
| Pension-related changes other than net periodic pension cost | 2,575 | 22,506 |
| Postretirement-related changes other than net periodic benefit cost | (112) | 2,004 |
| Changes in assets and liabilities: | | |
| Patient accounts receivable, net | (11,999) | (904) |
| Other current assets | (3,609) | (971) |
| Due from third-party payors | 443 | (2,232) |
| Insurance claims receivable | (3,433) | (2,219) |
| Other assets, net | (551) | (1,010) |
| Accounts payable and accrued expenses | 6,116 | (5,361) |
| Estimated third-party payor liabilities | 16,359 | 1,845 |
| Other liabilities, net | 69 | 1,759 |
| Deferred revenue | (291) | — |
| Estimated malpractice liabilities | 3,411 | 2,561 |
| Accrued retirement benefits | (5,616) | (6,687) |
| Net cash provided by operating activities | 49,108 | 30,744 |
| Cash flows from investing activities: | | |
| Purchase of property, plant, and equipment | (18,366) | (6,582) |
| Cash paid for capital expenditures related to construction project | (14,246) | — |
| Investment in joint venture | — | (120) |
| Purchases of investments and assets limited or restricted as to use | (317,698) | (104,499) |
| Sales of investments and assets limited or restricted as to use | 240,303 | 100,051 |
| Net cash used in investing activities | (110,007) | (11,150) |
| Cash flows from financing activities: | | |
| Payment of long-term debt and capital lease obligations | (5,949) | (6,243) |
| Proceeds from long-term debt | 70,060 | — |
| Payment of bond issuance costs | (2,086) | — |
| Transfer from (to) Greater Hudson Valley Health System, Inc. | 2,127 | (887) |
| Contributions for property, plant, and equipment | 1,079 | 1,093 |
| Restricted income, net | 1 | 3 |
| Net cash provided by (used in) financing activities | 65,232 | (6,034) |
| Net increase in cash and cash equivalents | 4,333 | 13,560 |
| Cash and cash equivalents at beginning of year | 38,747 | 25,187 |
| Cash and cash equivalents at end of year | $ 43,080 | 38,747 |
| Supplemental disclosures of noncash investing and financing activities: | | |
| Cash paid during the year for interest, including capitalized interest | $ 15,219 | 15,928 |
| Allocated expense from Greater Hudson Valley Health System, Inc. | 4,427 | 4,453 |
| Increase in accounts payable and accrued expenses for capital expenditures related to construction project | 4,378 | — |

See accompanying notes to consolidated financial statements.

## (1) Organization

Orange Regional Medical Center (ORMC or the Hospital) is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the Code), and is exempt from federal and state income taxes and other related income pursuant to Section 501(a) of the Code. ORMC is a 374-bed facility located in the town of Wallkill, New York and provides acute, psychiatric, and rehabilitative inpatient services, as well as ambulatory surgery, emergency care, and other outpatient services for residents of Orange County, New York, and surrounding areas.

The Greater Hudson Valley Health System, Inc. (GHVHS) is the parent of ORMC. During February 2010, GHVHS became the active parent of Catskill Regional Medical Center (Catskill Regional). Catskill Regional is located in Sullivan County and is licensed for a total of 181 beds maintained on two campuses in Harris, New York and Calicoon, New York. GHVHS has the same legal authority over, and responsibilities to, both ORMC and Catskill Regional. ORMC and Catskill Regional will maintain independent financial operations and neither will be liable for the other's obligations.

GHVHS is also the parent of the GHVHS Medical Group, P.C., a not-for-profit corporation, which was formed in October 2013 for the purpose of engaging in the profession of medicine. The practice began operations in December 2014.

The Hospital is affiliated with Orange Regional Medical Center Foundation, Inc. (the Foundation) whose purpose is to raise funds for the Hospital and the health and welfare of the community.

## (2) Summary of Significant Accounting Policies

### *(a) Basis of Accounting*

The consolidated financial statements have been prepared on the accrual basis of accounting and include the activities of the Hospital and East Main Street Management Corporation, The Alpha Network, Inc., and Synera Corporation, all dormant corporations. All significant intercompany balances and transactions have been eliminated in preparation of the consolidated financial statements.

### *(b) Cash and Cash Equivalents*

Cash and cash equivalents include certain highly liquid investments with original maturities of three months or less. At December 31, 2015 and 2014, the Hospital had cash balances in financial institutions that exceeded federal depository insurance limits. The Hospital routinely invests its surplus operating funds in money market funds. These funds generally invest in highly liquid U.S. government and agency obligations. Investments in money market funds are not insured or guaranteed by the U.S. government.

### *(c) Investments and Assets Limited or Restricted As to Use*

The Hospital classifies its debt and equity securities included in investments and assets limited or restricted as to use as trading securities. These investments are measured at fair value in the accompanying consolidated balance sheets.

Investment income, net (including realized gains and losses on investments, interest, dividends, and unrealized losses on trading investments) is included in excess of revenues, gains, and other support over expenses unless the income or loss is restricted by donor or law.

The equity method of accounting is used for joint venture investments, included in other assets, net, in which the Hospital has significant influence but does not have control.

Assets limited or restricted as to use primarily include assets held by trustees under indenture agreements, and assets associated with the donor-restricted net assets.

***(d) Patient Accounts Receivable and Net Patient Service Revenue***

ORMC has agreements with third-party payors that provide for payment at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Management regularly reviews accounts and contracts and provides appropriate contractual allowances and discounts that are netted against patient accounts receivable in the consolidated balance sheets.

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, ORMC analyses its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts 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. For receivables associated with services provided to patients who have third-party coverage, ORMC analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (e.g., for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with uninsured patients, management records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

ORMC wrote off approximately $5,200 and $6,900 for the years ended December 31, 2015 and 2014, respectively, of which a significant portion relate to uninsured patients.

(Dollars in thousands)

ORMC recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, ORMC recognizes revenue based on a discounted rate per the self-pay discount policy. On the basis of historical experience, a significant portion of ORMC's uninsured patients will be unable or unwilling to pay for the services provided. Thus, ORMC records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances, and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, for the years ended December 31, 2015 and 2014 is as follows:

| | | December 31 | |
|---|---|---|---|
| | | **2015** | **2014** |
| Patient service revenue (net of contractual allowances and discounts): | | | |
| Third-party payors | $ | 409,524 | 372,896 |
| Uninsured patients | | 14,907 | 15,910 |
| Total all payors | $ | 424,431 | 388,806 |

The following table reflects the estimated percentages of patient service revenue, net of provision for bad debts, for the years ended December 31, 2015 and 2014:

| | December 31 | |
|---|---|---|
| | **2015** | **2014** |
| Medicare | 41% | 40% |
| Medicaid | 12 | 12 |
| Managed care and other insurance | 45 | 46 |
| Uninsured and other fee for service | 2 | 2 |
| | 100% | 100% |

The following table reflects the estimated percentages of patient service revenue by inpatient and outpatient services for the years ended December 31, 2015 and 2014:

| | December 31 | |
|---|---|---|
| | **2015** | **2014** |
| Inpatient services | 68% | 65% |
| Outpatient services | 32 | 35 |
| | 100% | 100% |



(Continued)

(Dollars in thousands)

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, including estimated adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

### *(e) Concentration of Credit Risk*

The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables, net of contractual allowances, by payor at December 31 is as follows:

| | 2015 | 2014 |
|---|---|---|
| Medicare | 31% | 27% |
| Medicaid | 14 | 15 |
| Managed care and other insurance | 44 | 45 |
| Uninsured and other fee for service | 11 | 13 |
| | 100% | 100% |

### *(f) Charity Care*

ORMC provides charity care to patients who meet certain criteria under its charity care policy, to patients who are uninsured and to patients who are underinsured at amounts less than its established rates. Because ORMC does not pursue collection for patients who qualify, these amounts are not reported as revenue. The calculation of the cost of these services is done utilizing the ratio of patient care cost to charges based upon the 2014 Form 990 Return of Organization Exempt from Income Taxes, applied to the gross charity related allowances.

The amount of services related to charity care, uninsured, and underinsured, at cost, is $6,934 and $9,595 for the years ended December 31, 2015 and 2014, respectively.

### *(g) Impairment of Long-Lived Assets*

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Hospital records impairment losses on long-lived assets used in operations when the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. No impairment was recorded in 2015 or 2014.

***(h) The Net Assets of ORMC and Changes Therein Are Classified and Reported As Follows***

*Unrestricted Net Assets* – Unrestricted net assets are those whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract, board designation, or under debt agreements.

*Temporarily and Permanently Restricted Net Assets* – Temporarily restricted net assets are those whose use by ORMC has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

***(i) Donor-Restricted Gifts***

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions upon which they depend are substantially met. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. The contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying consolidated statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

***(j) Property, Plant, and Equipment***

Property, plant, and equipment (including equipment acquired under capital lease obligations) are recorded at cost or, if donated, at fair market value at date of donation. 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 accompanying consolidated financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Estimated useful lives of the assets are as follows:

| | |
|---|---|
| Land improvements | 5 to 20 years |
| Buildings and building improvements | 15 to 40 years |
| Equipment | 5 to 15 years |



(Continued)

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues, gains, and other support over expenses, 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 support. Cash gifts restricted for investment in long-lived assets are released from restriction when the asset is placed in service or as costs are incurred for asset construction.

The Hospital's policy is to capitalize interest cost incurred on debt during the construction of major projects exceeding one year. Total interest costs capitalized for the year ended December 31, 2015 was $2,151. There was no interest costs capitalized for the year ended December 31, 2014.

***(k) Supplies***

Supplies are stated at the lower of cost (first-in, first-out method) or market (net realizable value). Supplies of $9,371 and $9,263 at December 31, 2015 and 2014, respectively, are included in other current assets.

***(l) Use of Estimates***

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions. Actual results could differ from those estimates. Included in excess of unrestricted revenues, gains, and other support over expenses are changes relating to third-party payors, which are disclosed in note 11.

***(m) Excess of Unrestricted Revenues, Gains, and Other Support over Expenses***

The consolidated statements of operations include excess of unrestricted revenues, gains, and other support over expenses. Changes in unrestricted net assets that are excluded from excess of unrestricted revenues, gains, and other support over expenses, consistent with industry practice, include pension and postretirement – related changes other than net periodic pension or benefit cost, net assets released from restrictions for property, plant, and equipment, contributions for property, plant, and equipment, and transfer of assets to/from related parties.

***(n) Estimated Malpractice, Workers' Compensation Costs, and Health Insurance Costs***

The provision for estimated medical malpractice, workers' compensation, and health insurance claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported (IBNR).

***(o) Deferred Financing Fees***

Deferred financing fees of $10,700 and $8,600 as of December 31, 2015 and 2014, respectively, reported as an offset to long-term debt in the accompanying consolidated balance sheets, represent costs incurred in connection with the issuance of the Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2008 and Series 2015, and are amortized based on the effective-interest method over the lives of the bonds. Accumulated amortization of deferred financing fees amounted to $3,300 and $2,800 at December 31, 2015 and 2014, respectively.

***(p) Guarantees***

The Hospital recognizes a liability at the inception or modification of a guarantee (note 10 for details).

***(q) Deferred Revenue***

Deferred revenue consists of the gain associated with the Hospital's sale of the Medical Pavilion (note 6(d)). The sale of the Arden Hill campus resulted in the recording of a long-term asset and related liability (deferred revenue) on the ten-year lease.

***(r) Income Taxes***

The Hospital and Synera, a dormant corporation, have been determined by the Internal Revenue Service to be organizations described in Internal Revenue Code (the Code) Section 501(c)(3) and 501(c)(2), respectively; therefore, are generally exempt from federal income.

East Main Street Management Corporation and The Alpha Network, Inc. are dormant taxable corporations. No provision for income taxes has been recorded.

The Corporation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than fifty percent likely to be realized upon settlement. Changes in recognition in measurement are reflected in the period in which the change in judgment occurs. The Corporation did not recognize the effect of any income tax positions in either 2015 or 2014.

***(s) Recently Adopted Accounting Standards***

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest* (Subtopic 835-30): *Simplifying the Presentation of Debt Issuance Costs*. ASU No. 2015-03 is intended to simplify the presentation of debt issuance costs, requiring them to be presented as a direct reduction from the carrying value of the related debt liability. This guidance is effective for fiscal years beginning after December 15, 2015, with early adoption allowed. ORMC has adopted ASU No. 2015-03 in 2015 and for the year ended December 31, 2014 has reclassified $5,781 of debt issuance costs from other assets, net, to long-term debt, net of current installments.

(Dollars in thousands)

In May 2015, the FASB issued Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement* (Topic 820) – *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. ASU 2015-07 also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Reporting entities will be required to disclose the amount of investments measured at net asset value (or its equivalent) using the practical expedient to reconcile total investments in the fair value hierarchy to total investments measured at fair value. ASU 2015-07 is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted. ORMC has adopted and applied ASU 2015-07 retrospectively to all periods presented.

## (3) Investments and Assets Limited or Restricted As to Use

The composition of investments and assets limited or restricted as to use as of December 31 is set forth in the following tables:

| | | 2015 | 2014 |
|---|---|---|---|
| Assets limited or restricted as to use: | | | |
| By Bond Indenture Agreement (primarily cash and cash equivalents and U.S. government issues): | | | |
| Construction fund | $ | 58,694 | 5,085 |
| Medicaid revenue fund | | 962 | 889 |
| Debt service fund | | 2,211 | 1,981 |
| Debt service reserve fund | | 20,605 | 20,245 |
| | | 82,472 | 28,200 |
| By donor: | | | |
| Cash and cash equivalents | | 653 | 684 |
| Equity securities | | 598 | 1,206 |
| Mutual funds | | 1,309 | 671 |
| | | 2,560 | 2,561 |
| Total assets limited or restricted as to use | | 85,032 | 30,761 |
| Less current portion | | 13,085 | 5,045 |
| Assets limited or restricted as to use, net of current portion | $ | 71,947 | 25,716 |



(Continued)

(Dollars in thousands)

| | | 2015 | 2014 |
|---|---|---|---|
| Investments: | | | |
| Mutual funds | $ | 810 | 7,178 |
| Equities | | 13,399 | — |
| Corporate bonds | | 47,224 | 39,966 |
| Government agencies securities | | 7,515 | 79 |
| Total investments | | 68,948 | 47,223 |
| Less current portion | | 42,887 | 20,840 |
| Investments, net of current portion | $ | 26,061 | 26,383 |

The Master Trust Indenture (MTI) requires the creation of a Medicaid Revenue Account to receive all Medicaid reimbursement monies. These funds are to be used to pay all monthly installments on all indebtedness secured by obligations outstanding under the MTI. This balance is reconciled on a monthly basis and any overage or shortage from the required amount is transferred to or from operating funds. The Master Trustee then transfers payment to the holder of each obligation.

The current portion of assets limited or restricted as to use includes amounts due in 2015 and 2014 for principal and accrued interest on the ORMC Obligated Group Revenue Bonds, Series 2008 and the ORMC Obligated Group Revenue Bonds, Series 2015.

Investment income from investments, assets limited or restricted as to use, cash equivalents, and other investments comprise the following for the years ended December 31:

| | | 2015 | 2014 |
|---|---|---|---|
| Investment income (loss), net: | | | |
| Interest and dividend income | $ | 1,382 | 1,127 |
| Realized gains (losses), net on sales of securities | | (476) | 271 |
| Unrealized losses, net on trading investments | | (923) | (582) |
| | $ | (17) | 816 |

***Fair Value***

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include cash and cash equivalents, debt, and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.



(Continued)

(Dollars in thousands)

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. government and agency mortgage-backed debt securities, and corporate debt securities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments and alternative investments.

The following tables present the Hospital's fair value measurements for assets measured at fair value on a recurring basis as of December 31, 2015 and 2014:

| | | December 31, 2015 | | |
|---|---|---|---|---|
| | | **Fair value** | **Level 1** | **Level 2** |
| Domestic equity securities | $ | 13,997 | 13,997 | — |
| U.S. government obligations and mortgages | | 88,635 | 72,080 | 16,555 |
| Corporate bonds – domestic | | 41,319 | — | 41,319 |
| Corporate bonds – foreign | | 5,905 | — | 5,905 |
| Mutual funds – domestic | | 1,642 | 1,642 | — |
| Mutual funds – foreign | | 478 | 478 | — |
| Cash and cash equivalents (included in cash and cash equivalents and assets limited or restricted as to use) | | 45,084 | 45,084 | — |
| Total | $ | 197,060 | 133,281 | 63,779 |



(Continued)

(Dollars in thousands)

| | | December 31, 2014 | | |
|---|---|---|---|---|
| | | Fair value | Level 1 | Level 2 |
| Domestic equity securities | $ | 1,206 | 1,206 | — |
| U.S. government obligations and mortgages | | 27,385 | 26,967 | 418 |
| Corporate bonds – domestic | | 38,375 | — | 38,375 |
| Corporate bonds – foreign | | 1,591 | — | 1,591 |
| Mutual funds – domestic | | 6,293 | 6,293 | — |
| Mutual funds – foreign | | 1,556 | 1,556 | — |
| Cash and cash equivalents (included in cash and cash equivalents and assets limited or restricted as to use) | | 40,325 | 40,325 | — |
| Total | $ | 116,731 | 76,347 | 40,384 |

At December 31, 2015 and 2014, the Hospital did not have any Level 3 assets or liabilities measured at fair value. The Hospital's Level 1 and Level 2 investments and assets limited or restricted as to use are liquid and are redeemable within one day of notice. There were no significant transfers into or out of Level 1 or Level 2 for the years ended December 31, 2015 and 2014.

## (4) Property, Plant, and Equipment

A summary of property, plant, and equipment at December 31 is as follows:

| | | 2015 | 2014 |
|---|---|---|---|
| Land | $ | 4,897 | 4,897 |
| Land improvements | | 10,459 | 10,459 |
| Buildings and building improvements | | 161,697 | 159,288 |
| Equipment | | 212,237 | 207,070 |
| Construction in progress | | 31,705 | 2,759 |
| | | 420,995 | 384,473 |
| Less accumulated depreciation | | 148,143 | 122,091 |
| Property, plant, and equipment, net | $ | 272,852 | 262,382 |

Equipment under capitalized lease obligations, included in equipment on the table above, as of December 31 is as follows:

| | | 2015 | 2014 |
|---|---|---|---|
| Equipment | $ | — | 4,000 |
| Less accumulated depreciation | | — | 1,459 |
| | $ | — | 2,541 |



(Continued)

(Dollars in thousands)

ORMC has commenced the construction of (i) a 5-floor outpatient medical office building (MOB) and (ii) a dedicated cancer center that will include renovation of existing space and new construction (together, the Project). In support of the buildings, the Project will also include an increase in ORMC's ground level parking and an expansion of the "ring road" (the access road that encircles the campus) to accommodate the additional parking. The construction period is anticipated to be approximately 18 months, with a start date of April 2015 and a completion date of approximately October 2016.

Included on the balance sheet within property, plant, and equipment, are the construction costs associated with the Hospital's Project. As of December 31, 2015, costs incurred are $31,248 with an estimate cost to complete of $56,638.

## (5) Long-Term Debt and Capital Lease Obligations

A summary of long-term debt and capital lease obligations at December 31 is as follows:

| | 2015 | 2014 |
|---|---|---|
| Series 2008 Bonds (a) | $ 238,057 | 243,030 |
| Series 2015 Bonds (b) | 69,933 | — |
| Lease lines of credit (c) | — | 848 |
| | 307,990 | 243,878 |
| Deferred financing costs, net | (7,401) | (5,781) |
| | 300,589 | 238,097 |
| Current installments | 5,979 | 5,821 |
| Long-term debt and capital lease obligations, net of current installments | $ 294,610 | 232,276 |

Orange Regional Medical Center maintains an "Obligated Group" for the purposes of issuing debt instruments under a Master Trust Indenture (MTI). ORMC is currently the sole member of the Obligated Group. Under the terms of the MTI, all obligations issued thereunder are joint and several obligations of the member.

(a) On May 7, 2008, Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2008 (Series 2008 Bonds), were issued with a par value of $261,345 and a net original issue discount of $1,239. The issue is composed of serial bonds of $27,840 with maturity dates ranging from December 1, 2011 to 2016, term bonds of $32,170 maturing December 1, 2021, term bonds of $76,960 maturing December 1, 2029, and term bonds of $124,375 maturing December 1, 2037. The Series 2008 Bonds maturing after December 1, 2018 are subject to redemption prior to maturity, at the option of the Hospital and as provided for in the debt agreement, on or after December 1, 2018, at 100% of the principal amount plus accrued interest to the date of redemption. The Series 2008 Bonds are also subject to redemption upon the occurrence of certain events as discussed in the debt agreement.

The Hospital is required to maintain a long-term debt service coverage ratio of 1.25 measured on an annual basis, and a day's-cash-on-hand ratio of 60 days calculated semiannually, as defined in the debt agreement.

Interest on the Series 2008 Bonds is payable on a semiannual basis beginning December 1, 2008. Principal is payable annually beginning December 1, 2011 in varying amounts from $4,020 in 2011 to $19,035 in 2037. The Series 2008 Bonds were issued with various stated interest rates ranging from 5.50% to 6.50%. The effective interest rate for this issue is 6.53%.

The Series 2008 Bonds are collateralized by the land and buildings that comprise the hospital facility.

(b) On May 13, 2015, Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2015 (Series 2015 Bonds), were issued with a par value of $66,100 and a net original issue premium of $3,960. The issue is composed of serial bonds with values of $1,000 to $2,500 with maturity dates ranging from December 1, 2016 to 2035, term bonds of $14,600 maturing December 1, 2040, and term bonds of $18,600 maturing December 1, 2045. The Series 2015 Bonds maturing after December 1, 2025 are subject to redemption prior to maturity, at the option of the Hospital and as provided for in the debt agreement, on or after June 1, 2025, at 100% of the principal amount plus accrued interest to the date of redemption. The Series 2015 Bonds are also subject to redemption upon the occurrence of certain events as discussed in the debt agreement.

The Hospital is required to maintain a long-term debt service coverage ratio of 1.25 measured on an annual basis, and a day's-cash-on-hand ratio of 60 days calculated semiannually, as defined in the debt agreement.

Interest on the Series 2015 Bonds is payable on a semiannual basis beginning December 1, 2015. Principal is payable annually beginning December 1, 2016 in varying amounts from $1,000 in 2016 to $18,600 in 2045. The Series 2015 Bonds were issued with various stated interest rates ranging from 4.45% to 5.00%. The effective interest rate for this issue is 6.35%.

The Series 2015 Bonds are collateralized by the land and buildings that comprise the hospital facility.

(c) The Hospital had several lease lines of credit with interest at 4%, which matured November 2015.

The Hospital has a $10,000 working capital line of credit under which no amounts were outstanding as of December 31, 2015. Interest on borrowings under this line of credit would be floating at the one-month London Interbank Offered Rate interest rate plus 2.75%. This agreement expires on July 31, 2016 and is renewable annually.

Aggregate principal payments on long-term debt and capital lease obligations as of December 31, 2015 for the next five years and thereafter are as follows: 2016 – $5,979; 2017 – $6,307; 2018 – $6,781; 2019 – $7,187; 2020 – $7,713; and thereafter – $266,622.

(Dollars in thousands)

## (6) Commitments and Contingencies

### *(a) Professional Liability*

ORMC has professional liability claims-made commercial insurance coverage for the first $1,000 per occurrence, $5,000 in the aggregate for malpractice claims effective September 1, 2009 (prior to that date it was $1,000/$3,000) and excess insurance for $5,000 per occurrence, $5,000 in the aggregate for claims made prior to September 1, 2008, and $10,000 per occurrence and $10,000 in the aggregate for claims through September 1, 2012, and $15,000 per occurrence and $15,000 in the aggregate for claims made subsequent to that date.

The Hospital has engaged an independent actuary to estimate the liability for both reported and IBNR claims. Based on estimates that incorporate the Hospital's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors, management, with the assistance of an independent actuary, has recorded an accrual for ultimate undiscounted cost. As of December 31, 2015 and 2014, the Hospital has recorded the following:

| | | 2015 | 2014 |
|---|---|---|---|
| Estimated malpractice liabilities | $ | 21,893 | 18,482 |
| Insurance claims receivable | | (18,542) | (15,109) |

The Hospital has been named as a defendant in various malpractice cases. The outcome of these actions cannot be predicted at this time, and accordingly, a provision for these claims has not been made. It is the opinion of management that any loss that may arise from these actions will not have a material adverse effect on the consolidated financial position, results of operations, or liquidity of ORMC. In addition, there are known, and possibly unknown, incidents occurring through December 31, 2015 that may result in the assertion of additional claims. In management's opinion, any liability that may arise from the settlement of such claims will be settled within insurance coverage or otherwise will not have any material adverse effect on the Hospital's financial position, results of operations, or liquidity.

### *(b) Workers' Compensation*

Effective January 1, 2002, the Hospital became a participating member of the Hudson Healthcare Workers Compensation Group Trust (the Trust). The Hospital has entered into an indemnity agreement with the Trust to have the Trust provide risk management services and workers' compensation and employers' liability coverage. The agreement stipulates, among other things, that each member is jointly and severally liable for the workers' compensation and employers' liability obligations of the Trust, irrespective of the subsequent termination of a member's membership in the Trust, the insolvency or bankruptcy of another member of the Trust, or other facts or circumstances. However, recourse for any and all payments of workers' compensation and employers' liability benefits covered by the Trust's certificate of coverage to a member shall first be made by the Trust's assets.



(Continued)

(Dollars in thousands)

The Trust provides workers' compensation insurance (medical, indemnity, and legal costs) to Trust members. Such coverage is provided up to the per occurrence New York State statutory limits. The Trust also provides employers' liability insurance with the following limits:

| | |
|---|---|
| Bodily injury by accident | $ 100 each accident |
| Bodily injury by disease | 100 each employee |
| Bodily injury by disease | 500 policy limit |

The Trust engaged an independent actuary to estimate the liability for uninsured claims for all workers' compensation occurrences beginning January 1, 2002 for both reported claims and IBNR claims.

The Hospital has a 33% member interest in this Trust; accordingly, the Hospital accounts for this investment on the equity basis of accounting, which is included in other assets, net in the accompanying consolidated balance sheets. The Hospital's equity investment is fully reserved for as of December 31, 2015 and 2014.

Effective January 1, 2011, the Trust was frozen and has ceased underwriting operations and will run off its unpaid loss and loss adjustment expenses. The Hospital is responsible for all claims occurring prior to January 1, 2011 through that Trust. The Hospital became self-insured for workers' compensation claims occurring January 1, 2011 or later. Pennsylvania Manufacturers Association Insurance Company (PMA) administers the plan. The Hospital has recorded $7.840 and $6,902 within other liabilities, net related to those claims including IBNR claims as actuarially determined as of December 31, 2015 and 2014, respectively. Interim premiums will be paid and final premiums will be retrospectively set, trued up to historical actual claims paid. Funding for the plan has exceeded claims resulting in a receivable of $3,401 and $2,463 at December 31, 2015 and 2014, respectively, and is included within other assets.

During 2015, the frozen Trust's board of directors approved an additional assessment to the members. ORMC's share of this assessment was $2,214, of which $369 was outstanding at December 31, 2015. During 2015 and 2014, ORMC recorded a total liability of $834 and $1,500, respectively, which represents management's estimate of losses anticipated for the years in which ORMC participated in the Trust. $834 of the 2015 liability and $300 of the 2014 liability is recorded in other noncurrent liabilities in the accompanying consolidated financial statements as of December 31, 2015. The remaining liability of $1,200 at December 31, 2014 is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

***(c) Employee Health***

The Hospital is self-insured for employee health insurance for certain union and nonunion employees. Effective July 1, 2008, technical, service, and clerical employees who participate in collective-bargaining agreements became covered under the union's benefit plan. The Hospital records an estimate for IBNR claims based on information provided by its third-party administrator. The amount accrued was approximately $726 and $1,326 at December 31, 2015 and 2014, respectively, and is recorded in accounts payable and accrued expenses in the consolidated balance sheets.

(Dollars in thousands)

***(d) Operating Lease Obligations***

During 2006, the Hospital sold the Medical Pavilion, a medical office building, with a net book value of $10,800 for $18,890. Simultaneously, the Hospital's Series 2002A Variable Rate Demand Civic Facility Revenue Bonds (Horton Medical Center West Hudson Facility Project) of $9,800 were defeased and the Hospital received cash proceeds of approximately $8,200 relating to the sale of the Medical Pavilion. As part of the transaction, the Hospital leased back the Medical Pavilion through 2016. Accordingly, the gain of $7,160 has been recorded in the accompanying consolidated balance sheets as deferred revenue and is being amortized as an offset to rental expense over the life of the related leases.

The following is a schedule of minimum lease payments, sublease income, and deferred revenue (associated with the sale of the Medical Pavilion) under noncancelable operating lease and sublease agreements as of December 31, 2015:

| | Lease obligations | Sublease income | Deferred revenue |
|---|---|---|---|
| Year ending December 31: | | | |
| 2016 | $ 5,447 | (4) | (628) |
| 2017 | 2,021 | — | — |
| 2018 | 1,370 | — | — |
| 2019 | 1,189 | — | — |
| 2020 | 1,032 | — | — |
| Thereafter | 1,061 | — | — |

Net rent expense was $5,042 and $4,854 for the years ended December 31, 2015 and 2014, respectively.

***(e) General***

Various suits and claims arising in the normal course of operations are pending. While the outcome of these suits cannot be determined at this time, management believes that such suits and claims are either specifically covered by insurance or are not material to the Hospital's overall consolidated financial position, operating results, or liquidity.

***(f) Collective-Bargaining Agreements***

Approximately, 82% of the Hospital's employees are union employees covered under the terms of various collective-bargaining agreements. The collective-bargaining agreement with Local 1199 SEIU covering service, technical, professional, and clerical staffs was ratified in January 2016 and expires on April 30, 2018. The collective-bargaining agreement with Local 1199 SEIU covering nursing staff expired on September 30, 2015. An agreement between the parties was reached and membership voted to ratify in April 2016. The collective-bargaining agreement with Local 530 Security Police Fire Professionals of America covering security staffs expires on March 31, 2017.

## (7) Pension and Other Postretirement Benefits

(a) ORMC's employees not covered by collective-bargaining agreements have a defined-contribution retirement plan that includes a base employer contribution to a 403(b) account equal to a percentage of compensation, to a maximum of 5% based on years of service. During 2015 and 2014, the base employer contribution was $1,306 and $1,295, respectively.

In addition, there is an employer-matching component to the plan. As of January 1, 2008, ORMC makes a matching contribution equal to 100% of the employee's 403(b) contribution, up to 4% of the employee's compensation. During 2015 and 2014, the matching contribution was $998 and $987, respectively.

ORMC maintains a fully frozen noncontributory defined-benefit pension plan for current and past employees not covered by a collective-bargaining agreement. Effective January 1, 2006, ORMC froze participation in the pension plan to any employees hired after December 31, 2005. Effective January 1, 2008, ORMC froze the pension plan for the remaining active participants in the plan by ceasing any future accrual of credited service and compensation under the plan.

(b) ORMC participates in a multi-employer Local 1199 defined-benefit pension plan for participating staff. The contribution percentages are defined in the collective-bargaining agreements. The risks of participation in this multi-employer plan are different from a single-employer plan in the following aspects: a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers; b) if a participating employer stops contributing to the plan, the unfunded obligation of the plan may be borne by the remaining participating employers; and c) if the Hospital chooses to stop participating in its multi-employer plan and if the plan is underfunded, ORMC may be required to pay the plan an amount based on the underfunded status of the plan, referred to as the withdrawal liability.

The Hospital's participation in this plan for the years ended December 31, 2015 and 2014 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2015 and 2014 is for the plan's year-end at December 31, 2014 and 2013, respectively. The zone status is based on information received from the plan sponsor and, as required by the PPA, is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.



(Continued)

(Dollars in thousands)

The "FIR/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreement requiring contributions to the plan:

| Pension fund | EIN/Pension plan number | Pension Protection Act zone status | | FIP/RP Status pending/ implemented | Contributions of ORMC | | Surcharge imposed | Expiration date of collective-bargaining agreements |
|---|---|---|---|---|---|---|---|---|
| | | January 1, 2015 | January 1, 2014 | | 2015 | 2014 | | |
| 1199 SEIU Health Care Employees Pension Fund | 13-3604862 Plan No. 001 | Green | Green | No | $ 11,074 | 11,402 | No | 9/30/18 |

Total amounts expensed under the union-sponsored multi-employer plans were $10,634 and $10,358 for the years ended December 31, 2015 and 2014, respectively. At the request of 1199, the pension fund contribution in the amount of $319 for technical, clerical, and service employees, payable in December 2014 based upon November wages, was diverted to the 1199 SEIU National Benefit Fund for Health and Human Service employees. ORMC was not listed in the plan's most recent available annual report (Form 5500 for U.S. Plans) for providing more than five percent of the total contributions to the plan for the years ended December 31, 2015 and 2014. At the date the consolidated financial statements were issued, Form 5500 was not available for the plan year ended December 31, 2015.

(c) ORMC sponsors a defined-contribution healthcare plan that provides postretirement medical, dental, and life insurance benefits to employees who meet the eligibility requirements under the plans.

ORMC offers executives, who are at least age 55 with five years of service, subsidized medical coverage to age 65 based on years of service. Nonunion and security employees who were hired before Jan 1, 1988 receive a nominal monthly reimbursement. Employees in the nursing and professional unions who are at least age 62 with 20 years of service receive 100% subsidized medical benefits until age 65. Employees in the professional group who are age 62 with 20 years of service also receive fully subsidized dental coverage. A select group of grandfathered retirees receive dental coverage for life.

(Dollars in thousands)

The following table sets forth the benefit obligations and fair value of plan assets at December 31, 2015 and 2014:

| | Pension benefits | | Postretirement benefits | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Change in benefit obligation: | | | | |
| Benefit obligation at beginning of year | $ 133,413 | 114,842 | 4,084 | 3,926 |
| Service cost | — | — | 50 | 68 |
| Interest cost | 5,242 | 5,430 | 146 | 168 |
| Actuarial (gain) loss | (4,839) | 18,815 | 155 | 1,252 |
| Curtailment | — | — | — | (244) |
| Plan participant contributions | — | — | 46 | 67 |
| Plan amendment | — | — | (81) | — |
| Benefits paid and administrative expenses | (5,968) | (5,674) | (971) | (1,153) |
| Projected benefit obligation at end of year | $ 127,848 | 133,413 | 3,429 | 4,084 |
| Change in plan assets: | | | | |
| Fair value of plan assets at beginning of year | $ 80,730 | 79,915 | — | — |
| Actual return on plan assets | (2,969) | 1,570 | — | — |
| Employer and participant contributions | 6,000 | 4,920 | 971 | 1,153 |
| Benefits paid and administrative expenses | (5,968) | (5,675) | (971) | (1,153) |
| Fair value of plan assets at end of year | $ 77,793 | 80,730 | — | — |



(Continued)

(Dollars in thousands)

The following table sets forth the plan's benefit obligations, fair value of plan assets, and funded status at December 31, 2015 and 2014:

| | Pension benefits | | Postretirement benefits | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Benefit obligation | $ (127,848) | (133,413) | (3,429) | (4,084) |
| Fair value of plan assets | 77,793 | 80,730 | — | — |
| Funded status | $ (50,055) | (52,683) | (3,429) | (4,084) |
| Amounts recognized in the consolidated balance sheet consist of: | | | | |
| Current liabilities | $ — | — | (550) | (680) |
| Noncurrent liabilities | (50,055) | (52,683) | (2,879) | (3,404) |
| | $ (50,055) | (52,683) | (3,429) | (4,084) |

Amounts recognized in accumulated other changes in unrestricted net assets consist of the following:

| | Pension benefits | | Postretirement benefits | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Prior service cost | $ — | — | (436) | (685) |
| Net actuarial loss | 65,450 | 62,875 | 4,206 | 4,567 |
| | $ 65,450 | 62,875 | 3,770 | 3,882 |

The estimated amount that will be amortized from unrestricted net assets into net periodic pension cost in 2016 is $1,972 for the pension plan and $491 for the postretirement plan related to actuarial gains and losses.

(Dollars in thousands)

Other changes recognized in unrestricted net assets consist of the following:

| | Pension benefits | | Postretirement benefits | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Net loss | $ (4,384) | (23,603) | (155) | (1,252) |
| Amortization of net loss | 1,809 | 1,097 | 517 | 411 |
| Amortization of prior service credit | — | — | (331) | (680) |
| Prior service credit | — | — | 81 | — |
| Prior service cost recognized due to curtailment | — | — | — | (727) |
| Gain due to curtailment | — | — | — | 244 |
| Total recognized in unrestricted net assets | $ (2,575) | (22,506) | 112 | (2,004) |

The components of net periodic pension cost for the years ended December 31, 2015 and 2014 are as follows:

| | Pension benefits | | Postretirement benefits | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Service cost | $ — | — | 50 | 68 |
| Interest cost | 5,242 | 5,429 | 146 | 168 |
| Expected return on assets | (6,254) | (6,357) | — | — |
| Amortization of prior service cost | — | — | (331) | (680) |
| Effect of curtailment | — | — | — | (727) |
| Recognized net actuarial loss | 1,809 | 1,097 | 517 | 411 |
| Net periodic benefit cost | $ 797 | 169 | 382 | (760) |



(Continued)

(Dollars in thousands)

| | Pension plan | | Postretirement plans | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| Weighted average assumptions used to determine obligations: | | | | |
| Discount rate | 4.38% | 4.02% | 4.18% | 3.89% |
| Weighted average assumptions used to determine net benefit cost: | | | | |
| Discount rate | 4.02 | 4.85 | 3.89 | 4.62 |
| Expected return on plan assets | 7.75 | 8.00 | — | — |

The discount rate is derived by identifying a theoretical settlement portfolio of high quality corporate bonds sufficient to provide for the plan's projected benefit payments. The returns from this portfolio are used to determine a single discount rate that results in a discounted value of the plan's benefit payments that equates to the market value of the selected bonds.

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.

Effective December 31, 2015, the annual rate of increase in the per capita cost of covered healthcare benefits was 7% and assumed to decrease to 4.50% by 2024.

***(a) Plan Assets***

The weighted average asset allocation of the plan assets, excluding cash at December 31, 2015 and 2014 was as follows:

| | **2015** | **2014** |
|---|---|---|
| Asset category: | | |
| Fixed-income securities | 21% | 19% |
| Equity securities | 14 | 12 |
| Mutual funds | 39 | 45 |
| Alternative investments | 26 | 24 |
| | 100% | 100% |

The Hospital's financial and investment objectives are to meet present and future obligations to beneficiaries, while minimizing the Hospital's contributions over the long term, by earning an adequate return on assets with moderate volatility.



(Continued)

(Dollars in thousands)

The following tables present the Hospital's fair value measurements for plan assets measured at fair value on a recurring basis as of December 31, 2015 and 2014:

| | | December 31, 2015 | | |
|---|---|---|---|---|
| | | **Total** | **Level 1** | **Level 2** |
| Asset category: | | | | |
| Cash | $ | 2,472 | 2,472 | — |
| Mutual funds – domestic | | 23,506 | 23,506 | — |
| Mutual funds – global and foreign | | 5,467 | 5,467 | — |
| Equity securities – domestic | | 1,218 | 1,218 | — |
| Equity securities – foreign | | 9,219 | 9,165 | 54 |
| Fixed-income securities – domestic | | 16,084 | — | 16,084 |
| Fixed-income securities – foreign | | 86 | — | 86 |
| | | 58,052 | $ 41,828 | 16,224 |
| Investments measured at net asset value | | 19,741 | | |
| Total | $ | 77,793 | | |

| | | December 31, 2014 | | |
|---|---|---|---|---|
| | | **Total** | **Level 1** | **Level 2** |
| Asset category: | | | | |
| Cash | $ | 2,959 | 2,959 | — |
| Mutual funds – domestic | | 28,790 | 28,790 | — |
| Mutual funds – global and foreign | | 6,390 | 6,390 | — |
| Equity securities – domestic | | 960 | 960 | — |
| Equity securities – foreign | | 8,338 | 8,338 | — |
| Fixed-income securities – domestic | | 14,156 | — | 14,156 |
| Fixed-income securities – foreign | | 87 | — | 87 |
| | | 61,680 | $ 47,437 | 14,243 |
| Investments measured at net asset value | | 19,050 | | |
| Total | $ | 80,730 | | |

Investments measured at Net Asset Value (NAV) consist of shares or units in funds of funds and limited partnerships as opposed to direct interests in the funds' underlying holdings, which may be marketable. The net asset value reported by each fund is used as a practical expedient to estimate the fair value of the Hospital's interest therein as the Hospital is able to redeem its interest at or near the date of the consolidated balance sheets. The Hospital has five and six alternative investments measured

(Dollars in thousands)

at NAV at December 31, 2015 and 2014, respectively; they can be redeemed on a quarterly basis with a written notification period ranging to 125 days. The Hospital has two and one investment in private equity funds at December 31, 2015 and 2014, respectively. Total funding commitment for these investments is a total of $6,000 of which $1,592 has been invested to date. The Hospital receives ten business days' notice of funding requests. Investment in these funds is expected to last the life of the fund without redemption. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

There are no plan assets measured at fair value based upon Level 3 inputs as of December 31, 2015 and 2014.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plan. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

| | One-percentage-point increase | One-percentage-point decrease |
|---|---|---|
| Effect on total of service and interest cost components | $ 201 | (180) |
| Effect on postretirement benefit obligation | 3,556 | (3,314) |

***(b) Contributions***

The Hospital expects to contribute $6,000 to the pension plan and $680 to its postretirement plans in 2016.

***(c) Estimated Future Benefit Payments***

The benefits expected to be paid in each year from 2016 to 2020 for the pension plan are $6,450, $6,670, $6,860, $7,080, and $7,260, respectively. The aggregate benefits expected to be paid in the five years from 2021 to 2025 are $38,970. The expected benefits are based on the same assumptions used to measure the Hospital's benefit obligation at December 31, 2015 and include estimated future employee service, as appropriate.

The benefits expected to be paid in each year from 2016 to 2020 for the postretirement plans are $550, $320, $280, $230, and $230, respectively. The aggregate benefits expected to be paid in the five years from 2021 to 2025 are $1,210. The expected benefits are based on the same assumptions used to measure the Hospital's benefit obligation at December 31, 2015 and include estimated future employee service, as appropriate.

(Dollars in thousands)

## (8) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31:

| | | 2015 | 2014 |
|---|---|---|---|
| Temporarily restricted: | | | |
| Programs, capital equipment, and improvements | $ | 7,090 | 6,062 |
| Health education | | 17 | 25 |
| Scholarships | | 11 | 11 |
| | $ | 7,118 | 6,098 |
| Permanently restricted: | | | |
| Investments held in perpetuity, with income restricted to equipment purchases | $ | 1,866 | 1,866 |
| Investments held in perpetuity, with income available for operations | | 128 | 128 |
| | $ | 1,994 | 1,994 |

Net assets released from temporary restrictions by incurring expenditures satisfying the restricted purposes are as follows:

| | | 2015 | 2014 |
|---|---|---|---|
| Healthcare services: | | | |
| Property, plant, and equipment | $ | — | 11 |
| Health education | | 3 | 18 |
| | $ | 3 | 29 |

## (9) Related-Party Transactions

(a) Certain individuals serving on the board of the Hospital also serve on the board of the Foundation.

(b) The Hospital recognizes its interest in the net assets of the Foundation and the changes in net assets of the Foundation.

The following table sets forth a summary of the balance sheets of the Foundation at December 31, 2015 and 2014:

| | | 2015 | 2014 |
|---|---|---|---|
| Total assets | $ | 6,552 | 5,530 |
| Total liabilities | | — | — |
| Total net assets | $ | 6,552 | 5,530 |



(Continued)

(Dollars in thousands)

The following table sets forth a summary of the statements of activities of the Foundation for the years ended December 31, 2015 and 2014:

| | | 2015 | 2014 |
|---|---|---|---|
| Total support and revenue | $ | 3,004 | 2,086 |
| Total expenses, distributions, and other | | 1,982 | 1,822 |
| Change in net assets | $ | 1,022 | 264 |

(c) The Hospital incurred and paid expenses on behalf of the Foundation in the amount of $686 and $593 for the years ended December 31, 2015 and 2014, respectively.

(d) As part of the affiliation agreement between GHVHS and Catskill Regional entered into in 2007, ORMC is providing consulting and administrative services to Catskill Regional. These services are billed at a base annual fee of $560 to be paid in monthly installments of approximately $47 and are included in other revenue in the accompanying consolidated statements of operations. Included within other current assets is a receivable of $4,558 and $4,011 at December 31, 2015 and 2014, respectively, mainly pertaining to these management fees owed to ORMC from GHVHS.

(e) During 2015 and 2014, ORMC transferred to GHVHS funding and assets in the amount of $2,301 and $5,338, respectively, for the purpose of developing, implementing, and maintaining the EPIC system, an electronic health record (EHR) system. This system is owned by GHVHS and will be utilized by both ORMC and Catskill Regional. For the years ended December 31, 2015 and 2014, included in purchased services and other expenses is an expense allocation from GHVHS in connection with ORMC's use of the EPIC system in the amount of $4,428 and $4,453, respectively and a transfer from GHVHS to ORMC for the same amount.

(f) GHVHS Medical Group PC (the PC) furnishes services exclusively to GHVHS, ORMC, and CRMC, both to hospital inpatients and to members of the community in outpatient settings that are effectively hospital sites. All management and administrative services in connection with the operation of the PC are performed by GHVHS, ORMC, and CRMC. These services are governed by administrative and professional services agreements. Pursuant to the professional services agreement, at the direction of GHVHS, ORMC and CRMC will provide payment to the PC for any net cash losses to ensure continuity of the PC's operations, recorded in purchased services and other expenses in the accompanying consolidated statements of operations. Related to these agreements, at December 31, 2015 and 2014, a receivable from the PC in the amount of $2,349 and $317, respectively, is included in other current assets and a payable to the PC in the amount of $1,637 and $240, respectively, is included in accounts payable and accrued expenses in the accompanying consolidated financial statements.

## (10) Joint Venture Agreements

***Crystal Run Ambulatory Surgery Center of Middletown, LLC (CRASC)***

The Hospital has an agreement with CRASC to operate an ambulatory surgical center. CRASC was organized as a for-profit corporation for income tax purposes. The Hospital has a 40% ownership interest in CRASC at December 31, 2015, and records its investment on the equity basis. At December 31, 2015 and 2014, $1,572 and 1,664, respectively, has been recorded in other assets, net in the accompanying consolidated balance sheets. As of December 31, 2015, the Hospital has cumulatively invested $440 in CRASC. On March 24, 2010, CRASC signed a revolving secured line of credit and a nonrevolving line of credit with Sterling Bank in the amounts of $4,300 and $2,000, respectively. As of December 31, 2014, $676 was outstanding on the nonrevolving line of credit. ORMC is a 40% guarantor of that debt and has recorded the $14 fair value of that guarantee within other liabilities, net in the accompanying consolidated financial statements.

***Hudson Valley Ambulatory Surgery, LLC (HVAS)***

The Hospital has an agreement with HVAS to operate an ambulatory surgical center. HVAS was organized as a for-profit corporation for income tax purposes. The Hospital has a 26% ownership interest in HVAS at December 31, 2015, and records its investment on the equity basis. At December 31, 2015 and 2014, $57 and $93, respectively, has been recorded in other assets, net in the accompanying consolidated balance sheets. As of December 31, 2015, the Hospital has cumulatively invested $570 in HVAS.

## (11) Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts that are different from their established rates. Revenue from Medicare and Medicaid programs accounted for approximately 41% and 12%, respectively, of the Hospital's patient service revenue for the year ended December 31, 2015, and 40% and 12%, respectively, for the year ended December 31, 2014. A summary of the payments arrangement with major third-party payors follows:

***(a) Medicare***

Inpatient acute and certain outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge or procedure. These rates vary according to patient classification systems based on clinical, diagnostic, and other factors. Certain items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary.

***(b) Medicaid***

The New York Health Care Reform Act of 1996 (the Act), as amended, governs payments to hospitals in New York State and Medicaid, workers' compensation, and no-fault payors rates are promulgated by the New York State Department of Health. Reimbursement for services to Medicaid program beneficiaries includes prospectively determined rates per discharge and per visit amounts.



(Continued)

***(c) Other Third-Party Payors***

The Hospital has entered into payment arrangements with certain commercial carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges, and per diem payment rates. If such rates are not negotiated, then the payors are billed at the Hospital's established charges.

***(d) Healthcare Regulatory Environment***

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the Health Reform Law), which was signed into law on March 23, 2010, will change how healthcare services are covered, delivered, and reimbursed through expanded coverage of uninsured individuals, reduced growth in Medicare program spending, reductions in Medicare and Medicaid Disproportionate Share Hospital payments, and the establishment of programs in which reimbursement is tied to quality and integration. In addition, the Health Reform law reforms certain aspects of health insurance, expands existing efforts to tie Medicare and Medicaid payments to performance and quality, and contains provisions intended to strengthen fraud and abuse enforcement. Because of the many variables involved with the Health Reform Law, management is unable to predict the net effect on the Hospital of the expected increases in insured individuals using the facilities, the reductions in Medicare spending and reductions in Medicare and Medicaid DSH funding, and numerous other provisions in the law that may affect the Hospital.

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

As a result of monitoring and review conducted under the ORMC Corporate Compliance Program, ORMC discovered and self-disclosed to the Medicare Administrative Contractor (MAC), a clerical error omission of certain Medicare charges from the 2013 Cost Report. During 2015, ORMC both refiled an Amended Cost Report per the MAC's instructions, and has recorded an estimated liability for this omission within third-party payor liabilities as of December 31, 2015.

Net patient service revenue for the years ended December 31, 2015 and 2014 increased by approximately $4,238 and $4,522, respectively, due to changes in estimates to reflect the most recent information available.



(Continued)

***(e) Impact of Sequestration on Medicare Reimbursement***

The Budget Control Act of 2011 (the Budget Control Act) mandated significant reductions and spending caps on the federal budget for fiscal years 2014 through 2021. The Budget Control Act also created a Joint Select Committee on Deficit Reduction (the Super Committee) to develop a plan to further reduce the federal deficit by $1.5 trillion on or before November 23, 2011. Since the Super Committee failed to act before the mandated deadline, a 2% reduction in Medicare spending, among other reductions, took effect for nonphysician Medicare payments effective April 1, 2013 in a process known as Sequestration. During 2014, the Sequestration period was extended by legislation until 2024.

***(f) Medicare Recovery Audit Contractor Program***

Recent federal initiatives have prompted a national review of federally funded healthcare claims. To this end, the federal government and states have implemented programs to review and recover potential improper payments to providers from the Medicare and Medicaid programs. Since March 2010, ORMC received audit requests from the Medicare Recovery Audit Contractor (RAC) program. These RAC audit requests have focused on medical necessity of inpatient admissions and hospital coding practices. In addition, ORMC has continued to receive audit requests from other Medicare and Medicaid contractors and federal programs. ORMC has cooperated with each of these audit requests and implemented a program to track and manage their effort.

In an effort to reduce the volume of inpatient status claims in the appeals process, the Centers for Medicare & Medicaid Services (CMS) offered an administrative agreement to any provider willing to withdraw their pending appeals in exchange for timely partial payment. The provider must agree to settle all eligible claims with no admission of fault or liability by both party, and CMS will reimburse 68% of the net allowable amount. ORMC elected to participate and submitted an administrative agreement and supporting claims detail by the filing deadline of October 31, 2014. In January 2015, ORMC received $1,912 in settlement of all eligible claims, included in patient service revenue, less contractual, and other allowances for the year ended December 31, 2014.

**(12) Incentive Payments for Meaningful Use of Electronic Health Records**

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). These provisions were designed to increase the use of EHR technology and establish the requirements for a Medicare and Medicaid incentive payments program beginning in 2011 for eligible hospitals and providers that adopt meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology; but providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional incentive payments.

During the year ended December 31, 2014, the Hospital recognized approximately $1.0 million included in other revenue, respectively, of revenue for HITECH incentives from the Medicare and Medicaid programs that is related to the Hospital's meeting the requirements of the Meaningful Use Incentive program. No incentive revenue was received in 2015. The Hospital elected to recognize the revenue associated with the EHR incentive payment under the grant model and included such amounts in other revenue in the accompanying consolidated statements of activities. The amount of the EHR incentive payment was based on the Hospital's best estimate and cost report data, which is subject to audit by the Center for Medicare and Medicaid Services (CMS) or its intermediaries and amounts recognized are subject to change.

## (13) Delivery System Reform Incentive Payment (DSRIP) Program

New York State has embarked on an effort to address critical healthcare issues throughout the state and allow for comprehensive healthcare reform through a Delivery System Reform Incentive Payment (DSRIP) Program. The DSRIP Program will promote community-level collaborations and focus on health system reform, specifically a goal to achieve a 25% reduction in avoidable hospital admissions over five years for Medicaid patients. Safety net providers will be required to collaborate to implement innovative projects focusing on system transformation, clinical improvement, and population health improvement. DSRIP funds will be based on performance linked to achievement of project milestones. DSRIP funding is expected to consist of, but not be limited to, a variety of grants and incentive payments.

The groups of providers who are responsible for creating and implementing DSRIP projects are called Performing Provider Systems (PPS). Following an application and approval process, New York State Department of Health approved the creation of 25 Preferred Provider Systems across New York State. The PPSs are comprised of various healthcare providers located within the same geographic region; providers represent different types across the care continuum, including hospitals, physician practices, nursing homes, and Federally Qualified Health Centers, among others. Orange Regional Medical Center, under the guise of the Greater Hudson Valley Health System, is participating in two PPSs – the Montefiore Hudson Valley Collaborative lead by Montefiore Medical Center and the WMCHealth Center for Regional Healthcare Innovation lead by Westchester Medical Center.

## (14) Fair Value of Financial Instruments

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

*Patients' accounts receivable* – The carrying amounts reported in the consolidated balance sheets for patients' accounts receivable approximate their fair value.

*Accounts payable and accrued expenses* – The carrying amounts reported in the consolidated balance sheets for accounts payable and accrued expenses approximate their fair value.

*Estimated third-party payor settlements* – The carrying amounts reported in the consolidated balance sheets for third-party payor settlements approximate their fair value.

(Dollars in thousands)

*Long-term debt* – The carrying amount and fair value of the Hospital's Series 2008 and 2015 Bonds approximate $307,990 and $331,570, and $243,030 and $270,312, respectively, at December 31, 2015 and 2014. The fair values of the Hospital's Series 2008 and 2015 Bonds are determined based on quoted market prices based on Level 2 inputs. The fair value of the Hospital's remaining long-term debt approximates its carrying value.

## (15) Functional Expenses

The Hospital provides general healthcare services to residents within its geographic location, including acute and psychiatric inpatient services, as well as ambulatory surgery, emergency care, and other outpatient services. Expenses related to providing these services for the years ended December 31, 2015 and 2014 are as follows:

| | | 2015 | 2014 |
|---|---|---|---|
| Healthcare services | $ | 312,665 | 284,013 |
| General and administrative | | 96,904 | 94,570 |
| | $ | 409,569 | 378,583 |

## (16) Subsequent Events

The Hospital has evaluated and disclosed subsequent events from the consolidated balance sheet date of December 31, 2015 through May 27, 2016, which is the date of the consolidated financial statements were issued.

# APPENDIX C

## SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

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## SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a brief summary, prepared by Bond Counsel, of certain provisions of the Loan Agreement pertaining to the Series 2017 Bonds. Such summary does not purport to be complete and reference is made to the Loan Agreement for full and complete statements of such and all provisions. Defined terms used herein shall have the meanings ascribed to them in Appendix A to this Official Statement.

### Termination

The Loan Agreement shall remain in full force and effect until no Bonds are Outstanding and until all other payments, expenses and fees payable thereunder by the Institution shall have been made or provision made for the payments thereof; provided, however, that the Loan Agreement provision with respect to arbitrage and the liabilities and the obligations of the Institution to provide reimbursement for or indemnification against expenses, costs or liabilities made or incurred under the Loan Agreement shall nevertheless survive any such termination. Upon such termination, an Authorized Officer of the Authority shall deliver such documents as may be reasonably requested by the Institution to evidence such termination and the discharge of its duties under the Loan Agreement, including the release or surrender of any security interests granted by the Institution to the Authority pursuant to the Loan Agreement.

*(Section 38)*

### Construction of Projects

1. The Institution agrees that, whether or not there are sufficient moneys available to it under the provisions of the Resolution and under the Loan Agreement, the Institution shall complete or cause the completion of the acquisition, design, construction, reconstruction, rehabilitation, renovation and improving or otherwise providing and furnishing and equipping of each Project in connection with which the Authority has issued Bonds for the benefit of the Institution, substantially in accordance with the Contract Documents relating thereto or in the case of the refunding or defeasance of outstanding bonds or other undertaking of the Institution the Institution shall complete the refinancing or defeasance of such outstanding bonds or other indebtedness. Subject to the conditions thereof, the Authority will, to the extent of moneys available in the applicable Construction Fund, cause the Institution to be reimbursed for, or pay, any costs and expenses incurred by the Institution which constitute Costs of the Project, provided such costs and expenses are approved by an Authorized Officer of the Authority and the Commissioner of Health.

2. (a) To the extent that moneys are available therefor, moneys in an Applicable Construction Fund shall be disbursed as the construction of the Project for which such fund was established progresses, but not more frequently than once each month, unless otherwise agreed to in writing by an Authorized Officer of the Authority, in amounts as shall be requested by the Institution pursuant to a request for disbursement as provided in the Loan Agreement, but not in excess of that amount reasonably determined by the Authority to be needed to reimburse the Institution for, or to pay, any costs and expenses constituting Costs of the Project previously paid or then due; provided, however, that the Authority may, in its sole discretion, withhold or delay making any advance in connection with a Project or parts thereof at any time there is pending an action or proceeding, judicial or administrative, challenging the Institution's right to undertake such Project or such part thereof, or in which there is in issue (i) the validity of any governmental permit, consent or authorization, or the issuance thereof, necessary in connection with such Project or such part thereof, or (ii) the due authorization or validity of any Bonds issued in connection with such Project or such part thereof, unless the Institution has provided

the Authority with security in such form and amount as may be reasonably required by an Authorized Officer of the Authority.

(b) Prior to making and delivering any certificate required pursuant to the Resolution to be delivered to the Trustee in connection with payments to be made pursuant to the Resolution, the Institution shall have submitted to the Authority and the Department of Health, and have received Authority and Department of Health approval with respect to, the form and substance of, a Project budget and shall deliver to the Authority and the Department of Health in connection with the delivery of each certificate required pursuant to the Resolution the following:

(1) a list of invoices, whether paid or unpaid, including, with respect to each invoice, the name of the vendor, a brief description of the goods or services, the amount of the invoice, a description of the building or buildings to which such payment relates, and, if such invoice has been paid, the date paid, the check number and the amount of the payment;

(2) copies of architect's certification(s), if any, relating to the invoices referenced in subsection (b)(1) above;

(3) a reconciliation of the approved budget with funds already disbursed together with funds requested for disbursement currently; all enclosed with

(4) a certificate executed by two (2) Authorized Officers of the Institution certifying, with respect to items 1, 2 and 3 above, that:

(A) The enclosed architect's certification(s) is (are) a true and correct copy of the architect's certification(s) received by the Institution for the work to which it relates;

(B) The enclosed reconciliation of the approved budget with funds already disbursed together with funds requested for disbursement currently is true and correct;

(C) Expenses or monies for which payment is requisitioned in the amount of [$_____] have been incurred or expended for items which constitute Costs of the Project, as that term is defined in the Resolution, which Project has not been modified except as permitted by the Loan Agreement;

(D) Each amount for which payment is sought has not been the basis of any prior disbursement from the Construction Fund and the Project has not been substantially completed as of the date of such certificate;

(E) The payments being requisitioned are within the project budget submitted to and approved by the Authority in accordance with the provisions of the Loan Agreement, and to the best of the Authorized Officers' knowledge, the Project can be completed within budget;

(F) The Institution has complied with all provisions of the Loan Agreement and the Tax Certificate, including, but not limited to those related to the use of the Project and certain prohibitions against use for sectarian

religious instruction or religious worship and certain non tax-exempt purposes; and.

(G) The Institution will retain all original documentation related to expenditures for items which constitute Costs of the Project for at least seven (7) years after completion of the Project for inspection at any time by the Authority, the Department of Health, or any representative of the Authority or the Department of Health.

(5) The Institution will receive the disbursements of moneys in each Applicable Construction Fund to be made under the Loan Agreement, and will hold the right to receive the same, as a trust fund for the purpose of paying the Costs of the Project for which each disbursement was made, and will apply or cause the same to be applied first to such payment before using any part thereof for any other purposes.

(6) The Institution shall permit the Authority, the Applicable Credit Facility Issuer, if any, the Department of Health and their authorized representatives, at any time upon notice and during normal business hours, to enter upon the property of the Institution or the Project to inspect the Project and all materials, fixtures and articles used or to be used in construction of the Projects, and to examine all Contract Documents. The Institution shall furnish to the Authority, the Applicable Credit Facility Issuer, if any, the Department of Health and their authorized representatives, when requested, copies of such Contract Documents. The Institution agrees to retain all documentation of expenditures for items which constitute Costs of the Projects for at least seven (7) years after the date of completion of the Project to which such documentation relates.

(7) An Authorized Officer of the Authority, in such Authorized Officer's sole and absolute discretion, may waive, from time to time, any of the conditions set forth in this summarized section other than conditions relating to the rights and authority of the Department of Health. Any such waiver shall not be deemed a waiver by the Authority of its right to thereafter require compliance with any such condition. The Institution acknowledges and agrees that disbursements from an Applicable Construction Fund are to be made by the Trustee and shall be made in accordance with the Resolution only upon receipt by the Trustee of the documents required by the Resolution to be executed and delivered in connection with such disbursements.

(8) A Project shall be deemed to be complete upon delivery to the Authority and the Trustee of a certificate signed by an Authorized Officer of the Institution, which certificate shall be delivered as soon as practicable after the completion of such Project, or upon delivery to the Trustee and the Institution of a certificate signed by an Authorized Officer of the Authority and delivered at any time after completion of such Project. Any such certificate shall comply with the requirements of the Resolution. The Authority agrees that it will not execute and deliver any such certificate unless the Authority has notified the Institution in writing that, in the judgment of the Authority and the Department of Health, such Project has been completed substantially in accordance with the plans and specifications for such Project and the Institution has failed to execute and deliver the certificate provided for in the Loan Agreement within thirty (30) days after such notice is given. The moneys, if any, remaining in the Applicable Construction Fund established for such Project after such Project has been deemed to be complete, shall be paid as provided in the Resolution.

(9) Notwithstanding the foregoing, if, on the date a Series of Bonds is issued or multiple Series of Bonds are issued, a Project in connection with which all or a portion of such

Series of Bonds or multiple Series of Bonds are issued shall have been deemed to be complete as provided in the Loan Agreement or otherwise, the provisions of the Loan Agreement relating to the construction of Projects shall be inapplicable to such Project, unless such Project is amended to increase the scope thereof pursuant to the Loan Agreement, in which case the provisions thereof relating to the construction of Projects shall apply to such Project.

*(Section 5)*

**Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments**

1. Except to the extent that moneys are available therefor under the Resolution or under the Loan Agreement, including moneys in the Applicable Debt Service Fund, but excluding moneys from the Applicable Debt Service Reserve Fund, and excluding interest accrued but unpaid on investments held in the Applicable Debt Service Fund, the Institution, under the Loan Agreement, unconditionally agrees to pay or cause to be paid, so long as the Applicable Series of Bonds are Outstanding, to or upon the order of the Authority, from its general funds or any other moneys legally available to it, including payments to be made under the Master Indenture:

(a) On or before the date of delivery of the Series 2017 Bonds, payment of the Authority Fee;

(b) On or before the date of delivery of Bonds of a Series, such amount, if any, as is required in addition to the proceeds of such Bonds available therefor, to pay the Costs of Issuance of such Bonds, and other costs in connection with the issuance of such Bonds;

(c) On the tenth ($10^{th}$) day of each month commencing on the tenth ($10^{th}$) day of the sixth (6th) month immediately preceding the date on which such interest becomes due, one-sixth (1/6) of the interest coming due on all Bonds issued by the Authority for the benefit of the Institution as more particularly set forth on Schedule C attached to the Loan Agreement and made a part thereof, on the immediately succeeding interest payment date for such Bonds; provided, however, that, if there are less than six (6) such payment dates prior to the first such interest payment date on the Bonds of a Series, on each payment date prior to such interest payment date the Institution shall pay with respect to such Bonds an amount equal to the interest coming due on such Bonds on such interest payment date multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to the first interest payment date on the Bonds of such Series;

(d) On the tenth ($10^{th}$) day of each month commencing on the tenth ($10^{th}$) day of the twelfth month immediately preceding the December on which the principal or a Sinking Fund Installment of Bonds becomes due, one-twelfth (1/12) of the principal and Sinking Fund Installments on the Bonds issued by the Authority for the benefit of the Institution, as more particularly set forth on Schedule C attached to the Loan Agreement and made a part thereof, coming due on such December; provided, however, that, if there are less than twelve (12) such payment dates prior to the December on which principal or Sinking Fund Installments come due on Bonds of a Series, on each payment date prior to such December the Institution shall pay with respect to such Bonds an amount equal to the principal and Sinking Fund Installments of such Bonds coming due on such December multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to such December;

(e) Unless otherwise agreed to in writing by the Authority, at least forty-five (45) days prior to any date on which the Redemption Price or purchase price in lieu of redemption of Bonds

previously called for redemption or contracted to be purchased is to be paid, the amount required to pay the Redemption Price or purchase price in lieu of redemption of such Bonds issued by the Authority for the benefit of the Institution, as more particularly set forth on Schedule C attached to the Loan Agreement and made a part thereof.

(f) On June 10 of each Bond Year, one-half (1/2) of the Annual Administrative Fee payable during such Bond Year in connection with the Bonds issued by the Authority for the benefit of the Institution, as more particularly set forth on Schedule C attached to the Loan Agreement and made a part thereof, and on December 10 of each Bond Year the balance of the Annual Administrative Fee payable during such Bond Year; provided, however, that the Annual Administrative Fee payable shall become effective, with respect to the Series 2017 Bonds, on June 10, 2017, and with respect to any other Series of Bonds on the date agreed to by the Institution and the Authority at the time the Bonds of such Series are issued; and, provided, further, that the Annual Administrative Fee with respect to the Series 2017 Bonds payable during the Bond Year during which such Annual Administrative Fee became effective shall be equal to the Annual Administrative Fee with respect to such Series of Bonds multiplied by a fraction, the numerator of which is the number of calendar months or parts thereof remaining in such Bond Year and the denominator of which is twelve (12);

(g) Promptly after notice from the Authority, but in any event not later than fifteen (15) days after such notice is given, the amount set forth in such notice as payable to the Authority (i) for the Authority Fee then unpaid, (ii) to reimburse the Authority for payments made pursuant to paragraph 5 below and any actual out of pocket expenses or liabilities incurred by the Authority pursuant to the Loan Agreement, (iii) for the costs and expenses incurred to compel full and punctual performance of all the provisions of the Loan Agreement, the Resolution, the Master Indenture and the Obligation in accordance with the terms thereof, (iv) for the fees and expenses of the Trustee and any Paying Agent and reasonable attorneys' fees in connection with performance of their duties under the Resolution, and (v) to reimburse the Authority for any external costs or expenses incurred by it attributable to the issuance of the Bonds issued by the Authority for the benefit of the Institution, as more particularly set forth on Schedule C attached to the Loan Agreement and made a part thereof, or the financing or construction of a Project or Projects for the benefit of the Institution;

(h) On the date a Series of Bonds, other than the Series 2017 Bonds, is issued, an amount equal to the Authority Fee for such Series of Bonds;

(i) Promptly upon demand by an Authorized Officer of the Authority (a copy of which shall be furnished to the Trustee), all amounts required to be paid by the Institution as a result of an acceleration pursuant to the Loan Agreement;

(j) Promptly upon demand by an Authorized Officer of the Authority, the difference between the amount on deposit in the Applicable Arbitrage Rebate Fund available to be rebated in connection with the Bonds of a Series or otherwise available therefor under the Resolution and the amount required to be rebated or otherwise paid to the Department of the Treasury of the United States of America in accordance with the Code in connection with the Bonds of such Series; and

(k) On the Business Day immediately preceding an interest payment date, if the amount on deposit in the Applicable Debt Service Fund is less than the amounts required for the payment of principal or Sinking Fund Installments of, or interest on, Bonds due and payable on such interest payment date, the amount of such deficiency.

Subject to the provisions of the Resolution and the Loan Agreement, the Institution shall receive a credit against the amount required to be paid by the Institution during a Bond Year pursuant to

sub-paragraph (d) of paragraph 1 above on account of any Sinking Fund Installments if, prior to the date notice of redemption is given pursuant to the Resolution with respect to Bonds to be redeemed through Sinking Fund Installments on the next succeeding December 1, the Institution delivers to the Trustee for cancellation one or more Bonds of the Series and maturity to be so redeemed on such December 1. The amount of the credit shall be equal to the principal amount of the Bonds so delivered.

The Authority, under the Loan Agreement, directs the Institution, and the Institution agrees thereunder, to make the payments required by sub-paragraphs (c), (d), (e), (i), and (k) of paragraph 1 above directly to the Trustee for deposit and application in accordance with the Resolution, the payments required by sub-paragraph (b) of paragraph 1 above directly to the Trustee for deposit in a Construction Fund or other fund established under the Resolution, as directed by an Authorized Officer of the Authority, the payments required by sub-paragraphs (a), (f), (g) and (h) of paragraph 1 above directly to the Authority and the payments required by sub-paragraph (j) of paragraph 1 above to or upon the order of the Authority. In the event that the payments required to be made directly to the Trustee pursuant to the preceding sentence are less than the total amount required to be paid to the Trustee and such payments relate to more than one Series of Bonds, the payments shall be applied pro rata to each such Series of Bonds based upon the amount then due and payable on each Series of Bonds pursuant to sub-paragraphs (c), (d), (e), (i) and (k) of paragraph 1 above bears to the total amount then due and payable for all Series of Bonds, pursuant to such paragraphs of the Loan Agreement.

The Institution agrees that it shall also be obligated to make all payments when due on the Obligations to the applicable holders of the Obligations, and that the applicable holders shall be entitled to so receive all payments when due on the Obligations, it being the intention of the parties to the Loan Agreement that the Obligations and the Loan Agreement are separate (but not duplicative) obligations of the Institution (and, to the extent provided in the Obligations, of the Obligated Group), that payments by the Institution (or the Obligated Group) to the Trustee pursuant to the Obligation relating to the Series 2017 Bonds shall serve as a credit against amounts due from the Institution to the Authority pursuant to the Loan Agreement with regard to the Applicable Series of Bonds and that payments by the Institution to or upon the order of the Authority pursuant to the Loan Agreement shall serve as a credit against respective amounts due from the Institution (or the Obligated Group) to the Trustee pursuant to the Applicable Obligation.

2. Notwithstanding any provisions in the Loan Agreement or in the Resolution to the contrary (except as otherwise specifically provided for the Loan Agreement), all moneys paid by the Institution to the Trustee pursuant to the Loan Agreement or otherwise held by the Trustee shall be applied in reduction of the Institution's indebtedness to the Authority under the Loan Agreement, first, with respect to interest and, then, with respect to the principal amount of such indebtedness, but only to the extent that, with respect to interest on such indebtedness, such moneys are applied by the Trustee for the payment of interest on Outstanding Bonds, and, with respect to the principal of such indebtedness, such moneys have been applied to, or are held for, payments in reduction of the principal amount of Outstanding Bonds and as a result thereof Bonds have been paid or deemed to have been paid in accordance with the Resolution. Notwithstanding any provision in the Loan Agreement or in the Resolution or the Series Resolution to the contrary (except as otherwise specifically provided for in the Loan Agreement), (i) all moneys paid by the Institution to the Trustee pursuant to sub-paragraphs (c), (d), (e), (i), and (k) of paragraph 1 above (other than moneys received by the Trustee pursuant to the Resolution which shall be retained and applied by the Trustee for its own account) shall be received by the Trustee as agent for the Authority in satisfaction of the Institution's indebtedness to the Authority with respect to the interest on and principal or Redemption Price of the Bonds to the extent of such payment and (ii) the transfer by the Trustee of any moneys (other than moneys described in clause (i) of this paragraph) held by it in the Applicable Construction Fund to the Applicable Debt Service Fund in accordance with the applicable provisions of the Loan Agreement or of the Resolution shall be deemed,

upon such transfer, receipt by the Authority from the Institution of a payment in satisfaction of the Institution's indebtedness to the Authority with respect to the Redemption Price of the Bonds to the extent of the amount of moneys transferred. Except as otherwise provided in the Resolution, the Trustee shall hold such moneys in trust in accordance with the applicable provisions of the Resolution for the sole and exclusive benefit of the Holders of each Applicable Series of Bonds or Applicable Credit Facility Issuer, as the case may be, regardless of the actual due date or applicable payment date of any payment to the Holders of each Applicable Series of Bonds.

3. The obligations of the Institution to make payments or cause the same to be made under the Loan Agreement shall be complete and unconditional and the amount, manner and time of making such payments shall not be decreased, abated, postponed or delayed for any cause or by reason of the happening or non-happening of any event, irrespective of any defense or any right of set-off, recoupment or counterclaim which the Institution may otherwise have against the Authority, the Trustee or any Bondholder for any cause whatsoever including, without limiting the generality of the foregoing, failure of the Institution to complete a Project or the completion thereof with defects, failure of the Institution to occupy or use a Project, any declaration or finding that the Bonds or any Series of Bonds are, or the Resolution is, invalid or unenforceable or any other failure or default by the Authority or the Trustee; provided, however, that nothing in the Loan Agreement shall be construed to release the Authority from the performance of any agreements on its part in the Loan Agreement contained or any of its other duties or obligations, and in the event the Authority shall fail to perform any such agreement, duty or obligation, the Institution may institute such action as it may deem necessary to compel performance or recover damages for non-performance. Notwithstanding the foregoing, the Authority shall have no obligation to perform its obligations under the Loan Agreement to cause advances to be made to reimburse the Institution for, or to pay, the Costs of the Project(s), beyond the extent of moneys available in the Applicable Construction Fund established for such Project(s).

The Loan Agreement and the obligations of the Institution to make payments under the Loan Agreement are general obligations of the Institution.

4. An Authorized Officer of the Authority, for the convenience of the Institution, shall furnish to the Institution statements of the due date, purpose and amount of payments to be made pursuant to the Loan Agreement. The failure to furnish such statements shall not excuse non-payment of the amounts payable under the Loan Agreement at the time and in the manner provided in the Loan Agreement.

5. The Authority shall have the right in its sole discretion to make on behalf of the Institution any payment required pursuant to this summarized section which has not been made by the Institution when due. No such payment by the Authority shall limit, impair or otherwise affect the rights of the Authority pursuant to the Loan Agreement arising out of the Institution's failure to make such payment and no payment by the Authority shall be construed to be a waiver of any such right or of the obligation of the Institution to make such payment.

6. The Institution, if it is not then in default under the Loan Agreement, shall have the right to make voluntary payments in any amount to the Trustee. In the event of a voluntary payment, the amount so paid shall be deposited in accordance with the directions of an Authorized Officer of the Authority in the Applicable Debt Service Fund or held by the Trustee for the payment of Bonds in accordance with the Resolution. Upon any voluntary payment by the Institution or upon any deposit in a Applicable Debt Service Fund made pursuant to paragraph 2 above, the Authority agrees to direct the Trustee to purchase or redeem Bonds in accordance with the Resolution or to give the Trustee irrevocable instructions in accordance with the Resolution with respect to such Series of Bonds; provided, however, that in the event such voluntary payment is in the sole judgment of the Authority sufficient to pay all

amounts then due under the Loan Agreement and under the Resolution, including the purchase or redemption of all Bonds Outstanding, or to pay or provide for the payment of all Bonds Outstanding in accordance with the Resolution, the Authority agrees, in accordance with the instructions of the Institution, to direct the Trustee to purchase or redeem all Bonds Outstanding, or to cause all Bonds Outstanding to be paid or to be deemed paid in accordance with the Resolution.

*(Section 9)*

**Reserve Fund**

1. Except to the extent a deposit is made to the Applicable Debt Service Reserve Fund upon the issuance of a Series of Bonds from the proceeds of the sale of such Bonds, simultaneously with the issuance of a Series of Bonds the Institution shall deliver to the Trustee for deposit in the Applicable Debt Service Reserve Fund, moneys, Government Obligations or Exempt Obligations the value of which is at least equal to its share of the Applicable Debt Service Reserve Fund Requirement. The Institution agrees that it will at all times provide funds to the Trustee sufficient to maintain on deposit in the Applicable Debt Service Reserve Fund an amount at least equal to its share of the Applicable Debt Service Reserve Fund Requirement; provided, however, that the Institution shall be required to deliver moneys, Government Obligations or Exempt Obligations to the Trustee for deposit in the Applicable Debt Service Reserve Fund as a result of a deficiency in such fund only upon receipt of the notice required by the Resolution.

Notwithstanding the foregoing, the Institution may deliver to the Trustee for deposit to the Applicable Debt Service Reserve Fund, letters of credit, surety bonds, or insurance policies for all or any part of the Applicable Debt Service Reserve Fund Requirement in accordance with and to the extent permitted by the Resolution.

2. The delivery to the Trustee of Government Obligations or Exempt Obligations from time to time made by the Institution pursuant to the Loan Agreement shall constitute a pledge thereof, and shall create a security interest therein, for the benefit of the Authority to secure performance of the Institution's obligations under the Loan Agreement and for the benefit of the Trustee to secure the performance of the obligations of the Authority under the Resolution. The Institution authorizes the Authority pursuant to the Resolution to pledge such Government Obligations or Exempt Obligations to secure payment of the principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on, the Bonds, whether at maturity, upon acceleration or otherwise, and the fees and expenses of the Trustee, and to make provision for and give directions with respect to the custody, reinvestment and disposition thereof in any manner not inconsistent with the terms of the Loan Agreement and of the Resolution.

3. All Government Obligations or Exempt Obligations deposited with the Trustee pursuant to the Loan Agreement for deposit to a Applicable Debt Service Reserve Fund shall be fully negotiable (subject to provisions for registration thereof) and the principal thereof and the interest, dividends or other income payable with respect thereto shall be payable to bearer or to the registered owner. All Government Obligations or Exempt Obligations in registered form shall be registered in the name of the Trustee (in its fiduciary capacity) or its nominee. Record ownership of all Government Obligations or Exempt Obligations shall be transferred promptly following their delivery to the Trustee into the name of the Trustee (in its fiduciary capacity) or its nominee. Pursuant to the Loan Agreement, the Institution appoints the Trustee its lawful attorney-in-fact for the purpose of effecting such registrations and transfers.

4. Pursuant to the Loan Agreement, the Institution agrees that upon each delivery to the Trustee of Government Obligations or Exempt Obligations whether initially or upon later delivery or substitution, the Institution shall deliver to the Authority and the Trustee a certificate of an Authorized

Officer of the Institution to the effect that the Institution warrants and represents that the Government Obligations or Exempt Obligations delivered by the Institution (i) are on the date of delivery thereof free and clear of any lien, pledge, charge, security interest or other encumbrance or any statutory, contractual or other restriction that would be inconsistent with or interfere with or prohibit the pledge, application or disposition of such Government Obligations or Exempt Obligations as contemplated by the Loan Agreement or by the Resolution and (ii) are pledged under the Loan Agreement pursuant to appropriate corporate action of the Institution duly had and taken.

*(Section 10)*

**Consent to Pledge and Assignment by the Authority; Covenants, Representations, and Warranties**

1. The Institution consents to and authorizes the assignment, transfer or pledge, if any, by the Authority to the Trustee of the Authority's rights to receive the payments required to be made pursuant to sub-paragraphs (c), (d), (e), (i) and (k) of paragraphs 1 above under the heading "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" and any or all security interests granted by the Institution under the Loan Agreement. The Government Obligations or Exempt Obligations pursuant to paragraph 1 above under the heading "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" or under the heading "Reserve Fund" above and all funds and accounts established by the Resolution and pledged thereby in each case to secure any payment or the performance of any obligation of the Institution under the Loan Agreement or arising out of the transactions contemplated by the Loan Agreement whether or not the right to enforce such payment or performance shall be specifically assigned by the Authority to the Trustee. The Institution further agrees that the Authority may pledge and assign to the Trustee any and all of the Authority's rights and remedies under the Loan Agreement. Upon any pledge and assignment by the Authority to the Trustee authorized by the Loan Agreement, the Trustee shall be fully vested with all of the rights of the Authority so assigned and pledged and may thereafter exercise or enforce, by any remedy provided therefor or by law, any of such rights directly in its own name. Any such pledge and assignment shall be limited to securing the Institution's obligation to make all payments required under the Loan Agreement and to performing all other obligations required to be performed by the Institution under the Loan Agreement.

2. The Institution covenants, warrants and represents that it is duly authorized by all applicable laws, its Certificate of Incorporation and by-laws or resolutions duly adopted pursuant thereto to enter into the Loan Agreement, to incur the indebtedness contemplated thereby and to pledge, grant a security interest in and assign to the Authority and the Trustee for the benefit of the Holders of the Bonds, the Government Obligations or Exempt Obligations delivered pursuant to paragraph 1 above under the heading "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" or under the heading "Reserve Fund" above in the manner and to the extent provided therein and in the Resolution. The Institution further covenants, warrants and represents that except with respect to additional Bonds, any and all pledges, security interests in and assignments made or to be made pursuant to Loan Agreement are and shall be free and clear of any pledge, lien, charge, security interest or encumbrance thereon or with respect thereto, prior to, or of equal rank with, the pledge, security interest or assignment granted or made pursuant to the Loan Agreement, and that all corporate action on the part of the Institution to that end has been duly and validly taken. The Institution further covenants that the provisions of the Loan Agreement and thereof are and shall be valid and legally enforceable obligations of the Institution in accordance with their terms, subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights. The Institution further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge, security interest in and assignment of the Government Obligations or Exempt Obligations delivered pursuant to paragraph 1 above under the heading "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" or under the heading "Reserve

Fund" above and all of the rights of the Authority under the Loan Agreement and the Holders of Bonds under the Resolution against all claims and demands of all persons whomsoever. The Institution further covenants, warrants and represents that the execution and delivery of the Loan Agreement, and the consummation of the transaction contemplated in the Loan Agreement and compliance with the provisions thereof, including, but not limited to, the assignment as security or the granting of a security interest in the Government Obligations or Exempt Obligations delivered to the Trustee pursuant to paragraph 1 above under the heading "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" or under the heading "Reserve Fund" above, do not violate, conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the Certificate of Incorporation or by-laws of the Institution or any indenture or mortgage, or any trusts, endowments or other commitments or agreements to which the Institution is party or by which it or any of its properties are bound, or any existing law, rule, regulation, judgment, order, writ, injunction or decree of any governmental authority, body, agency or other instrumentality or court having jurisdiction over the Institution or any of its properties.

*(Section 12)*

**Maintenance of Corporate Existence**

The Institution covenants that it will maintain its corporate existence, will continue to operate as a not-for-profit organization, will obtain, maintain and keep in full force and effect such governmental approvals, consents, licenses, permits and accreditations as may be necessary for the continued operation of the Projects by the Institution, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more corporations to consolidate with or merge into it; provided, however, that if no Event of Default shall have occurred and be continuing and prior written approval shall have been obtained from the Authority and the Commissioner of Health, the Institution may (i) sell or otherwise transfer all or substantially all of its assets to, or consolidate with or merge into, another organization or corporation which qualifies under Section 501(c)(3) of the Code, or any successor provision of federal income tax law, or (ii) permit one or more corporations or any other organization to consolidate with or merge into it, or (iii) acquire all or substantially all of the assets of one or more corporations or any other organization; provided, however, (a) that any such sale, transfer, consolidation, merger or acquisition does not in the opinion of Bond Counsel adversely affect the exemption from federal income tax of the interest paid or payable on the Tax-Exempt Bonds, (b) that the surviving, resulting or transferee corporation, as the case may be, is incorporated under the laws of the State, and qualified under Section 501(c)(3) of the Code or any successor provision of federal income tax law, (c) that the surviving, resulting or transferee corporation, as the case may be, assumes in writing all of the obligations of and restrictions on the Institution under the Loan Agreement and furnishes to the Authority and the Credit Facility Issuer a certificate to the effect that upon such sale, transfer, consolidation, merger or acquisition such corporation shall be in compliance with each of the provisions of the Loan Agreement and shall meet the requirements of the Act, and (d) the surviving, resulting or transferee entity, as the case may be, shall provide the Authority and the Credit Facility Issuer with such other certificates and opinions as may reasonably be required by the Authority. In addition to the foregoing, any sale, transfer, consolidation, merger or acquisition or any change in the operator or in the control of the Institution shall be subject to and shall be accomplished in compliance with applicable provisions of the New York State Public Health Law and regulations of the Department of Health.

*(Section 15)*

**Tax-Exempt Status**

The Institution represents that (i) it is an organization described in Section 501(c)(3) of the Code, or corresponding provisions of prior law, and is not a "private foundation," as such term is defined under Section 509(a) of the Code, (ii) it has received a letter or other notification from the Internal Revenue Service to that effect, (iii) such letter or other notification has not been modified, limited or revoked, (iv) it is in compliance with all terms, conditions and limitations, if any, contained in such letter or other notification, (v) the facts and circumstances which form the basis of such listing continue to exist, and (vi) it is exempt from federal income taxes under Section 501(a) of the Code. The Institution agrees that (a) it shall not perform any act or enter into any agreement which shall adversely affect such federal income tax status and shall conduct its operations in the manner which will conform to the standards necessary to qualify the Institution as an organization within the meaning of Section 501(c)(3) of the Code or any successor provision of federal income tax law and (b) it shall not perform any act or enter into any agreement which could adversely affect the exclusion of interest on any of the Bonds from federal gross income pursuant to Section 103 of the Code.

*(Section 13)*

**Use of Project**

Subject to the rights, duties and remedies of the Authority under the Loan Agreement and the statutory and regulatory powers of the Department of Health, the Institution shall have sole and exclusive control of, possession of and responsibility for (i) any Project financed under the Loan Agreement; (ii) the operation of such Projects and supervision of the activities conducted therein or in connection with any part thereof; and (iii) the maintenance, repair and replacement of such Projects.

*(Section 17)*

**Defaults and Remedies**

1. As used in the Loan Agreement the term "Event of Default" shall mean:

(a) the Institution shall (i) default in the timely payment of any amount payable pursuant to the provisions of the Loan Agreement summarized under the heading "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" above (other than pursuant to paragraph (l)(a) and paragraph (1)(k) thereof) or the payment of any other amounts required to be delivered or paid in accordance with the Loan Agreement or with the Resolution, and such default continues for a period in excess of seven (7) days or (ii) default in the payment of any amount payable pursuant to paragraph (l)(a) and paragraph (1)(k) under the heading "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" above;

(b) the Institution defaults in the due and punctual performance of any other covenant contained in the Loan Agreement and such default continues for thirty (30) days after written notice requiring the same to be remedied shall have been given by the Authority or the Trustee, provided that, if, in the determination of the Authority, such default cannot be corrected within such thirty (30) day period but can be corrected by appropriate action, it shall not constitute an Event of Default if corrective action is instituted by the Institution within such period and is diligently pursued until the default is corrected;

(c) as a result of any default in payment or performance required of the Institution or any Event of Default under the Loan Agreement, whether or not declared, the Authority shall be in

default in the payment or performance of any of its obligations under the Resolution and an "Event of Default" (as defined in the Resolution) shall have been declared under the Resolution so long as such default or Event of Default shall remain uncured or the Trustee or Holders of the Bonds shall be seeking the enforcement of any remedy under the Resolution as a result thereof;

(d) the Obligated Group shall be in default under the Master Indenture, and such default continues beyond any applicable grace period;

(e) the Institution shall (i) be generally not paying its debts as they become due, (ii) file, or consent by answer or otherwise to the filing against it of, a petition under the United States Bankruptcy Code or under any other bankruptcy or insolvency law of any jurisdiction, (iii) make a general assignment for the benefit of its general creditors, (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property, (v) be adjudicated insolvent or be liquidated or (vi) take corporate action for the purpose of any of the foregoing;

(f) a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by the Institution, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Institution, or any petition for any such relief shall be filed against the Institution and such petition shall not be dismissed within ninety (90) days;

(g) the Certificate of Incorporation of the Institution shall be suspended or revoked;

(h) a petition to dissolve the Institution shall be filed by the Institution with the Secretary of State of the State of New York, the Department of Health, the legislature of the State or any other governmental authority having jurisdiction over the Institution;

(i) an order of dissolution of the Institution shall be made by the State of New York, the legislature of the State or any other governmental authority having jurisdiction over the Institution which order shall remain undismissed or unstayed for an aggregate of thirty (30) days;

(j) a petition shall be filed with a court having jurisdiction for an order directing the sale, disposition or distribution of all or substantially all of the property belonging to the Institution which petition shall remain undismissed or unstayed for an aggregate of ninety (90) days;

(k) an order of a court having jurisdiction shall be made directing the sale, disposition or distribution of all or substantially all of the property belonging to the Institution, which order shall remain undismissed or unstayed for the earlier of (x) three (3) business days prior to the date provided for in such order for such sale, disposition or distribution or (y) an aggregate of thirty (30) days from the date such order shall have been entered; or

(l) a final judgment for the payment of money which in the reasonable judgment of the Authority will materially adversely affect the rights of the Holders of the Bonds shall be rendered against the Institution and at any time after forty-five (45) days from the entry thereof, (i) such judgment shall not have been discharged, or (ii) the Institution shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and shall not have caused, within forty-five (45) days, the execution of

or levy under such judgment, order, decree or process or the enforcement thereof to have been stayed pending determination of such appeal.

2. Upon the occurrence of an Event of Default, the Authority shall provide written notice of such Event of Default to the Department of Health upon receiving knowledge thereof, provided, however, that failure to give such notice shall in no manner impair or diminish the Authority's ability to take any action under the Loan Agreement. The Authority may take any one or more of the following actions upon the occurrence of an Event of Default:

(a) declare all sums payable by the Institution under the Loan Agreement or under the Obligations relating to the Applicable Bonds immediately due and payable;

(b) direct the Trustee to withhold any and all payments, advances and reimbursements from the proceeds of Bonds or any Construction Fund or otherwise to which the Institution may otherwise be entitled under the Loan Agreement and in the Authority's sole discretion apply any such proceeds or moneys for such purposes as are authorized by the Resolution;

(c) withhold any or all further performance under the Loan Agreement;

(d) maintain an action against the Institution under the Loan Agreement or under any Obligation or against any or all members of the Obligated Group under the Master Indenture or the Obligation to recover any sums payable by the Institution or to require its compliance with the terms of the Loan Agreement or of the Master Indenture or the Applicable Obligation, as provided in the Master Indenture;

(e) permit, direct or request the Trustee to liquidate all or any portion of the assets of the Applicable Debt Service Reserve Fund, if any, by selling the same at public or private sale in any commercially reasonable manner and apply the proceeds thereof and any dividends or interest received on investments thereof to the payment of the principal, Sinking Fund Installment, if any, or redemption price of and interest on the Bonds, or any other obligation or liability of the Institution or the Authority arising therefrom or from the Resolution;

(f) to the extent permitted by law, (i) enter upon any Project and complete the construction of any Project in accordance with the plans and specifications with such changes therein as the Authority may deem appropriate and employ watchmen to protect the Projects, all at the risk, cost and expense of the Institution, consent to such entry being given by the Institution, (ii) at any time discontinue any work commenced in respect of the construction of any Project or change any course of action undertaken by the Institution and not be bound by any limitations or requirements of time whether set forth in the Loan Agreement or otherwise, (iii) assume any construction contract made by the Institution in any way relating to the construction of any Project and take over and use all or any part of the labor, materials, supplies and equipment contracted for by the Institution, whether or not previously incorporated into the construction of such Project, and (iv) in connection with the construction of any Project undertaken by the Authority pursuant to the provisions of the Loan Agreement, (x) engage builders, contractors, architects, engineers and others for the purpose of furnishing labor, materials and equipment in connection with the construction of such Project, (y) pay, settle or compromise all bills or claims which may become liens against a Project or against any moneys of the Authority applicable to the construction of a Project, or which have been or may be incurred in any manner in connection with completing the construction of a Project or for the discharge of liens, encumbrances or defects in the title to a Project or against any moneys of the Authority applicable to the construction of a Project, and (z) take or refrain from taking such action under the Loan Agreement as the Authority may from time to time determine. The Institution shall be liable to the Authority for all sums paid or incurred for

construction of any Project whether the same shall be paid or incurred pursuant to the provisions of the Loan Agreement or otherwise, and all payments made or liabilities incurred by the Authority under the Loan Agreement of any kind whatsoever shall be paid by the Institution to the Authority upon demand. For the purpose of exercising the rights granted by the Loan Agreement during the term of the Loan Agreement, the Institution irrevocably constitutes and appoints the Authority its true and lawful attorney-in-fact to execute, acknowledge and deliver any instruments and to do and perform any acts in the name and on behalf of the Institution; and

(g) take any action necessary to enable the Authority to realize on its liens under the Loan Agreement, or by law, including any other action or proceeding permitted by the terms of the Loan Agreement, or by law.

3. All rights and remedies given or granted under the Loan Agreement to the Authority are cumulative, non-exclusive and in addition to any and all rights and remedies that the Authority may have or may be given by reason of any law, statute, ordinance or otherwise, and no failure to exercise or delay in exercising any remedy shall effect a waiver of the Authority's right to exercise such remedy thereafter.

4. At any time before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of any Event of Default or before the completion of the enforcement of any other remedies under the Loan Agreement, the Authority may annul any declaration made or action taken pursuant to the Loan Agreement and its consequences if such Events of Default shall be cured. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereto.

5. The Institution shall give the Authority and the Department of Health telephone and written notice within one business day of receiving information that the Master Trustee has appointed or intends to appoint a receiver in accordance with the Master Indenture.

*(Section 26)*

**Arbitrage**

The Institution covenants that it shall not take any action or inaction, nor fail to take any action or permit any action to be taken, if any such action or inaction would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Series 2017 Bonds which are Tax-Exempt Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Institution covenants that it will comply with the instructions and requirements of the Tax Certificate, which is incorporated in the Loan Agreement as if set forth fully therein. The Institution (or any related person, as defined in Section 147(a)(2) of the Code) shall not, pursuant to an arrangement, formal or informal, purchase Bonds (except in the case of a purchase in lieu of redemption) in an amount related to the amount of any obligation to be acquired from the Institution by the Authority. The Institution will, on a timely basis, provide the Authority with all necessary information regarding funds not in the Authority's possession to enable the Authority to comply with the arbitrage and rebate requirements of the Code as identified in the Resolution. The Institution shall be required to pay for any consultant or report necessary to satisfy any such arbitrage and rebate requirements.

*(Section 31)*

**Notice of Investment Grade Rating; Change in Minimum Authorized Denominations; Release of Debt Service Reserve Fund**

1. As a condition to reducing the minimum authorized denominations of the Series 2017 Bonds from $100,000 or any integral multiple thereof to $5,000 or any integral multiple thereof (i) the Series 2017 Bonds shall have received an "investment grade rating" from at least two (2) of the rating agencies then rating the Series 2017 Bonds, and (ii) such ratings shall have been in effect with respect to the Series 2017 Bonds for a period of at least two consecutive years from the date of the later of the two rating agency investment grade rating upgrades. Promptly following the satisfaction of (i) and (ii) above, the Institution agrees that it shall provide the Authority with written evidence thereof. Upon receipt by the Authority of such written evidence, the Authority shall promptly forward such written evidence to the Trustee and instruct the Trustee to take all necessary action to reduce the minimum denominations of the Series 2017 Bonds from $100,000 or any integral multiple thereof to $5,000 or any integral multiple thereof.

2**.** As a condition to the release of the funds on deposit in the Debt Service Reserve Fund, the Institution agrees to provide the Authority with a written request therefor, together with written evidence that (i) the Series 2017 Bonds have received an "investment grade rating" from at least two (2) of the rating agencies then rating the Series 2017 Bonds, (ii) that such ratings have been in effect with respect to the Series 2017 Bonds for a period of at least two consecutive years from the date of the later of the two rating agency investment grade rating upgrades, (iii) that the Institution has Days Cash on Hand of 100 days or greater based on the audited financial statements for the most recent fiscal year, and (iv) at least two (2) of the rating agencies then rating the Series 2017 Bonds have confirmed that the release of the Debt Service Reserve Fund will not adversely affect the ratings on the Series 2017 Bonds. Upon receipt by the Authority of the foregoing, the Authority shall promptly direct the Trustee to release the funds then on deposit in the Debt Service Reserve Fund, conditioned upon the agreement by the Institution that such funds will be applied in accordance with the Loan Agreement.

3. For the purposes of this Section, an "investment grade rating" shall mean "BBB-" or higher by Fitch, "Baa3" or higher by Moody's or "BBB-" or higher by S&P.

*(Section 40)*

**Effective Date**

The Authority and the Institution agree that the Loan Agreement shall become effective immediately upon the issuance of the Series 2017 Bonds.

*(Section 44)*

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# APPENDIX D

## SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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## SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a brief summary, prepared by Bond Counsel, of certain provisions of the Resolution, as amended and supplemented. Such summary does not purport to be complete and reference is made to the Resolution for full and complete statements of such and all provisions. Defined terms used herein shall have the meanings ascribed to them in Appendix A to this Official Statement.

**Resolution, the Series Resolutions and the Bonds Constitute Separate Contracts**

It is the intent of the Resolution to authorize the issuance by the Authority, from time to time, of its Bonds in one or more Series, each such Series to be authorized by a separate Applicable Series Resolution and, inter alia, to be separately secured from each other Series of Bonds. Each such Series of Bonds shall be separate and apart from any other Series of Bonds authorized by a different Series Resolution and the Holders of Bonds of such Series shall not be entitled to the rights and benefits conferred upon the Holders of Bonds of any other Series of Bonds by the Applicable Series Resolution authorizing such Series of Bonds. With respect to each Applicable Series of Bonds, in consideration of the purchase and acceptance of any and all of the Bonds of such Applicable Series authorized to be issued under the Resolution and under the Applicable Series Resolution by those who shall hold or own the same from time to time, the Resolution and the Applicable Series Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Holders from time to time of the Bonds of such Applicable Series, and the pledge and assignment made in the Resolution and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Holders of any and all of the Bonds of such Series, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any Bonds of such Series over any other Bonds of such Series except as expressly provided in the Resolution or permitted by the Resolution or by the Applicable Series Resolution.

*(Section 1.03)*

**Pledge of Revenues**

The proceeds from the sale of an Applicable Series of Bonds, the Revenues and all funds authorized under the Resolution and established pursuant to an Applicable Series Resolution, other than an Applicable Arbitrage Rebate Fund or an Applicable Credit Facility Repayment Fund, are, subject to the adoption of an Applicable Series Resolution, pledged and assigned to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Applicable Series of Bonds and as security for the performance of any other obligation of the Authority under the Resolution and under an Applicable Series Resolution with respect to such Series, all in accordance with the provisions of the Resolution and the Applicable Series Resolution. The pledge made pursuant to the Resolution, subject to the adoption of an Applicable Series Resolution, shall relate only to the Bonds of an Applicable Series authorized by such Series Resolution and no other Series of Bonds and such pledge shall not secure any such other Series of Bonds. The pledge made pursuant to the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of the Applicable Series of Bonds, the Revenues and all funds and accounts established pursuant to the Resolution and pursuant to the Applicable Series Resolution which are pledged pursuant to the Resolution and pursuant to the Applicable Series Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds of each Applicable Series shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds

from the sale of such Series of Bonds, the Revenues and the funds established pursuant to the Resolution and pursuant to the Applicable Series Resolution, which pledge shall constitute a first lien thereon.

*(Section 5.01)*

**Establishment of Funds**

Unless otherwise provided by the Applicable Series Resolution, the following funds are authorized to be established pursuant to the Resolution, held and maintained for each Applicable Series by the Trustee under the Applicable Series Resolution separate from any other funds established and maintained pursuant to any other Series Resolution:

Construction Fund;
Debt Service Fund;
Debt Service Reserve Fund;
Arbitrage Rebate Fund; and
Credit Facility Repayment Fund.

Accounts and sub-accounts within each of the foregoing funds may from time to time be established in accordance with an Applicable Series Resolution, an Applicable Bond Series Certificate or upon the direction of the Authority. All moneys at any time deposited in any fund created pursuant to the Resolution, other than the Applicable Arbitrage Rebate Fund and the Applicable Credit Facility Repayment Fund, shall be held in trust for the benefit of the Holders of the Applicable Series of Bonds, but shall nevertheless be disbursed, allocated and applied solely in connection with an Applicable Series of Bonds for the uses and purposes provided in the Resolution.

*(Section 5.02)*

**Application of Bond Proceeds and Allocation Thereof**

Upon the receipt of proceeds from the sale of an Applicable Series of Bonds, the Authority shall apply such proceeds as specified in the Resolution and in an Applicable Series Resolution authorizing such Series or in the Applicable Bond Series Certificate.

Accrued interest, if any, received upon the delivery of an Applicable Series of Bonds shall be deposited in the appropriate account in the Applicable Debt Service Fund unless all or any portion of such amount is to be otherwise applied as specified in the Applicable Series Resolution or the Applicable Bond Series Certificate.

*(Section 5.03)*

**Application of Moneys in the Construction Fund**

1. For purposes of internal accounting, an account in an Applicable Construction Fund may contain one or more subaccounts, as the Authority or the Trustee may deem necessary or desirable. As soon as practicable after the delivery of an Applicable Series of Bonds, the Trustee shall deposit in the appropriate account in the Applicable Construction Fund the amount required to be deposited therein pursuant to the Applicable Series Resolution, the Applicable Loan Agreement or the Applicable Bond Series Certificate. In addition, the Authority shall remit to the Trustee and the Trustee shall deposit in the appropriate account in the Applicable Construction Fund any moneys paid or instruments payable to the Authority derived from insurance proceeds or condemnation awards from the Applicable Project.

2. Except as otherwise provided in the Resolution and in the Applicable Series Resolution or Applicable Bond Series Certificate, moneys deposited in the Applicable Construction Fund shall be used only to pay the Costs of Issuance of the Bonds issued in connection with such Series Resolution or Bond Series Certificate and the Costs of the Project(s) in connection with which such Series of Bonds was issued.

3. Payments for Costs of an Applicable Project shall be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates of the Authority stating the names of the payees, the purpose of each payment in terms sufficient for identification and the respective amounts of each such payment. Such certificate or certificates shall be substantiated by a certificate filed with the Authority signed by an Authorized Officer of the Applicable Institution, describing in reasonable detail the purpose for which moneys were used and the amount thereof, and further stating that such purpose constitutes a necessary part of the Costs of such Project except that payments to pay interest on the Applicable Series of Bonds shall be made by the Trustee upon receipt of, and in accordance with, the direction of an Authorized Officer of the Authority directing the Trustee to transfer such amount from the Applicable Construction Fund to the Applicable Debt Service Fund.

4. Any proceeds of insurance, condemnation or eminent domain awards received by the Trustee, the Authority or an Applicable Institution with respect to an Applicable Project shall be deposited in the appropriate account in the Applicable Construction Fund and, if necessary, such fund may be reestablished for such purpose and if not used to repair, restore or replace such Project, transferred to the Applicable Debt Service Fund for the redemption of the Applicable Series of Bonds in accordance with the Applicable Loan Agreement.

5. An Applicable Project shall be deemed to be complete (a) upon delivery to the Authority and the Trustee of a certificate signed by an Authorized Officer of the Applicable Institution which certificate shall be delivered as soon as practicable after the date of completion of such Project or (b) upon delivery to the Applicable Institution and the Trustee of a certificate of the Authority which certificate may be delivered at any time after completion of such Project. Each such certificate shall state that such Project has been completed substantially in accordance with the plans and specifications, if any, applicable to such Project and that such Project is ready for occupancy, and, in the case of a certificate of an Authorized Officer of such Applicable Institution, shall specify the date of completion, or if any portion of the Project has been abandoned and will not be completed, shall so state.

Upon receipt by the Trustee of the certificate required pursuant to the Resolution, the moneys, if any, then remaining in the Applicable Construction Fund, after making provision in accordance with the direction of the Authority for the payment of any Costs of Issuance of such Applicable Series of Bonds and Costs of the Applicable Project then unpaid, shall be paid by the Trustee as follows and in the following order of priority:

First: Upon the direction of the Authority, to the Applicable Arbitrage Rebate Fund, the amount set forth in such direction;

Second: To the Applicable Debt Service Reserve Fund, such amount as shall be necessary to make the amount on deposit in such fund equal to the Applicable Debt Service Reserve Fund Requirement; and

Third: To the Applicable Debt Service Fund for the redemption or purchase of the Applicable Series of Bonds in accordance with the Resolution and the Applicable Series Resolution, any balance remaining.

*(Section 5.04)*

**Enforcement of Obligations, Deposit of Revenues and Allocation Thereof**

1. To the extent an Applicable Institution fails to make any timely payment with respect to a Series of Bonds under the Applicable Loan Agreement, which payment would constitute a credit for payment of the Applicable Obligation in accordance with the terms thereof, the Trustee shall promptly make demand for payment under the Applicable Obligation in accordance with the terms thereof.

2. Except as otherwise provided in the Applicable Series Resolution authorizing a Series of Bonds or the Applicable Bond Series Certificate, the Revenues, including all payments received under the Applicable Loan Agreement, the Master Indenture, the Applicable Supplemental Indenture and the Applicable Obligations, shall be deposited upon receipt by the Trustee to the appropriate account of the Applicable Debt Service Fund in the amounts, at the times and for the purposes specified in the Applicable Series Resolution or Applicable Loan Agreement. Except as provided in the Applicable Series Resolution or Applicable Bond Series Certificate, to the extent not required to pay the interest, principal, Sinking Fund Installments and moneys which are required or have been set aside for the redemption of Bonds of the Applicable Series, moneys in the Applicable Debt Service Fund shall be paid by the Trustee on or before the business day preceding each interest payment date as follows and in the following order of priority:

First: To reimburse, pro rata, the Applicable Facility Provider, if any, for Provider Payments which are then unpaid, in proportion to the respective Provider Payments then unpaid to the Applicable Facility Provider, if any in connection with such Series of Bonds;

Second: Upon the direction of an Authorized Officer of the Authority, to the Applicable Arbitrage Rebate Fund in the amount set forth in such direction;

Third: To the Applicable Debt Service Reserve Fund, such amount, if any, necessary to make the amount on deposit in such fund equal to the Applicable Debt Service Reserve Fund Requirement; and

Fourth: To the Authority, unless otherwise paid, such amounts as are payable to the Authority for: (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, all as required pursuant to the Resolution, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of the Applicable Project, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Applicable Loan Agreement in accordance with the terms thereof, and (iii) any fees of the Authority; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts payable to the Authority pursuant the Resolution.

3. After making the payments required by paragraph 1 above, the balance, if any, of the Revenues then remaining shall, upon the direction of an Authorized Officer of the Authority, be paid by the Trustee to the Applicable Construction Fund or the Applicable Debt Service Fund, or paid to the Applicable Institution, in the respective amounts set forth in such direction, free and clear of any pledge, lien, encumbrance or security interest created pursuant to the Resolution. The Trustee shall notify the

Authority and the Institution promptly after making the payments required by paragraph 1 above, of any balance of Revenues then remaining.

4. In the event that any payments received by the Trustee under the Resolution are less than the total amount required to be paid to the Trustee and such payments relate to more than one Series of Bonds, the payments shall be applied pro rata to each such Series of Bonds based upon the amounts then due and payable.

*(Section 5.05)*

**Debt Service Fund**

1. The Trustee shall on or before the business day preceding each interest payment date with respect to a Series of Bonds, as required by the Applicable Series Resolution or Applicable Bond Series Certificate, pay, from the Applicable Debt Service Fund, to itself and any other Paying Agent:

(a) the interest due on all Outstanding Bonds of the Applicable Series on such interest payment date;

(b) the principal amount due on all Outstanding Bonds of the Applicable Series on such interest payment date;

(c) the Sinking Fund Installments, if any, due on all Outstanding Bonds of the Applicable Series on such interest payment date; and

(d) moneys required for the redemption of Bonds of the Applicable Series in accordance with the Resolution.

The amounts paid out pursuant to this summarized section shall be irrevocably pledged to and applied to such payments.

2. In the event that on the fourth business day preceding any Interest Payment Date for a Series of Bonds the amount in the Applicable Debt Service Fund shall be less than the amounts, respectively, required for payment of interest on the Outstanding Bonds of the Applicable Series, for the payment of principal of such Outstanding Bonds, for the payment of Sinking Fund Installments of such Outstanding Bonds due and payable on such interest payment date or for the payment of the Purchase Price or Redemption Price of such Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, the Trustee shall withdraw from the Applicable Debt Service Reserve Fund and deposit to the Applicable Debt Service Fund such amounts as will increase the amount in the Debt Service Fund to an amount sufficient to make such payments. The Trustee shall notify the Authority, the Applicable Facility Provider, if any, Credit Facility Issuer, if any, Master Trustee, Obligated Group Representative of a withdrawal from the Applicable Debt Service Reserve Fund.

3. Notwithstanding the provisions of paragraph 1 above, the Authority may, at any time subsequent to the first principal payment date of any Bond Year but in no event less than forty-five (45) days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Applicable Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Applicable Term Bonds to be redeemed from such Sinking Fund Installment. Any Term Bond so purchased and any Term Bond purchased by a Member of the Obligated Group and delivered to the Trustee in accordance with the

Applicable Loan Agreement shall be canceled upon receipt thereof by such Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of each Term Bond so canceled shall be credited against the Sinking Fund Installment due on such date, provided that such Term Bond is canceled by the Trustee prior to the date on which notice of redemption is given.

4. Moneys in the Applicable Debt Service Fund in excess of the amount required to pay the principal and Sinking Fund Installments of the Outstanding Bonds of the Applicable Series of Bonds payable on or prior to the next succeeding principal payment date, the interest on such Applicable Outstanding Bonds payable on the earlier of the next succeeding interest payment date, assuming that a Variable Interest Rate Bond will bear interest, from and after the next date on which the rate at which such Variable Interest Rate Bond bears interest is to be adjusted, at a rate per annum equal to the rate per annum at which such Bonds then bear interest plus one percent (1%) per annum, and the Purchase Price or Redemption Price of Applicable Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to the purchase of Applicable Outstanding Bonds of any Series at Purchase Prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued and unpaid interest to such date, at such times, at such Purchase Prices and in such manner as an Authorized Officer of the Authority shall direct. If sixty (60) days prior to the end of a Bond Year an excess, calculated as aforesaid, exists in the Applicable Debt Service Fund, such moneys may be applied by the Trustee: (i) in accordance with the direction of an Authorized Officer of the Authority given pursuant to the Resolution to the redemption of Bonds as provided in Article 4 of the Resolution, at the Redemption Prices specified in the Applicable Series Resolution or Applicable Bond Series Certificate or (ii) as may otherwise be directed by the Authority.

*(Section 5.06)*

**Debt Service Reserve Fund**

1. (a) The Trustee of a Series of Bonds shall deposit to the credit of the Applicable Debt Service Reserve Fund such proceeds of the sale of Bonds, if any, as shall be prescribed in the Applicable Series Resolution or the Applicable Bond Series Certificate, and any Revenues, moneys, Government Obligations and Exempt Obligations as, by the provisions of the Applicable Loan Agreement, are delivered to the Trustee by or on behalf of the Applicable Institution for the purposes of the Applicable Debt Service Reserve Fund.

(b) In lieu of or in substitution for moneys, Government Obligations or Exempt Obligations, the Authority may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for the benefit of the Holders of the Bonds for all or any part of the Applicable Debt Service Reserve Requirement; provided (i) that any such surety bond or insurance policy shall be issued by an insurance company or association duly authorized to do business in the State and either (A) the claims paying ability of such insurance company or association is rated in at least the second highest rating category accorded by a nationally recognized insurance rating agency or (B) obligations insured by a surety bond or an insurance policy issued by such company or association are rated, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in at least the second highest rating category at the time such surety bond or insurance policy is issued by Moody's and S&P or, if Outstanding Bonds of a Series are not rated by both Moody's and S&P, by whichever of said rating services that then rates such Outstanding Bonds and (ii) that any letter of credit shall be issued by a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a federal branch pursuant to the International Banking Act of 1978 or any

successor provision of law, or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in at least the second highest rating category by Moody's and S&P or, if such Outstanding Bonds are not rated by Moody's and S&P, by whichever of said rating services that then rates such Outstanding Bonds.

In addition to the conditions and requirements set forth above, no Reserve Fund Facility shall be deposited in full or partial satisfaction of a Debt Service Reserve Fund Requirement unless the Trustee shall have received prior to such deposit (i) an opinion of counsel acceptable to an Applicable Credit Facility Issuer to the effect that such Reserve Fund Facility has been duly authorized, executed and delivered by the Facility Provider thereof and is valid, binding and enforceable in accordance with its terms, (ii) in the event such Facility Provider is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Authority, and (iii) in the event such Reserve Fund Facility is a letter of credit, an opinion of counsel acceptable to the Trustee substantially to the effect that payments under such letter of credit will not constitute avoidable preferences under Section 547 of the United States Bankruptcy Code in a case commenced by or against the Authority or the Institution thereunder or under any applicable provisions of the Debtor and Creditor Law of the State and (iv) the prior written consent of all Applicable Credit Facility Issuers, if any.

Notwithstanding the foregoing, if at any time after a Reserve Fund Facility has been deposited with the Trustee the unsecured or uncollateralized long term debt of the Facility Provider or the long term debt obligations secured or supported by a surety bond, insurance policy or letter of credit of a Facility Provider is reduced below the ratings required by the second preceding paragraph, the Authority shall, unless at the time such ratings are reduced such Facility Provider is the Credit Facility Issuer of all Outstanding Bonds of the Applicable Series, either (i) replace or cause to be replaced said Reserve Fund Facility with another Reserve Fund Facility which satisfies the requirements of the second preceding paragraph or (ii) deposit or cause to be deposited in the Applicable Debt Service Reserve Fund an amount of moneys, Government Obligations or Exempt Obligations which meet the requirements of the Resolution which is equal to the value of the Reserve Fund Facility of such Facility Provider, such deposits to be, as nearly as practicable, in ten (10) equal semi-annual installments commencing on the earlier of the June 1 or December 1 next succeeding the reduction in said ratings.

Each such surety bond, insurance policy or letter of credit shall be payable (upon the giving of such notice as may be required thereby) on any date on which moneys are required to be withdrawn from the Applicable Debt Service Reserve Fund and such withdrawal cannot be made without obtaining payment under such Reserve Fund Facility.

For the purposes of the Resolution, in computing the amount on deposit in the Applicable Debt Service Reserve Fund, a Reserve Fund Facility shall be valued at the amount available to be paid thereunder on the date of computation; provided that, if the unsecured or uncollateralized long term debt of such Facility Provider, or the long term debt obligations secured or supported by a surety bond, insurance policy or letter of credit of said Facility Provider has been reduced below the ratings required by the Resolution, said Reserve Fund Facility shall be valued at the lesser of (i) the amount available to be paid thereunder on the date of calculation and (ii) the difference between the amount available to be paid thereunder on the date of issue thereof and an amount equal to a fraction of such available amount the numerator of which is the aggregate number of interest payment dates which has elapsed since such ratings were reduced and the denominator of which is ten. Thereafter, if the unsecured or uncollateralized long term debt of such Facility Provider, or the long term debt obligations secured or supported by a

surety bond, insurance policy or letter of credit of said Facility Provider has been raised to equal the ratings required by the first paragraph of this Section (1)(b), for the purposes of Section 5.07 and Section 5.11 of the Resolution, in computing the amount on deposit in the Applicable Debt Service Reserve Fund, a Reserve Fund Facility shall be valued at the amount available to be paid thereunder on the date of computation and upon the computation of the value of the assets in the Applicable Debt Service Reserve Fund pursuant to Section 5.11 of the Resolution, if the value of the assets exceeds the Applicable Debt Service Reserve Fund Requirement, the Trustee shall return to the Authority or the Applicable Institution, as the case may be, the amount by which the assets on deposit exceed the Applicable Debt Service Reserve Fund Requirement.

2. Moneys held for the credit of the Applicable Debt Service Reserve Fund shall be withdrawn by the Trustee and deposited to the credit of the Applicable Debt Service Fund at the times and in the amounts required to comply with the provisions of the Resolution; provided that no payment under an Applicable Reserve Fund Facility shall be sought unless and until moneys are not available in the Applicable Debt Service Reserve Fund and the amount required to be withdrawn from the Applicable Debt Service Reserve Fund pursuant to this paragraph cannot be withdrawn therefrom without obtaining payment under such Reserve Fund Facility; provided further, that, if more than one Reserve Fund Facility is held for the credit of the Applicable Debt Service Reserve Fund at the time moneys are to be withdrawn therefrom, the Trustee shall obtain payment under each such Reserve Fund Facility, pro rata, based upon the respective amounts then available to be paid thereunder. The Trustee shall provide notification as set forth in the Resolution of any withdrawal of moneys from the Debt Service Reserve Fund or payment of a Reserve Fund Facility immediately upon such withdrawal or payment.

With respect to any demand for payment under any Reserve Fund Facility, the Trustee shall make such demand for payment in accordance with the terms of such Reserve Fund Facility at the earliest time provided therein to assure the availability of moneys on the interest payment date for which such moneys are required.

3. (a) Moneys and investments held for the credit of an Applicable Debt Service Reserve Fund in excess of the Applicable Debt Service Reserve Fund Requirement, upon direction of an Authorized Officer of the Authority, shall be withdrawn by the Trustee and (i) deposited in the Applicable Arbitrage Rebate Fund, the Applicable Debt Service Fund or the Applicable Construction Fund, (ii) paid to the Applicable Institution or (iii) applied by the Authority to pay the principal or Redemption Price of and interest on bonds of the Authority issued in connection with the Applicable Institution pursuant to resolutions other than the Resolution, in accordance with such direction; provided, however, with respect to Bonds the interest on which is intended to be excludable from gross income for federal income tax purposes, that no such amount shall be withdrawn and deposited, paid or applied unless in the opinion of Bond Counsel such deposit, payment or application will not adversely affect the exclusion of interest on any such Bonds from gross income for federal income tax purposes.

(b) Notwithstanding the provisions of the Resolution, if, upon a Bond having been deemed to have been paid in accordance with the Resolution or redeemed prior to maturity from the proceeds of Bonds, bonds, notes or other obligations issued for such purpose, the moneys and investments held for the credit of the Applicable Debt Service Reserve Fund will exceed the Applicable Debt Service Reserve Fund Requirement, then the Trustee shall, simultaneously with such redemption or a deposit made in accordance with the Resolution, withdraw all or any portion of such excess from the Applicable Debt Service Reserve Fund upon the direction of an Authorized Officer of the Authority and either (i) apply such amount to the payment of the principal or Redemption Price of and interest on such Bond in accordance with the irrevocable instructions of the Authority or (ii) fund any reserve for the payment of the principal and sinking fund installments of or interest on the bonds, notes or other obligations, if any, issued to provide for payment of such Bond if, in the opinion of Bond Counsel, application of such

moneys to the use authorized in this clause (ii) will not adversely affect the exclusion of interest on any Applicable Bonds from gross income for federal income tax purposes, or (iii) pay such amount to the Authority for deposit to the Applicable Construction Fund if, in the opinion of Bond Counsel, application of such moneys to the payment of Costs of the Project(s) will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes; provided that after such withdrawal the amount remaining in the Applicable Debt Service Reserve Fund shall not be less than the Applicable Debt Service Reserve Fund Requirement.

4. If upon a valuation, the moneys, investments and Reserve Fund Facilities held for the credit of an Applicable Debt Service Reserve Fund for an Applicable Series of Bonds are less than the Applicable Debt Service Reserve Fund Requirement, the Trustee shall immediately notify the Authority and the Applicable Institution of such deficiency and such Institution shall, as soon as practicable, but in no event later than five (5) days after receipt of such notice, deliver to the Trustee moneys, Government Obligations, Federal Agency Obligations, Exempt Obligations or Reserve Fund Facilities the value of which is sufficient to increase the amount in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement. If the Applicable Institution has not made timely payment, the Trustee shall immediately notify the Authority, the Obligated Group Representative and the Master Trustee of such non-payment and shall seek payment under the Applicable Obligation in accordance with the terms thereof.

*(Section 5.07, as amended and supplemented)*

**Arbitrage Rebate Fund**

The Trustee for a Series of Tax-Exempt Bonds shall deposit to the appropriate account in the Applicable Arbitrage Rebate Fund any moneys delivered to it by the Applicable Institution for deposit therein and, notwithstanding any other provisions of the Resolution, shall transfer to the Applicable Arbitrage Rebate Fund, in accordance with the directions of the Authority, moneys on deposit in any other funds held by such Trustee under the Resolution at such times and in such amounts as shall be set forth in such directions.

Moneys on deposit in the Applicable Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which the Authority determines to be in excess of the amount required to be so rebated shall be deposited to any Applicable Fund in accordance with the directions of the Authority.

If and to the extent required by the Code, the Authority shall periodically, at such times as may be required to comply with the Code, determine the amount of Excess Earnings with respect to each Applicable Series of Bonds and direct the Trustee to (i) transfer from any other of the Applicable funds held by the Trustee under the Resolution and deposit to the Applicable Arbitrage Rebate Fund, all or a portion of the Excess Earnings with respect to such Series of Bonds and (ii) pay out of the Applicable Arbitrage Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

*(Section 5.08)*

**Application of Moneys in Certain Funds for Retirement of Bonds**

Notwithstanding any other provisions of the Resolution, if, upon the computation of assets of an Applicable Debt Service Fund and the Debt Service Reserve Fund pursuant to the Resolution, the amounts held in the appropriate accounts in the Applicable Debt Service Fund relating to a Series of Bonds and the Applicable Debt Service Reserve Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds of the Applicable Series and the interest accrued and to accrue on such Bonds to the next date of redemption when all such Bonds be redeemable, the Trustee shall so notify the Authority and the Applicable Institution. Upon receipt of such notice, the Authority shall request the Trustee to redeem all such Outstanding Bonds unless the Applicable Institution or Obligated Group Representative objects in writing within five (5) Business Days of receiving notice of such request. The Trustee shall, upon receipt of such request in writing by the Authority, proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds by the Resolution and by the Applicable Series Resolution as provided in the Resolution.

*(Section 5.09)*

**Investment of Funds Held by the Trustee**

1. Money held under the Resolution by the Trustee of a Series of Bonds in an Applicable Debt Service Fund, Applicable Construction Fund, Applicable Debt Service Reserve Fund and Applicable Arbitrage Rebate Fund, if permitted by law, shall, as nearly as may be practicable, be invested by the Trustee, upon direction of the Authority given or confirmed in writing, (which direction shall specify the amount thereof to be so invested), in Government Obligations, Federal Agency Obligations, Exempt Obligations, and, if not inconsistent with the investment guidelines of a Rating Service applicable to funds held under the Resolution, any other Permitted Investment; provided, however, that each such investment shall permit the moneys so deposited or invested to be available for use at the times at which the Authority reasonably believes such moneys will be required for the purposes of the Resolution; provided, further, that (x) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (y) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by the Authority, and (z) the Permitted Collateral shall be free and clear of claims of any other person.

2. Permitted Investments purchased or other investments made as an investment of moneys in any fund held by the Trustee under the provisions of the Resolution shall be deemed at all times to be a part of such fund and the income or interest earned, profits realized or losses suffered by a fund due to the investment thereof shall be retained in, credited or charged, as the case may be, to such fund unless otherwise provided in the Applicable Series Resolution.

3. In computing the amount in any fund held by the Trustee under the provisions of the Resolution, each Permitted Investment purchased as an investment of moneys therein or held therein shall be valued at par or the market value thereof, plus accrued interest, whichever is lower, except that investments held in the Applicable Debt Service Reserve Fund shall be valued at the market value thereof, plus accrued interest and except that Investment Agreements shall be valued at original cost, plus accrued interest.

4. The Authority, in its discretion, may direct the Trustee to, and the Trustee shall, sell, or present for redemption or exchange any investment held by the Trustee pursuant to the Resolution and the proceeds thereof may be reinvested as provided in the Resolution. Except as otherwise provided under the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange,

any investment held by it pursuant to the Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund in which such investment is held. The Trustee shall advise the Authority and the Institution in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of the Resolution. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund in the previous month.

5. No part of the proceeds of any Applicable Series of Bonds or any other funds of the Authority shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148(a) of the Code.

*(Section 6.02)*

**Security for Deposits**

All moneys held under the Resolution by the Trustee of a Series of Bonds shall be continuously and fully secured, for the benefit of the Authority and the Holders of the Applicable Series of Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; provided, however, (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee of a Series of Bonds or any Paying Agent of a Series of Bonds to give security for the deposit of any moneys with them pursuant to the Resolution and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Applicable Series of Bonds, or for the Trustee to give security for any moneys which shall be represented by obligations purchased or other investments made under the provisions of the Resolution as an investment of such moneys.

*(Section 6.01)*

**Refunding Bonds**

All or any portion of one or more Series of Refunding Bonds may be authenticated and delivered to refund all Outstanding Bonds of one or more Series of Bonds, one or more series of bonds or other obligations, a portion of a Series of Outstanding Bonds or a portion of a series of bonds or other obligations, a portion of a maturity of a Series of Outstanding Bonds or a portion of a maturity of bonds or other obligations. The Authority by resolution of its members may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of this summarized section and of the Series Resolution authorizing such Series of Refunding Bonds or by the provisions of the resolution or resolutions authorizing the bonds or other obligations issued by the Authority, as the case may be.

1. With respect to Refunding Bonds issued to refund all or any portion of any Series of Outstanding Bonds or to refund all or a portion of one or more series of Bonds, the Refunding Bonds of such Series shall be authenticated and delivered

by the Trustee only upon receipt by the Trustee (in addition to the documents required by the Resolution for the issuance of a Series of Bonds) of:

a. If the Bonds to be refunded are to be redeemed, irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds, as the case may be, to be refunded on a redemption date specified in such instructions;

b. Irrevocable instructions to the Trustee, satisfactory to it, to mail the notice provided for in the Resolution to the Holders of the Bonds being refunded;

c. Either or both of (1) moneys in an amount sufficient to effect payment of the principal at the maturity date therefor or the Redemption Price on the applicable redemption date of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or redemption date, which money shall be held by the Trustee or any one or more of the Paying Agents or such other fiduciary appointed by the Authority in a separate account irrevocably in trust for and assigned to the respective Holders of the Applicable Bonds to be refunded and (2) Defeasance Securities in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the Resolution or the resolution authorizing such Bonds, as may be applicable, which Defeasance Securities and moneys shall be held in trust and used only as provided in the Resolution; and

d. A certificate of the Authority containing such additional statements as may be reasonably necessary to show compliance with the requirements of this summarized section.

The proceeds, including accrued interest, of such Refunding Bonds shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or determined in accordance with the Series Resolution authorizing such Refunding Bonds.

2. With respect to the Refunding Bonds issued to refund all or any portion of any bonds or other obligations issued by the Authority, the proceeds, including accrued interest, shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided or as determined in accordance with the resolution or resolutions authorizing such bonds or other obligations.

*(Section 2.04)*

**Additional Obligations**

The Authority reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Authority, so long as such bonds, notes or other obligations are not, or such other indebtedness is not, entitled to a charge or lien or right prior or equal to the charge or lien created by the Resolution and pursuant to any Applicable Series Resolution, or prior or equal to the rights of the Authority and Holders of any Applicable Series of Bonds

provided by the Resolution or with respect to the moneys pledged under the Resolution or pursuant to any Applicable Series Resolution.

*(Section 2.05)*

**Tax Exemption: Rebates**

Except as otherwise provided in an Applicable Series Resolution, in order to maintain the exclusion from gross income for purposes of federal income taxation of interest on the Tax-Exempt Bonds of each Applicable Series, the Authority shall comply with the provisions of the Code applicable to the Bonds of each Applicable Series of Tax-Exempt Bonds, including without limitation the provisions of the Code relating to the computation of the yield on investments of the Gross Proceeds of each Applicable Series of Bonds, reporting of earnings on the Gross Proceeds of each Applicable Series of Bonds and rebates of Excess Earnings to the Department of the Treasury of the United States of America. Except as otherwise provided in the Resolution the Authority shall comply with the letter of instructions as to compliance with the Code with respect to each such Series of Bonds, to be delivered by Bond Counsel at the time the Bonds of an Applicable Series are issued, as such letter may be amended from time to time, as a source of guidance for achieving compliance with the Code.

The Authority shall not take any action or fail to take any action, which would cause the Bonds of an Applicable Series to be "arbitrage bonds" within the meaning or Section 148(a) of the Code.

Notwithstanding any other provision of the Resolution to the contrary, the Authority's failure to comply with the provisions of the Code applicable to the Bonds of an Applicable Series shall not entitle the Holder of Bonds of any other Applicable Series, or the Trustee acting on their behalf, to exercise any right or remedy provided to Bondholders under the Resolution based upon the Authority's failure to comply with the provisions of this summarized section or of the Code.

*(Section 7.11)*

**Events of Default**

An event of default shall exist under the Resolution and under an Applicable Series Resolution (called "event of default") if:

(a) With respect to the Applicable Series of Bonds, payment of the principal, Sinking Fund Installments, Purchase Price or Redemption Price of any such Bond shall not be made by the Authority when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) With respect to the Applicable Series of Bonds, payment of an installment of interest on any such Bond shall not be made by the Authority when the same shall become due and payable; or

(c) With respect to the Applicable Series of Tax-Exempt Bonds, the Authority shall default in the due and punctual performance of the covenants contained in the Resolution with respect to such tax exemption and, as a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; or

(d) With respect to the Applicable Series of Bonds, the Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions for

the benefit of the holders of such Bonds contained in the Resolution or in the Bonds of such Series or in the Applicable Series Resolution on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority by the Trustee (unless such default is not capable of being cured within thirty (30) days, the Authority has commenced to cure such default within thirty (30) days and diligently prosecutes the cure thereof), which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series with the prior written consent of the Applicable Credit Facility Issuer; or

(e) The Authority shall have notified the Trustee that an "Event of Default", as defined in the Applicable Loan Agreement, arising out of or resulting from the failure of the Applicable Institution to comply with the requirements of the Applicable Loan Agreement shall have occurred and be continuing and all sums payable by the Institution under the Applicable Loan Agreement shall have been declared to be immediately due and payable, which declaration shall not have been annulled.

An event of default under the Resolution in respect of an Applicable Series of Bonds shall not in and of itself be or constitute an event of default in respect of any other Applicable Series of Bonds.

*(Section 11.02)*

**Acceleration of Maturity**

Upon the happening and continuance of any event of default specified in the summarized section of the Resolution immediately above, other than an event of default specified in paragraph (c) of the summarized section of the Resolution immediately above, then and in every such case the Trustee may, and, upon the written request of (i) the Applicable Credit Facility Issuers, if any, or the Holders of not less than twenty-five per centum (25%) in principal amount of an Applicable Series of Outstanding Bonds, with the prior written consent of the Applicable Credit Facility Issuers, if any, or (ii) if one or more Applicable Credit Facility Issuers, if any, have deposited with the Trustee a sum sufficient to pay the principal of and interest on the Applicable Outstanding Bonds due upon the acceleration thereof, upon the request of an Applicable Credit Facility Issuer, if any, or Applicable Credit Facility Issuers, if any, making such deposit, shall: (A) by a notice in writing to the Authority, declare the principal of and interest on all of the Outstanding Bonds of the Applicable Series to be due and payable immediately and (B) request that the Master Trustee declare all applicable Outstanding Obligations (as defined in the Master Indenture) to be immediately due and payable. At the expiration of thirty (30) days after the giving of notice of such declaration, such principal and interest shall become and be immediately due and payable, anything in the Resolution or in any Applicable Series Resolution or in the Bonds to the contrary notwithstanding. In the event that an Applicable Credit Facility Issuer shall make any payments of principal of or interest on any Bonds of the Applicable Series pursuant to an Applicable Credit Facility and the Bonds of the Applicable Series are accelerated, such Applicable Credit Facility Issuer may at any time and at its sole option, pay to the Bondholders all or such portion of amounts due under such Bonds of the Applicable Series prior to the stated maturity dates thereof. At any time after the principal of the Bonds of the Applicable Series shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee shall, with the prior written consent of Applicable Credit Facility Issuers, if any, which have issued Applicable Credit Facilities for not less than twenty-five per centum (25%) in principal amount of the Applicable Bonds not then due by their terms and then Outstanding, or the Holders of not less than twenty-five per centum (25%) in principal amount of the Applicable Outstanding Bonds, with the prior written consent of the Applicable Credit Facility Issuers, if any, and by written notice to the Authority, annul such declaration

and its consequences if: (i) moneys shall have accumulated in the Applicable Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Applicable Outstanding Bonds (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent; (iii) all other amounts then payable by the Authority under the Resolution and under the Applicable Series Resolution (other than principal amounts payable only because of a declaration and acceleration under this summarized section) shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution or in the Applicable Series Resolution or in the Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this summarized section) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

*(Section 11.03)*

**Enforcement of Remedies**

Upon the happening and continuance of any event of default specified in the Resolution, then and in every such case, the Trustee of a Series of Bonds may proceed, and upon the written request of the Applicable Credit Facility Issuers, if any, which have issued Applicable Credit Facilities for not less than twenty-five per centum (25%) in principal amount of the Applicable Outstanding Bonds, or of the Holders of not less than twenty-five per centum (25%) in principal amount of the Applicable Outstanding Bonds with the consent of the Applicable Credit Facility Issuers, if any, or, in the case of a happening and continuance of an event of default specified in paragraph (c) of the summarized section of the Resolution above under the heading "Events of Default", upon the written request of the Applicable Holders of not less than twenty-five per centum (25%) in principal amount of the Applicable Outstanding Bonds of the Series affected thereby with the consent of the Applicable Credit Facility Issuer, if any, of such Series of Bonds, shall proceed (subject to the provisions of the Resolution with respect to compensation of the Trustee), to protect and enforce its rights and the rights of the Bondholders or of such Applicable Facility Provider, if any, under the Resolution or under the Applicable Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or under the Applicable Series Resolution or in aid or execution of any power granted in the Resolution or Applicable Series Resolution, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Resolution and under the Applicable Series Resolution, the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining, due from the Authority for principal or interest or otherwise under any of the provisions of the Resolution or of any Applicable Series Resolution or of the Applicable Series of Bonds, with interest on overdue payments of the principal of or interest on the Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and under any Applicable Series Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against the Authority but solely as provided in the Resolution, in any Applicable Series Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

*(Section 11.04)*

**Bondholders' Direction of Proceedings**

Anything in the Resolution to the contrary notwithstanding, the Applicable Credit Facility Issuers, if any, or the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of an Applicable Series with the prior written consent of the Applicable Credit Facility Issuers, if any, or, in the case of an event of default specified in paragraph (c) of the summarized section of the Resolution above under the heading "Events of Default", the Holders of a majority in principal amount of the Outstanding Bonds of the Applicable Series with the prior written consent of the Applicable Credit Facility Issuers, if any, shall have the right by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Resolution and under the Applicable Series Resolution, provided, such direction shall not be otherwise than in accordance with law or the provisions of the Resolution and of the Applicable Series Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

*(Section 11.07)*

**Limitation of Rights of Individual Bondholders**

Neither any Holder nor any Applicable Credit Facility Issuer with respect to any of the Bonds of an Applicable Series shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution or under any Applicable Series Resolution, or for any other remedy under the Resolution unless such Holder or Applicable Credit Facility Issuer previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of an Applicable Series with the prior written consent of the Applicable Credit Facility Issuer or, in the case of an event of default specified in paragraph (c) of the summarized section of the Resolution above under the heading "Events of Default", the Holders of not less than a majority in principal amount of the Outstanding Bonds of such Series with the prior written consent of the Applicable Credit Facility Issuer, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy thereunder or under the Resolution. It is understood and intended that no one (1) or more of the Applicable Credit Facility Issuers of an Applicable Series secured by the Resolution and by an Applicable Series Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds of such Series. Notwithstanding any other provision of the Resolution, the Holder of any Bond of an Applicable Series shall have the right which is absolute and unconditional to receive payment of the principal of (or Redemption Price, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

*(Section 11.08)*

**Modification and Amendment Without Consent**

Notwithstanding any other provisions of the Resolution, the Authority may adopt at any time or from time to time, with prior written notice to the Applicable Credit Facility Issuer, if any, Supplemental Resolutions for any one or more of the following purposes, and any such Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by the Authority:

(a) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds of an Applicable Series, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(b) To prescribe further limitations and restrictions upon the issuance of Bonds of an Applicable Series and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(c) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(d) To confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created or to be created by the provisions of, the Resolution, the Master Indenture, or any Applicable Series Resolution, the Revenues, or any pledge of any other moneys, Securities or funds;

(e) To modify any of the provisions of the Resolution or of any previously adopted Applicable Series Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds of an Applicable Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution shall cease to be Outstanding, and all Bonds of an Applicable Series issued under an Applicable Series Resolution shall contain a specific reference to the modifications contained in such subsequent resolutions; or

(f) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions of the Resolution or of any previously adopted Applicable Series Resolution or Applicable Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Holders of Bonds of an Applicable Series in any material respect.

*(Section 9.02)*

**Applicable Supplemental Resolutions Effective With Consent of Bondholders**

The provisions of the Resolution and an Applicable Series Resolution may also be modified or amended at any time or from time to time by an Applicable Supplemental Resolution, subject to the consent of the Applicable Bondholders in accordance with and subject to the provisions of Article 10 of the Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by the Authority.

*(Section 9.03)*

**Amendment of Loan Agreements and Master Indenture**

The Authority may not amend, change, modify, alter or terminate a Loan Agreement or consent to the amendment, change, modification, alteration or termination of the Master Indenture or an Applicable Supplemental Indenture, in either case so as to materially adversely affect the interest of the Holders of Outstanding Bonds without the prior written consent of the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding, with the prior written consent of the Applicable Credit Facility Issuer, if any, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modifications or amendments, the Holders of not less than a majority in aggregate principal amount of the Bonds of each Series so affected then Outstanding, with the prior written consent of each Applicable Credit Facility Issuer, if any; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any such specified Series remain Outstanding, the consent of the Holders of such Bonds and each Applicable Credit Facility Issuer, if any, shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this summarized section; provided, further, that no such amendment, change, modification, alteration or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made by an Applicable Institution under its Applicable Loan Agreement that is to be deposited with the Trustee or extend the time of payment thereof or reduce the amount of any payment required to be made under the Obligations held by the Authority. Notwithstanding any provision of this summarized section to the contrary, the Authority may consent to the waiver, amendment or removal of any covenant which, pursuant to the Master Indenture, may be waived by the Authority without the consent of the Holders of the Bonds or the Trustee. A Loan Agreement may be amended, changed, modified or altered without the consent of the Trustee and the Holders of Outstanding Bonds to provide necessary changes in connection with the acquisition, construction, reconstruction, rehabilitation and improvement, or otherwise providing, furnishing and equipping, of any facilities constituting a part of the Applicable Projects or which may be added to or adjacent to the Applicable Projects or the issuance of Bonds, to cure any ambiguity, or to correct or supplement any provisions contained in an Applicable Loan Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in the Loan Agreement. Subject to the Resolution, if an Applicable Loan Agreement or the Master Indenture or an Applicable Supplemental Indenture expressly provides for the consent of any other person or entity to an amendment to such Loan Agreement or the Master Indenture or an Applicable Supplemental Indenture, such consent shall be required to be obtained as provided in such Loan Agreement or the Master Indenture or such Supplemental Indenture. Prior to execution by the Authority of any amendment, a copy thereof certified by an Authorized Officer of the Authority shall be filed with the Trustee.

For the purposes of this summarized section, a Series shall be deemed to be adversely affected by an amendment, change, modification or alteration of an Applicable Loan Agreement, Master Indenture or Supplemental Indenture if the same adversely affects or diminishes the rights of the Holders of the Bonds of the Applicable Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of any Applicable Series would be

adversely affected in any material respect by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on an Applicable Institution, the Members of the Obligated Group, the Authority and all Holders of Bonds.

For all purposes of this summarized section, the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee, with respect to whether any amendment, change, modification or alteration adversely affects the interests of any Holders of Bonds then Outstanding in any material respect.

*(Section 7.09)*

**Defeasance**

1. If the Authority shall pay or cause to be paid to the Holders of the Bonds of an Applicable Series the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, thereof and interest thereon, at the times and in the manner stipulated therein, in the Resolution, and in the Applicable Series Resolution and Applicable Bonds Series Certificate, then the pledge of the Revenues or other moneys and securities pledged to such Series of Bonds and all other rights granted by the Resolution to such Series of Bonds shall be discharged and satisfied, and the right, title and interest of the Trustee in the Applicable Loan Agreement, and the Revenues shall thereupon cease with respect to such Series of Bonds. Upon such payment or provision for payment, the Trustee, on demand of the Authority, shall release the lien of the Resolution and Applicable Series Resolution but only with respect to such Applicable Series, except as it covers moneys and securities provided for the payment of such Bonds, and shall execute such documents to evidence such release as may be reasonably required by the Authority and the Obligated Group and shall turn over to the Obligated Group or such person, body or authority as may be entitled to receive the same, upon such indemnification, if any, as the Authority or the Trustee may reasonably require, all balances remaining in any funds held under the Applicable Series Resolution after paying or making proper provision for the payment of the principal or Redemption Price (as the case may be) of, and interest on, all Bonds of the Applicable Series and payment of expenses in connection therewith; provided that if any, of such Bonds are to be redeemed prior to the maturity thereof, the Authority shall have taken all action necessary to redeem such Bonds and notice of such redemption shall have been duly mailed in accordance with the Resolution and the Applicable Series Resolution or irrevocable instructions to mail such notice shall have been given to the Trustee.

2. Bonds of an Applicable Series for which moneys shall have been set aside, shall be held in trust by the Trustee for the payment or redemption thereof, (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph 1 above. All Outstanding Bonds of an Applicable Series or any maturity within such Series or a portion of a maturity within such Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph 1 above if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to mail, as provided in Article 4 of the Resolution, notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities, which obligations are not subject to redemption prior to maturity other than at the option of the holder or which have been irrevocably called for redemption on a stated future date, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds of an Applicable Series on and prior to the redemption date or maturity date thereof, as the case may be, (c) in the event such Bonds are not by their terms subject to redemption

within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the holders of said Bonds at their respective last known addresses, if any, appearing on the registration books, and, if directed by an Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this summarized section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds. The Authority shall give written notice to the Trustee of its selection of the maturity for which payment shall be made in accordance with this summarized section. The Trustee shall select which Bonds of such Series and which maturity thereof shall be paid in accordance with this summarized section in the manner provided in the Resolution. Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to this summarized section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds; provided that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in the Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on such Bonds on and prior to such redemption date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amount required to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Applicable Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of the Authority; second, to the Authority the amount certified by the Authority to be then due or past due pursuant to the Applicable Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, as directed by the Authority and any such moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by such Loan Agreement.

3. For purposes of determining whether Variable Interest Rate bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance securities and moneys, if any, in accordance with clause (b) of the second sentence of paragraph (2) above, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Interest Rate Bonds having borne interest at less than such Maximum Interest Rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Trustee for the payment of interest on such Variable Interest Rate bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Interest Rate bonds in order to satisfy clause (b) of the second sentence of paragraph (2) above, the Trustee shall, if requested by the Authority, pay the amount of such excess to the Authority free and clear of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Loan Agreement. Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or Paying Agent in trust for the payment and discharge of any of the Bonds of an Applicable Series which remain unclaimed for three (3) years after the date when such moneys become due and payable, upon such Bonds either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or any Applicable Paying Agent at such date, shall at the written request of the Authority, be repaid by the Trustee or the Applicable Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect

thereto and the Holders of Bonds of such Series shall look only to the Authority for the payment of such Bonds; provided, however, that, before being required to make any such payment to the Authority, the Trustee or the Applicable Paying Agent may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than forty (40) nor more than ninety (90) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority.

4. No principal or Sinking Fund Installment of or installment of interest on a Bond shall be considered to have been paid, and the obligation of the Authority for the payment thereof shall continue, notwithstanding that an Applicable Credit Facility Issuer, if any, pursuant to the Applicable Credit Facility issued with respect to such Bond has paid the principal or Sinking Fund Installment thereof or the installment of interest thereon.

5. Prior to any defeasance of a Series of Bonds becoming effective under the Resolution, each Applicable Credit Facility Issuer shall have received (a) the final official statement delivered in connection with the refunding of such Series of Bonds, if any, (b) a copy of the accountants' verification report, (c) a copy of the escrow deposit agreement or letter of instructions in form and substance acceptable to such Applicable Credit Facility Issuer, and (d) a copy of an opinion of Bond Counsel, dated the date of defeasance and addressed to such Applicable Credit Facility Issuer, to the effect that such Bonds have been paid within the meaning and with the effect expressed in the Resolution and the Applicable Series Resolution, and that the covenants, agreements and other obligations of the Authority to the Holders of such Bonds have been discharged and satisfied.

*(Section 12.01)*

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# APPENDIX E

## SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND SUPPLEMENTAL INDENTURE

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## SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE SUPPLEMENTAL INDENTURE

The Master Trust Indenture is modified by Supplemental Indenture for Obligation No. 1, Supplemental Indenture for Obligation No. 2 and Supplemental Indenture for Obligation No. 3, pursuant to which the Obligated Group issued Obligation Nos. 1 through 3, respectively. Upon the defeasance of the Series 2008 Bonds, Obligation No. 1 will become a Defeased Obligation and will longer be Outstanding under the Master Trust Indenture. Certain terms and conditions of the Master Trust Indenture and the Supplemental Indenture for Obligation No.3 (the "Supplemental Indenture"), including various covenants and security provisions, are summarized below, however, the terms and conditions of Supplemental Indenture for Obligation No. 1 and for Supplemental Indenture for Obligation No. 2 are not included in this summary. This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Master Trust Indenture, as modified by the Supplemental Indenture, to which reference is made, copies of which are available from the Authority or the Trustee. In addition to the other terms defined in this Official Statement, this summary uses various terms defined in the Master Trust Indenture and the Supplemental Indenture and such terms as used in the Master Trust Indenture and the Supplemental Indenture will have the meanings ascribed to them below.

## MASTER TRUST INDENTURE

### Definitions

"Additional Indebtedness" means any Indebtedness incurred by any Member of the Obligated Group subsequent to the issuance of Obligation No. 1 under the Master Indenture or incurred by a new 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 directly or indirectly controls, is controlled by or is under common control with a Member, including 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.

"Arden Hill Campus" means ORMC's Health Care Facility located at 4 Harriman Drive, Goshen, NY 10924.

"Audited Financial Statements" means, as to any Member of the Obligated Group, financial statements for the Fiscal Year, or for such other period for which an audit has been performed, prepared in accordance with generally accepted accounting principles, which have been audited and reported upon by independent certified public accountants. Audited Financial Statements of the Obligated Group shall also consist of, in an additional information section, unaudited combining financial statements for the Fiscal Year 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.

"Authority" means the Dormitory Authority of the State of New York and any successor thereto.

"Authorized Representative" shall mean, with respect to a Member, including the Obligated Group Representative, the Chairperson of its Governing Body or its chief executive officer or its chief financial officer, or any other person or persons designated an Authorized Representative of such Member by an Officer's Certificate of such Member, signed by the Chairperson of its Governing Body or its chief executive officer or its chief financial officer and filed with the Master Trustee.

"Balloon Long-Term Indebtedness" means Long-Term Indebtedness other than a Demand Obligation twenty-five percent (25%) or more of the principal amount of which is due in a single year, which portion of the principal is not required by the documents pursuant to which such Indebtedness is issued to be amortized by redemption prior to such date.

"Book Value" when used in connection with Property, Plant and Equipment or other Property of any Person, means the value of such property, net of accumulated depreciation, as it is carried on the books of such Person in conformity with generally accepted accounting principles, and when used in connection with Property, Plant and Equipment or other Property of the Obligated Group, means the aggregate of the values so determined with respect to such Property, Plant and Equipment or other Property of the Obligated Group determined in such a manner that no portion of such value of Property, Plant and Equipment or other Property is included more than once.

"Capital Addition" means any addition, improvement or extraordinary repair to or replacement of any Property of a Member of the Obligated Group, whether real, personal or mixed, the cost of which is properly capitalized under generally accepted accounting principles.

"Code" means the Internal Revenue Code of 1986, as amended.

"Consultant" means a firm or firms, selected by the Obligated Group Representative, which is not, and no member, stockholder, director, officer, trustee or employee of which is, an officer, director, trustee or employee of any Member of the Obligated Group or any Affiliate, and which is a professional management consultant or 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 (i) the Master Trustee, and (ii) so long as any Related Bonds are Outstanding, the Related Bond Issuer and the Related Credit Facility Issuer.

"Corporate Charter" means, with respect to any corporation, the articles of incorporation, certificate of incorporation, corporate charter 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 at One M&T Plaza, Buffalo, NY 14203.

"Covered Obligation" means Obligation No. 1 and any other Obligation issued pursuant to a Supplement which provides that the Obligation shall be secured by a Mortgage.

"Credit Facility" means a financial guaranty insurance policy, line of credit, letter of credit, standby bond purchase agreement, surety bond or similar credit enhancement or liquidity facility, if any, established in connection with the issuance of Indebtedness or Related Bonds to provide credit or liquidity support for such Indebtedness or Related Bonds.

"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; provided, however, in the case of a Demand Obligation that is secured by a Credit Facility

that provides credit support and a separate Credit Facility that provides liquidity support, references herein to the Credit Facility Provider shall, unless explicitly stated otherwise herein or in the applicable supplement, be deemed to refer only to the provider of the Credit Facility providing credit support and not the provider of the liquidity facility.

"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 Annual Debt Service" means the scheduled principal and interest payments during the then-current fiscal year on all Long-Term Debt Outstanding and excludes funds on deposit with a Related Bond Trustee for the payment of debt service.

"Days Cash On Hand" means the quotient produced by dividing the sum of unrestricted cash, investments and board designated funds (excluding 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) by operating expenses minus depreciation and amortization, and then multiplying the quotient by 365.

"Defeasance Obligations" means, unless modified by the terms of a particular Supplement, (i) noncallable, nonprepayable Government Obligations, (ii) evidences of ownership of a proportionate interest in specified noncallable, nonprepayable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, and (iii) Defeased Municipal Obligations.

"Defeased Municipal Obligations" means obligations of state or local government municipal bond issuers rated the highest rating by Moodys, S&P, or Fitch, 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 noncallable, nonprepayable Government Obligations, the maturing principal of and interest on such Government Obligations, when due and payable, shall provide sufficient money to pay, on the due dates thereof, 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 have been discharged, or provision for the discharge of which have been made, pursuant to the terms of such Supplement.

"Demand Obligation" means any Indebtedness the payment of all or a portion of which is subject to the demand of the holder thereof.

"Derivative Agreement" means, without limitation,

(i) 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;

(ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices;

(iii) any contract to exchange cash flows or payments or series of payments;

(iv) 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

(v) any other type of contract or arrangement that the Obligated Group or 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 Extraordinary Payment" means any payment required to be paid by a Member of the Obligated Group to a counterparty pursuant to a Derivative Agreement in connection with the termination thereof.

"Derivative Period" means the period during which a Derivative Agreement is in effect.

"Disclosure Dissemination Agent" means Digital Assurance Certification, LLC, and any other person, firm, association or corporation designated as the disclosure dissemination agent in an agreement to provide continuing disclosure for Related Bonds pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934.

"Escrowed Interest" means amounts of interest on Long-Term Indebtedness for which moneys or Defeasance Obligations have been deposited in escrow (the "Escrowed Interest Deposit") which Escrowed Interest Deposit has been determined by an independent accounting firm to be sufficient to pay such Escrowed Interest.

"Escrowed Principal" means amounts of principal on Long-Term Indebtedness for which moneys or Defeasance Obligations have been deposited in escrow (the "Escrowed Principal Deposit") which Escrowed Principal Deposit has been determined by an independent accounting firm to be sufficient to pay such Escrowed Principal.

"Event of Default" means any one or more of those events set forth in Section 4.01 of the Master Indenture.

"Excluded Property" means any real Property that does not constitute Health Care Facilities of the Obligated Group. Excluded Property includes the real Property constituting the Arden Hill Campus and the real property constituting the Horton Campus, which real Property is not owned by ORMC.

"Fiscal Year" means the fiscal year of each Member of the Obligated Group, which shall be the period commencing on January 1 of any year and ending on December 31 of such year unless the Master Trustee is notified in writing by the Obligated Group Representative of a change in such period, in which case the Fiscal Year shall be the period set forth in such notice.

"Fitch" means Fitch Inc., its successors and assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by notice to the Master Trustee.

"Governing Body" means, when used with respect to any Member of the Obligated Group, including the Obligated Group Representative, its board of directors, board of trustees, or other board or group of individuals by, or under the authority of which, corporate powers of such Member of the Obligated Group are exercised.

"Government Obligations" mean (i) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America, (ii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (iii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United State of America, or (iv) stripped securities where the principal-only and interest-only strips of non-callable obligations are issued by the United States Treasury Department or interest portions of REFCORP securities stripped by the Federal Reserve Bank of New York.

"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 (i) Articles 28 and 28-B of the Public Health Law, and (ii) those placing restrictions and limitations on the (a) fees and charges to be fixed, charged and collected by any Member of the Obligated Group or (b) the amount or timing of the receipt of such fees or charges.

"Gross Receipts" means 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, 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 Related Loan Agreement; (ii) all receipts, revenues, income and other moneys received or receivable by or on behalf of a Member of the Obligated Group, whether now owned or hereafter acquired, derived from the Excluded Property which constitutes real property other than the Arden Hill Campus or the Horton Campus, and all rights to receive the same whether in the form of accounts, payment intangibles, general intangibles, chattel paper, deposit accounts, instruments, promissory notes, health-care-insurance receivables and the proceeds thereof as such terms are presently or hereinafter defined in the New York Uniform Commercial Code; (iii) any insurance or condemnation proceeds received for Excluded Property which constitutes real property other than the Arden Hill Campus or the Horton Campus; (iv) any insurance or condemnation proceeds that is received for a Health Care Facility if, such proceeds are applied in accordance with Section 3.04(a), or(e) of the Master Indenture; and (v) 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 the Master Indenture, the aggregate annual principal and interest payments on any indebtedness in respect of which any Member of the Obligated Group shall have executed and delivered its Guaranty shall, so long as no payments are required to be made thereunder and so long as such Guaranty constitutes a contingent liability under generally accepted accounting principles, be deemed to be equal to twenty percent (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 Requirement), 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 indebtedness, one hundred percent (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. 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.

"Historic Audit Period" means the period of twelve (12) full consecutive months that have ended not more than eighteen (18) calendar months prior to the date of the Officer's Certificate being provided for which there are Audited Financial Statements available.

"Holder" means an owner of any Obligation issued in other than bearer form.

"Horton Campus" means ORMC's Health Care Facility located at 60 Prospect Avenue, Middletown, NY 10940.

"Income Available for Debt Service" means, with respect to the Obligated Group, as to any period of twelve (12) consecutive calendar months, its excess of revenues over expenses before depreciation, amortization and interest expense on Long-Term Indebtedness, as determined in accordance with generally accepted accounting principles consistently applied; provided, however, that (i) 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, including without limitation the other-than-temporary impairment of assets or the change in value of any Derivative Agreement, and (ii) 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 or Related Bonds secured by such Long-Term Indebtedness.

"Indebtedness" means (i) all indebtedness of Members of the Obligated Group for borrowed money, (ii) all installment sales, conditional sales and capital lease obligations incurred or assumed by any Member of the Obligated Group, and (iii) all Guaranties, whether constituting Long-Term

Indebtedness or Short-Term Indebtedness. Indebtedness shall not include obligations of any Member of the Obligated Group to another Member of the Obligated Group.

"Insurance Consultant" means a firm or Person which is not, and no member, stockholder, director, trustee, officer or employee of which is, an officer, director, trustee or employee of any Member of the Obligated Group or an Affiliate, which is qualified to survey risks and to recommend insurance coverage for hospitals, health-related facilities and services and organizations engaged in such operations and which is selected by the 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.

"Lien" means any mortgage, deed of trust or pledge of, security interest in or encumbrance on any Property of any Member of the Obligated Group which secures any Indebtedness or any other obligation of any Member of the Obligated Group or which secures any obligation of any Person, other than an obligation to any Member of the Obligated Group.

"Long-Term Debt Service Coverage Ratio" means for any period of time the ratio determined by dividing Income Available for Debt Service by Maximum Annual Debt Service.

"Long-Term Debt Service Requirement" means, for any period of twelve (12) consecutive calendar months for which such determination is made, the aggregate of the payments to be made in respect of principal and interest (whether or not separately stated) on Outstanding Long-Term Indebtedness of the Obligated Group during such period, but in so doing 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 [x] the rate borne by such Indebtedness on the date calculated, or [y] if Variable Rate Indebtedness, at an interest rate determined in accordance with the definition thereof, 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, a standby bond purchase agreement, or surety bond issued by, or an irrevocable line of credit with, a financial institution rated at least "A" by Moodys, 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 Bests 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, standby bond purchase agreement, surety bond, line of credit or insurance policy or pursuant to the repayment provisions of such letter of credit, standby bond purchase agreement, 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) (A) 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), (B) with respect to new Variable Rate

Indebtedness (and the incurrence thereof) of proposed tax-exempt debt, the interest rate for such Indebtedness for the initial calculation period should be equal to the average rate for the most recent ten (10) years (or such lesser period of which data are available but not less than five (5) years) of the Securities Industry and Financial Markets Association ("SIFMA") Tax Exempt Index of maturities most closely corresponding to, but within seven (7) days of, the interest rate period applicable to or proposed for the Variable Rate Indebtedness at the time such calculation is made or any successor or similar index chosen by the Obligated Group Representative; provided that such successor or similar index shall be reasonably acceptable to all Related Bond Issuers and all Related Credit Facility Issuers, and in the event that there is no SIFMA Tax-Exempt Index or no acceptable substitute index, the assumed rate will be the Bond Buyer 25 Revenue Bond Index; and (C) with respect to new Variable Rate Indebtedness (and the incurrence thereof) of proposed taxable debt, the interest rate for such Indebtedness for the initial calculation period shall be equal to the prime rate of the Master Trustee for the most recent twelve (12) month period.

(iii) with respect to any Credit Facility, to the extent that such Credit Facility has either (A) not been used or drawn upon, or (B) if drawn upon, to the extent that it has been reinstated, 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, the principal and interest relating to the Indebtedness which is guaranteed shall be included 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 specifying that the Derivative Agreement relates to all or a portion of such Indebtedness, which certificate 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, and (y) the amount of interest payable by such Member of the Obligated Group under the Derivative Agreement, and subtracting (z) the amount of interest payable to the Member of the Obligated Group by the counterparty of the Derivative Agreement at the rate specified in the Derivative Agreement; provided that (1) any Derivative Extraordinary Payment payable by a Member of the Obligated Group shall not constitute Long-Term Indebtedness; and (2) any interest bearing a variable rate of interest on either the underlying Indebtedness or under the Derivative Agreement shall be calculated in accordance with the requirements for Variable Rate Indebtedness set forth in clause (ii) hereof and provided, further, 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 in the manner described in paragraph (v) above 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 provided that (1) any Derivative Extraordinary Payment payable by a Member of the Obligated Group shall not constitute Long-Term Indebtedness; and (2) any interest bearing a variable rate of interest on the Derivative Agreement shall be calculated in accordance with the requirements for Variable Rate Indebtedness set forth in clause (ii) hereof and provided, further, that to the extent that the counterparty of any Derivative Agreement is in default thereunder, the amount of interest payable by the Member of the Obligated Group shall be the interest calculated as if such Derivative Agreement had not been executed; and

(vii) with respect to Escrowed Interest and Escrowed Principal, such Escrowed Interest and Escrowed Principal shall be excluded from the determination of Long-Term Debt Service Requirement; and 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 in connection with the calculation of Long-Term Debt Service Requirement.

"Long-Term Indebtedness" means all Indebtedness (other than Indebtedness for which the timely payment of the principal of and interest on which has been provided for from the deposit of Defeasance Obligations) having a maturity longer than one year incurred or assumed by any Member of the Obligated Group, including without duplication:

(i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one year;

(ii) leases which are required to be capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year;

(iii) installment sale or conditional sale contracts having an original term in excess of one year;

(iv) Short-Term Indebtedness if a commitment by a financial lender exists to provide financing to retire such Short-Term Indebtedness and such commitment provides for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness; and

(v) the current portion of Long-Term Indebtedness.

"Master Indenture" means the Master Trust Indenture, including any amendments, modifications, or supplements thereto and/or restatements thereof.

"Master Trustee" means the Person identified as Master Trustee in the first paragraph of the Master Indenture, and its successors in the trusts created under the Master Indenture.

"Maximum Annual Debt Service" means, except as set forth in the next sentence, the highest Long-Term Debt Service Requirement for the current or any succeeding Fiscal Year. In calculating the Maximum Annual Debt Service for any Indebtedness that is incurred for the construction or completion of a Capital Addition, during the construction or completion of the Capital Addition, the Maximum Annual Debt Service for such Indebtedness means the scheduled principal and interest payments on such Indebtedness during the then-current Fiscal Year; and (ii) commencing with the Fiscal Year following completion of the Capital Addition, Maximum Annual Debt Service for such Indebtedness means the highest scheduled principal and interest payments on such Indebtedness during the then-current or any succeeding Fiscal Year.

"Member of the Obligated Group" or "Member" means Orange Regional Medical Center and any other Person becoming a Member of the Obligated Group pursuant to Section 3.11 hereof.

"Moodys" means Moodys Investors Service, 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, "Moodys" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by notice to the Master Trustee.

"Mortgage" means a mortgage by and between a Member and the Master Trustee which secures one or more Covered Obligations.

"Mortgaged Property" means any and all Property, whether real, personal or mixed, and all rights and interest in and to the Property, which is subject to the liens and security interests created under a Mortgage.

"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 at the time of reference.

"Obligated Group Representative" shall mean Orange Regional Medical Center or its successor.

"Obligation" means the evidence of particular Indebtedness issued under the Master Indenture as a joint and several obligation of each Member of the Obligated Group authenticated pursuant to Section 2.04 hereof or a Derivative Agreement which is authenticated as an Obligation pursuant to Section 2.07 hereof.

"Officer's Certificate" means a certificate signed by the Authorized Representative of a Member of the Obligated Group or the Obligated Group Representative as the context requires. Each Officer's Certificate presented pursuant to the Master Indenture shall identify the section or subsection of the Master Indenture pursuant to which it is being delivered, and shall incorporate by reference and use in all appropriate instances all terms defined in, the Master Indenture.

"Operating Assets" means any or all land, leasehold interests, buildings, machinery, equipment, hardware, inventory and other tangible and intangible Property owned or operated by a Member of the Obligated Group and used in its respective trade or business, whether separately or together with other such assets, but not including cash, investment securities, unimproved real property and other Property held for investment purposes.

"Operating Expense" means the sum of total expenses, minus depreciation, amortization and other non-cash expenses, for the applicable Fiscal Year or twelve-month period for which such calculation is to be made, all as determined in accordance with generally accepted accounting principles.

"Opinion of Bond Counsel" means an opinion in writing signed by an attorney or firm of attorneys experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds and who is acceptable to the Master Trustee and each Related Bond Issuer.

"Opinion of Counsel" means an opinion in writing signed by an attorney or firm of attorneys, acceptable to the Master Trustee, who may be counsel for the Obligated Group Representative or any Member of the Obligated Group or other counsel acceptable to the Master Trustee.

"Outstanding" means, as of any date of determination, subject to the provisions of Section 8.02 hereof, (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 or no longer outstanding under the documents pursuant to which such Indebtedness was incurred.

"Partial Release Counterparty" has the meaning given in Section 3.14 hereof.

"Partial Mortgage Release Master Trustee Documents" has the meaning given in Section 3.14 hereof.

"Partial Release Parcel" has the meaning given in Section 3.14 hereof.

"Permitted Liens" has the meaning given in Section 3.05 hereof.

"Permitted Partial Mortgage Release" has 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.

"Property" means any and all rights, titles and interests in and to any and all property whether real or personal, tangible or intangible and wherever situated.

"Property, Plant and Equipment" means all Property of the Members of the Obligated Group which is property, plant and equipment under generally accepted accounting principles.

"Regulatory Agreement" means the Regulatory Agreement between the Initial Member and the New York State Department of Health dated as of May 7, 2008, as the same may be amended, modified, supplemented, or restated from time to time.

"Related Bond Indenture" means any indenture, bond resolution or other comparable instrument pursuant to which a series of Related Bonds is issued.

"Related Bond Issuer" means the issuer of any issue of Related Bonds, including without limitation, the Authority.

"Related Bonds" means the revenue bonds or other obligations issued by a Member or 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, pursuant to a Related Bond Indenture, the proceeds of which were or are loaned or otherwise made

available to a Member of the Obligated Group and which are secured by an Obligation executed, authenticated and delivered to or for the order of such Related Bond Issuer.

"Related Bond Trustee" means the trustee and its successors in the trusts created under any Related Bond Indenture.

"Related Credit Facility" means a credit facility, issued by a Related Credit Facility Issuer, which serves as credit enhancement or credit enhancement and liquidity for Related Bonds.

"Related Credit Facility Default" means with respect to a Related Credit Facility any of the following: (a) there shall occur a default in the payment of principal of or any interest on any Related Bond or purchase price thereof by the Related Credit Facility Issuer when required to be made under the terms of the Related Credit Facility, (b) the Related Credit Facility shall have been declared null and void or unenforceable in a final determination by a court of law of competent jurisdiction or (c) the Related Credit Facility Issuer shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of such Related Credit Facility Issuer or for any substantial part of its property, or shall make a general assignment for the benefit of creditors.

"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, 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 or otherwise providing funds to a Member of the Obligated Group for which an Obligation is issued to secure repayment of such funds.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw Hill Companies 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, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by notice to the Master Trustee.

"Short-Term Indebtedness" means all Indebtedness that is not Long-Term Indebtedness, incurred or assumed by any Member of the Obligated Group.

"State" means the State of New York and its municipal and political subdivisions and any authorized agency, authority or public benefit corporation thereof.

"Subordinated Debt" means Indebtedness the payment of which is evidenced by instruments, or issued under an indenture or other document, containing specific provisions subordinating such Indebtedness to the Obligations, including following any event of insolvency by the debtor or following acceleration of such Indebtedness.

"Supplement" means an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Indenture.

"Tax-Exempt Organization" means a Person organized under the laws of the United States of America or any state or territory thereof which is (i) an organization described in Section 501(c)(3) of the

Code or is treated as an organization described in Section 501(c)(3) of the Code, and (ii) exempt from federal income taxes under Section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

"Total Operating Revenues" means, with respect to the Obligated Group, as to any period of time, total operating revenues less all deductions from revenues, as determined in accordance with generally accepted accounting principles consistently applied.

"Transfer" means any act or occurrence the result of which is to dispossess any Person of any asset or interest therein, or to relieve such Person from any liability other than by the payment thereof by such Person, 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 1.01)*

**Amount of Indebtedness**

Subject to the terms, limitations and conditions established in the Master Indenture, each Member of the Obligated Group may incur Indebtedness by issuing Obligations 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. Any Member of the Obligated Group proposing to incur Indebtedness, whether evidenced by Obligations issued or by evidences of indebtedness issued or guaranties entered into pursuant to documents other than the Master Indenture, shall, at least fifteen (15) days prior to the date of the incurrence of such Indebtedness, give written notice of its intention to incur such Indebtedness, including in such notice the amount of Indebtedness to be incurred and the Subsection of Section 3.06 hereof under which it will be incurred, to any Related Credit Facility Issuer, any Related Bond Issuer for so long as Related Bonds of such Related Bond Issuer are Outstanding, and to the Master Trustee and any Member of the Obligated Group proposing to incur such Indebtedness shall obtain the written consent of the Obligated Group Representative, which consent shall be evidenced by a resolution of the Obligated Group Representatives Governing Body filed with the Master Trustee. Each Member of the Obligated Group is jointly and severally liable for each and every Obligation issued hereunder.

*(Section 2.01)*

**Security, Restrictions on Encumbering Property; Payment of Principal and Interest**

(a) Any Obligation issued pursuant to the Master Indenture shall be a joint and several general obligation of each Member of the Obligated Group. To secure the prompt payment of the principal of, redemption premium, if any, and the interest on the Obligations and the performance by each Member of the Obligated Group of its other obligations hereunder, each Member of the Obligated Group hereby pledges, assigns and grants 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.

(b) If any Event of Default 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 the 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 the receipt of a request from the Master Trustee pursuant to Section 4.03(b) of the 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 the 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.

(c) In addition to the preceding paragraph, upon an Event of Default, 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.

(d) With respect to all Obligations issued, executed and delivered under the Master Indenture, there shall be delivered to the Master Trustee duly executed financing statements evidencing the security interests of the Master Trustee in the Gross Receipts 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.

(e) Each Member of the Obligated Group shall also execute and deliver to the Master Trustee from time to time such amendments or supplements to the Master Indenture as may be necessary or appropriate to include as security 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 be 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 the 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 the Master Indenture. In particular, each Member of the Obligated Group covenants that it will, at least thirty (30) days prior to the expiration of any financing statement, prepare and file such continuation statements of existing financing statements as shall, in the Opinion of Counsel, be necessary to continue the security interest created 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.

(f) 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.

(g) Each Obligation shall be a joint and several general obligation of each Member of the Obligated Group. Each Member of the Obligated Group covenants to promptly pay or cause to be paid the principal of, premium, if any, and interest on each Obligation issued pursuant to the Master Indenture at the place, on the dates and in the manner provided in the Master Indenture and in said Obligation according to the terms thereof whether at maturity, upon proceedings for redemption, by acceleration or otherwise.

(h) Each Member of the Obligated Group covenants that, if an Event of Default shall have occurred and be continuing, it will, upon notice of such Event of Default from 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 the Master Indenture.

(i) Covered Obligations in addition to being secured by a pledge of Gross Receipts as herein provided, shall be further secured by a Mortgage, as set forth and in accordance with the Supplement for such Obligation. The Master Trustee shall, after the application of the Gross Receipts in accordance with the provisions of the Master Indenture, apply the proceeds derived from the enforcement of any Mortgage in accordance with the provision of the Supplement pursuant to which the Covered Obligation was issued.

*(Section 3.01)*

**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 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 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 of the State of New York for as long as there are Related Bonds of the Authority 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 collectibility 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, other than any Liens (exclusive of the Obligations created and Outstanding hereunder) whose validity, amount or collectibility is being contested in good faith.

(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.

(h) So long as all amounts due or to become due on any Related Bond, the interest on which is exempt from federal or State income tax, have not been fully paid to the holder thereof, it shall not take any action or suffer any action to be taken by others, or fail to take any action which action or failure, in the Opinion of Bond Counsel, would result in such interest becoming included in the gross income of the holder thereof for federal or State income tax purposes.

*(Section 3.02)*

**Insurance**

(a) 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 and to satisfy any insurance requirements imposed upon such Member in connection with the issuance of an Obligation.

(b) 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) and shall furnish a copy of the Insurance Consultant's report and recommendations to the Master Trustee, each Related Credit Facility Issuer and to the Authority (for so long as there are Related Bonds of the Authority Outstanding). 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 applicable 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. In its report and recommendations, the Insurance Consultant shall take into consideration whether the recommended insurance affords either the coverage available for the risk being insured against in an amount and 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. Notwithstanding the foregoing, each Member of the Obligated Group shall have the right, without giving rise to an Event of

Default solely on such account, to (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) adopt, establish or participate in alternative risk management programs, 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, or to take advantage of state or federal laws now or hereafter in existence limiting medical and malpractice liability; all as may be approved by the Insurance Consultant as reasonable and appropriate risk management by the Obligated Group; provided, however, that no Member may self-insure in whole or in part individually or in connection with other institutions, for property loss or other damage to the Mortgaged Property. If any Member of the Obligated Group shall be self-insured for any coverage or participate in the programs of captive insurance companies, the report of the Insurance Consultant shall state whether the anticipated funding of any self-insurance fund or captive insurance companies 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 3.03)*

**Insurance and Condemnation Proceeds**

Except as otherwise provided in a Supplement or a Related Bond Indenture, insurance proceeds and condemnation awards shall be applied in the following manner:

(a) Except as may otherwise be set forth in a Supplement, amounts received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss or as condemnation awards that do not exceed ten percent (10%) 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) Amounts received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss or as condemnation awards that exceed ten percent (10%) 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 (in the case of replacement, with 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 and within twelve (12) months after the casualty loss or taking, delivers to the Master Trustee:

(c) (A) an Officer's Certificate of the Obligated Group Representative certifying the forecasted Long-Term Debt Service Coverage Ratio for each of the two (2) 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 eighty percent (80%) of what it was in the Fiscal Year preceding such casualty or condemnation and is not less than 1.20 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 twenty percent (20%) of the Book Value of the Property, Plant and Equipment of the Obligated Group, a written report of a Consultant confirming such certification; or

(d) a written report of a Consultant stating the Consultants recommendations, including recommendations as to the use of such proceeds or awards, to cause the Long-Term Debt Service Coverage Ratio for each of the periods described in subsection (b)(i) of this Section to be not less than 1.10, or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest practicable level, but not less than 1.00; and an Officer's Certificate of the Obligated Group Representative certifying that the recipient will, subject to the Regulatory Agreement, use such proceeds in accordance with the recommendations contained in the Consultants report.

(e) Each Member of the Obligated Group agrees that it will use such proceeds or awards, to the extent permitted by law and the applicable Mortgage, if any, only in accordance with the assumptions described in subsection (c), or the recommendations described in subsection (d), of this Section. To the extent that such proceeds or awards relate to bond-financed property under the Code, then the Member must ensure that its use of such proceeds or awards does not result in the interest on any Related Bond becoming included in the gross income of the holder thereof for federal or State income tax purposes; provided further, that the Member must obtain an Opinion of Bond Counsel to this effect.

*(Section 3.04)*

**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, including, but not limited to, grant or subsidy made available to a Member of the Obligated Group, or to enable any Member of the Obligated Group to maintain self-insurance subject to Section 3.03 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 ninety (90) days; and (C) easements, rights-of-way, servitudes, survey exceptions, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof.

(v) Any Lien which is existing on the date of authentication and delivery of the initial Obligation issued under the Master Indenture and is set forth on Schedule A attached thereto, 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 Lien 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) 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; bankers liens or rights of setoff; or liens securing direct pay or standby letters of credit, standby bond purchase agreements, lines of credit or other liquidity or credit enhancement that provides liquidity or credit enhancement for Indebtedness otherwise permitted hereunder;

(x) Any Lien on the proceeds of insurance insuring assets that are subject to a lease from a third-party owner or lessor of such assets;

(xi) 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;

(xii) Any Lien securing all Obligations on a parity basis, including the Lien created by the Master Indenture on Gross Receipts;

(xiii) 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 and any rights of residents of life care, elderly housing or similar facilities to entrance fees, endowment or similar funds deposited by or on behalf of such residents;

(xiv) Operating leases or ground leases of five years or less whereunder any Member of the Obligated Group is the lessor; or any license or other use agreement made with respect to Property where revenues generated inure to the benefit of any Member of the Obligated Group;

(xv) Liens on Property received by any Member of the Obligated Group through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(xvi) Any lien on money (or the investment made with such money) held in any depreciation reserve, debt service reserve, construction, debt service or similar fund and granted by a Member of the Obligated Group to secure payment of Indebtedness (including any commitment for Indebtedness, whether or not then drawn upon), and any lien on money (or the investment made with such money) held in any escrow or similar fund to defease Indebtedness;

(xvii) Liens on Property due to rights of third-party payors for recoupment of amounts paid to any Member of the Obligated Group;

(xviii) Any Mortgage;

(xix) Any Lien on (A) Excluded Property or (B) any Health Care Facility not encumbered or intended to be encumbered by a first lien mortgage or first priority security interest to secure any issue of Related Bonds; or (C) a subordinate lien on any Health Care Facility, provided that the subordinate lienholder cannot accelerate the Indebtedness secured by such Lien, or foreclose on such Lien, unless the Master Trustee does likewise;

(xx) Any Lien on Property including fixtures and equipment which secures Indebtedness (which may include conditional sale, equipment trust, lease or other title retention agreements in connection with the acquisition thereof and purchase money security interests therein) that does not exceed in aggregate twenty percent (20%) of Total Operating Revenues as reflected in the most recent Audited Financial Statements.

*(Section 3.05)*

**Limitations on Indebtedness**

Each Member of the Obligated Group covenants and agrees that it will not incur any Additional Indebtedness if, after giving effect to all other Indebtedness incurred by the Obligated Group, such Indebtedness could not be incurred pursuant to any one of subsections (a) to (g) inclusive, of this Section 3.06. Any Indebtedness may be incurred only in the manner and pursuant to the terms set forth in such subsections. Each Member of the Obligated Group further covenants and agrees that it will not incur any Additional Indebtedness without the written consent of the Obligated Group Representative, as evidenced by an Officer's Certificate to be delivered to the Master Trustee prior to the incurrence of such Additional Indebtedness in accordance with the requirements of Section 2.01 hereof.

(a) Long-Term Indebtedness (including Obligations secured on a parity with existing Obligations) may be incurred, without limit on the amount provided 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 twenty percent (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 Historic Audit Period, 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) An Officer's Certificate of the Obligated Group Representative demonstrating that (A) the Long-Term Debt Service Coverage Ratio for the Historic Audit Period, excluding the proposed Long-Term Indebtedness, is at least 1.10 and (B) the forecasted Long-Term Debt Service Coverage Ratio is not less than 1.10 for each of the two full Fiscal Years succeeding the date on which the Indebtedness is incurred or guaranteed, 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 if the report of a Consultant states that Governmental Restrictions or Regulatory Agreement 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 Restriction or Regulatory Agreement restriction, as applicable, 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 as follows: (i) if prior to the incurrence of such Long-Term Indebtedness and if the Long-Term Indebtedness to be incurred does not constitute Cross-over Refunding Indebtedness, there is delivered to the Master Trustee (A) an Officer's Certificate of the Obligated Group Representative demonstrating that Maximum Annual Debt Service on the refunding Long-Term Indebtedness will not be more than ten percent (10%) greater than Maximum Annual Debt Service on the refunded Long-Term Indebtedness, 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 refunding Long-Term Indebtedness and application of the proceeds thereof, the Outstanding Long-Term Indebtedness to be refunded thereby will no longer be Outstanding; or (ii) if the Indebtedness proposed to be issued is Cross-over Refunding Indebtedness, there is delivered to the Master Trustee a certificate of the 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 ten percent (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 twenty percent (20%) 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 thirty (30) consecutive calendar days during each period of twelve (12) consecutive calendar months for which Audited Financial Statements are available during which Short-Term Indebtedness shall not exceed five percent (5%) of Total Operating Revenues; and provided further that failure to reduce Short-Term Indebtedness to less than five percent (5%) of Total Operating Revenues for each such thirty-day period shall not constitute an Event of Default so long as such Short-Term Indebtedness in excess of such five percent (5%) could qualify as permitted Long-Term Indebtedness pursuant to the provisions of Section 3.06(a) except as to maturity.

(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 (including Obligations secured on a parity with existing Obligations) may be incurred for the purpose of financing the completion of the acquisition or construction of a Capital Addition with respect to which Indebtedness has theretofore been incurred, provided there shall be delivered to the Master Trustee (i) a certificate of the 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 architects or licensed engineers 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) Balloon Indebtedness may be incurred if the conditions set forth in subsection (a) or (b) above for the incurrence of Long-Term Indebtedness are satisfied, assuming such Balloon Indebtedness is amortized in accordance with the applicable provisions of the definition of "Long-Term Debt Service Requirement" contained in Section 1.01 hereof.

(i) Variable Rate Indebtedness may be incurred if the conditions for incurrence of Long-Term Indebtedness set forth in subsection (a) or (b) above are met assuming such Variable Rate Indebtedness bears interest in accordance with the applicable provisions of the definition of "Long-Term Debt Service Requirement" contained in Section 1.01 hereof.

(j) Indebtedness incurred pursuant to any subsection of this Section 3.06 may be reclassified as Indebtedness incurred pursuant to any other of such subsection if the tests set forth in the subsection to which such Indebtedness is to be reclassified are met at the time of such reclassification.

(k) 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.

(l) 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 seventy-five percent (75%) of the three (3) month average outstanding accounts receivable of the Obligated Group that are one hundred and twenty (120) days old or less as calculated in accordance with generally accepted accounting principles. The three (3) month average shall be calculated based on the month end available balances for the three (3) full calendar months immediately preceding the date on which such accounts receivable are sold, pledged, assigned or otherwise disposed or encumbered.

*(Section 3.06)*

**Long-Term Debt Service Coverage Ratio/Days Cash on Hand**

(m) Long-Term Debt Service Coverage Ratio. The Members of the Obligated Group covenant to set rates and charges for their facilities, services and products such that the Long-Term Debt Service Coverage Ratio, calculated at the end of each Fiscal Year, will not be less than 1.10 for such Fiscal Year.

(n) Days Cash on Hand. The Obligated Group covenants that the number of Days Cash On Hand of the Obligated Group shall not be less than thirty (30) days. The Days Cash On Hand for the Obligated Group shall be calculated semi-annually as of June 30 and December 31, based upon the unaudited statements of the Obligated Group with respect to the June 30 calculation and the audited financial statements of the Obligated Group as of December 31. The Obligated Group Representative shall deliver or cause there to be delivered an Officer's Certificate to the Master Trustee and each Related Credit Facility Issuer and, so long as any Related Bonds of the Authority remain Outstanding, the Authority, certifying to the number of Days Cash on Hand so calculated and certifying that the Obligated Group is in compliance with the covenant in the preceding sentence. Such certificate shall be delivered no later than August 15, with respect to the June 30 calculation, and on the date the Audited Financial Statements are delivered pursuant to Section 3.10 with respect to the December 31 calculation date.

(o) The Obligated Group Representative shall deliver an Officer's Certificate at the time it delivers its Audited Financial Statements following the end of each Fiscal Year to the Master Trustee, each Related Credit Facility Issuer, and so long as any Related Bonds are Outstanding, each Related Bond Issuer, certifying as to the compliance with the Long-Term Debt Service Coverage Ratio required by subsection (a) and Days Cash On Hand required by subsection (b) hereof. If at any time the Long-Term Debt Service Coverage Ratio required by subsection (a) hereof or Days Cash On Hand required by subsection (b) hereof, as set forth in the Officer's Certificate, is not met, the Obligated Group covenants to retain a Consultant within thirty (30) days of the delivery of the aforementioned Officer's Certificate to make recommendations to increase such Long-Term Debt Service Coverage Ratio or Days Cash On Hand 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; provided, however, that the Obligated Group shall not be required to retain a Consultant to make recommendations pursuant to this subsection (c) more frequently than biennially. Any Consultant so retained shall be required to submit such recommendations within sixty (60) days after being so retained. Each Member whose operations and management are the subject of recommendations made in such report shall promptly implement such recommendations in accordance with Governmental Restrictions and the Regulatory Agreement, and within thirty (30) days of receipt of such Consultants report, each such Member shall deliver to the Master Trustee, and so long as Related Bonds of the Authority are Outstanding, the Authority, and each Related Credit Facility Issuer:

(i) a certified copy of a resolution adopted by the Governing Body of the Member accepting such report and agreeing to implement the recommendations, if any, of such Consultant; and

(ii) a report setting forth in reasonable detail the steps the Member proposes to take in order to implement the recommendations of such Consultant and achieve compliance with the requirements of paragraphs (a) and (b) above.

(p) Each such Member shall deliver to the Master Trustee, each Related Credit Facility Issuer, and so long as Related Bonds of the Authority are Outstanding, the Authority such periodic reports, not less often than quarterly, as the Master Trustee may reasonably request, showing the progress made by the Member in implementing the recommendations set forth in such Consultants report.

(q) The Obligated Group shall be deemed in compliance with paragraphs (a) and (b) above irrespective of whether the Long-Term Debt Service Coverage Ratio for the Obligated Group is less than 1.10 or the Days Cash On Hand is less than thirty (30), so long as the Obligated Group has complied with the requirements of paragraph (c) above and is, subject to Governmental Restrictions and the Regulatory Agreement, following the recommendations, if any, of the Consultant. Notwithstanding the preceding sentence, if the Long-Term Debt Service Coverage Ratio for the Obligated Group is less than 1.00, the Obligated Group shall not be in compliance with paragraph (a) above.

*(Section 3.07)*

**Sale, Lease or Other Disposition of Operating Assets; Disposition of Cash and Investments; Unsecured Loans to Non-Members; Sale of Accounts**

(a) Each Member of the Obligated Group agrees that it will not Transfer Property in any Fiscal Year (or other 12-month period for which Audited Financial Statements are available) except, provided no Event of Default has occurred and is continuing, 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 if the Property Transferred is considered Operating Assets and provided there shall be delivered to the Master Trustee prior to such Transfer an Officer's Certificate certifying that (A) the Obligated Group is in compliance with Section 3.07 hereof and that if such Transfer had occurred at the beginning of the Historic Audit Period the conditions described in Section 3.06(a)(i)(B) or 3.06(a)(ii) hereof would have been satisfied for the incurrence of one dollar ($1.00) of Additional Indebtedness after the revenues and expenses derived from the Operating Assets proposed to be disposed of are excluded, or (B) in the event that Indebtedness is to be retired, redeemed or an Escrowed Interest Deposit and an Escrowed Principal Deposit are to be made to pay such Indebtedness as a result of such sale, lease or disposition, immediately after such Indebtedness is retired, redeemed or such Escrowed Interest Deposit and Escrowed Principal Deposit are made, but in no event, not more than ninety days after such sale, lease or disposition, the conditions for the incurrence of one dollar of ($1.00) of Additional Indebtedness would be met.

(iv) To any Person if the Property Transferred is considered Operating Assets and the aggregate Book Value of the Property that is transferred pursuant to this subsection (iv) in the current Fiscal Year does not exceed five percent (5%) of the Book Value of the Property of the Obligated Group as shown in the Audited Financial Statements for the most recent Fiscal Year.

(v) To any Person if the Property Transferred pursuant to this subsection (v) was transferred in the ordinary course of business, and at fair market value or on fair and reasonable terms, no less favorable to the Member of the Obligated Group, which could have been attained in a comparable arms-length transaction; provided, 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 becomes a Member of the Obligated Group pursuant to the Master Indenture, without limit.

(b) Each Member of the Obligated Group may Transfer cash or investments in securities that in any twelve (12) month period preceding the Transfer and that give effect to it do not exceed fifteen percent (15%) of the Obligated Group's cash or investments in securities as of the date of such Transfer; provided, however, that after giving effect to such Transfer, cash and investments in securities shall be not less than thirty (30) Days Cash On Hand for such twelve (12) month period. For purposes of this subsection (b) cash and investments in securities shall be determined and valued in accordance with accounting procedures and generally accepted accounting principles applied in the most recent Audited Financial Statements of the Obligated Group. Unsecured loans to Persons other than Members of the Obligated Group (excluding loans to physician groups to support recruitment efforts) shall be treated as Transfers of cash. Notwithstanding the foregoing, (A) assets may always be shifted among cash, marketable securities and other liquid investments; and (B) Members of the Obligated Group may purchase Operating Assets and purchase or sell securities without limitation, provided that any purchase of an Operating Asset shall be for not more, and any sale of a security shall be for not less, than its fair market value.

(c) Any Member of the Obligated Group may sublease or license the use of its property pursuant to a residents agreement or for use in performing services necessary for use of such Members facilities for health care and related purposes in accordance with customary practices in the industry.

(d) 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.

Notwithstanding anything herein to the contrary, the provisions of this Section 3.08 shall not apply with respect to the termination of the lease by the Initial Member of, and discontinue of its operations at, the Arden Hill and Horton Campuses after the date that the Initial Member occupies, as its primary hospital facility, the replacement hospital facility that is to be constructed in Wallkill, New York.

*(Section 3.08)*

**Consolidation; Merger; Sale or Conveyance**

(a) Each Member of the Obligated Group covenants that it will not merge or consolidate with, or sell or convey all or substantially all of its assets to, any Person unless:

(i) Either a Member of the Obligated Group will be the successor corporation, or if the successor corporation is not a Member of the Obligated Group, such successor corporation shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such successor corporation to assume the due and punctual payment of the principal of, premium, if any, and interest on all Outstanding Obligations issued under the Master Indenture according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Master Indenture and any Supplement thereto; and

(ii) If all amounts due or to become due on any Related Bond which bears interest which is not includable in the gross income of the recipient thereof under the Code have not been fully paid to the holder thereof, there shall have been delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on any date of the delivery of such Related Bond, would not adversely affect the exclusion of interest payable on such Related Bond from the gross income of the holder thereof for purposes of federal income taxation; and

(iii) 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 or conveyance of assets had occurred at the beginning of the Historic Audit Period, the conditions described in Section 3.06(a)(i)(B) or Section 3.06(a)(ii) hereof would have been satisfied for the incurrence of one dollar ($1.00) of Additional Indebtedness on the date of such Officer's Certificate, (B) 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 or the satisfaction of any condition contained in the Master Indenture and (C) the unrestricted and temporarily restricted net assets of the successor corporation is not less than 80% of the unrestricted and temporarily restricted net assets of the predecessor corporation prior to the consolidation, merger, sale or conveyance.

(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, with all rights of such predecessor, including the right, subject to all the terms, conditions and limitations in the Master Indenture prescribed, to have the Obligated Group issue Obligations on its behalf, and the Master Trustee shall authenticate and shall deliver such Obligations signed and delivered to the Master Trustee by the Obligated Group Representative. All Outstanding Obligations so issued by such successor corporation hereunder shall in all respects have the same security position and benefit under the Master Indenture as Outstanding Obligations theretofore or thereafter issued in accordance with the terms of the Master Indenture as though all of such Obligations had been issued 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 the Master Indenture as may be appropriate.

(d) In the event that the Officer's Certificate described in subparagraph (a)(iii) 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.

(f) All references herein to successor corporations shall be deemed to include the surviving corporation in a merger.

*(Section 3.09)*

**Filing of Audited Financial Statements; Certificate of No Default; Other Information**

The Obligated Group covenants that it will:

(a) No later than forty-five (45) days subsequent to the last day of each of the first three quarters in each Fiscal Year and not later than sixty (60) days subsequent to the last day of the fourth quarter in each Fiscal Year, furnish to (1) the Master Trustee, (2) each Related Bond Issuer (so long as there are Related Bonds of such Related Bond Issuer Outstanding), (3) each Disclosure Dissemination Agent, (4) each Related Credit Facility Issuer, and (5) each Bondholder (as defined in the Related Bond Indenture) who has so requested, the following information: (A) the unaudited combined financial statements of the Obligated Group, including the balance sheet as of the end of such quarter, and as of the end of the prior Fiscal Year, the statement of operations, changes in net assets and cash flow for the quarter, and for the Fiscal Year to date and for the comparable prior year period; (B) utilization statistics of each Member of the Obligated Group, including certified beds, discharges, patient days, average length of stay, average percentage of occupancy (based on certified beds), emergency room visits, ambulatory surgery procedures and outpatient clinic visits; (C) major payor mix by percentage of inpatient discharges and payor; provided, however, that such utilization statistics may be modified if the Obligated Group Representative reasonably determines that such information no longer is useful in indicating the utilization of the Health Care Facilities or that other statistics would be more useful for that purpose; and

(b) Within fifteen (15) days after receipt of the Audited Financial Statements for a Fiscal Year but in no event later than one hundred fifty (150) days after the end of each Fiscal Year, file with the parties identified in clauses (1), (2), (3), (4) and (5) of the foregoing subsection (a), each Related Bond Trustee, and to such other parties as an authorized officer of a Related Bond Issuer may designate, including rating services, a copy of the Audited Financial Statements as of the end of such Fiscal Year, the utilization statistics set forth in clause (B) of the foregoing subsection (a) as of the end of such Fiscal Year, the major payor mix data set forth in clause (C) of the foregoing subsection (a) as of the end of such Fiscal Year, and such other statements, reports and schedules describing the finances, operation and management of each Member of the Obligated Group (or of the Obligated Group) reasonably required by an authorized officer of a Related Bond Issuer and each Related Credit Facility Issuer.

(c) Within fifteen (15) days after receipt of the Audited Financial Statements for a Fiscal Year, file with the Master Trustee, each Related Bond Issuer (so long as there are Related Bonds Outstanding), each Related Bond Trustee, each Related Credit Facility Issuer, and each Bondholder (as defined in the Related Bond Indenture) who may have so requested or on whose behalf the Master Trustee may have so requested, an Officer's Certificate stating (i) whether, to the best knowledge of the

signer, any Member of the Obligated Group is in default in the performance of any covenant contained in the Master Indenture, a Related Loan Agreement, or a Mortgage, and, if so, specifying each such default of which the signer may have knowledge, and (ii) the Long-Term Debt Service Coverage Ratio and Days Cash on Hand for such Fiscal Year.

(d) If an Event of Default shall have occurred and be continuing, (i) file with the Master Trustee, each Related Credit Facility Issuer and each Related Bond Issuer (so long as there are Related Bonds Outstanding) such other financial statements and information concerning its operations and financial affairs (or those of any Member or any Affiliate) 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.

(e) Within thirty (30) days after its receipt thereof, file with the Master Trustee, each Related Credit Facility Issuer and the Authority (so long as there are Related Bonds of the Authority Outstanding) a copy of each report which any provision of the Master Indenture requires to be prepared by a Consultant or an Insurance Consultant.

*(Section 3.10)*

**Parties Becoming Members of the Obligated Group**

Persons which are not Members of the Obligated Group may, with the prior written consent of the 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 the Master Indenture and any Supplements and thereby become subject to compliance with all provisions of the 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, and thereunder, (ii) to adopt the same Fiscal Year as that of the Members of the Obligated Group, and (iii) unconditionally and irrevocably to guarantee to the Master Trustee and each other Member of the Obligated Group payment of all Obligations issued and then Outstanding or to be issued and Outstanding hereunder in accordance with the terms thereof and of the Master Indenture when due.

(b) Each instrument executed and delivered to the Master Trustee in accordance with subsection (a) of this Section shall be accompanied by an Opinion of Counsel, addressed to and satisfactory to the Master Trustee, 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; constitutes a valid and binding obligation of such Person enforceable against such Person 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, each Related Bond Issuer and each Related Credit Facility Issuer; and is authorized and complies with all Governmental Restrictions and the provisions of the Master Indenture and any agreements or other documents relating to the Master Indenture, the Obligations or the Related Bonds.

(c) If all amounts due or to become 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 filed with the Master Trustee, (i) an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that, under then existing law, the consummation of such transaction would not adversely affect the exclusion of the interest on any such Related Bond from the gross income of the holder thereof for purposes of federal income taxation and (ii) an Opinion of Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not require the registration of any Obligations under the Securities Act of 1933, as amended or the Supplements under the Trust Indenture Act of 1939, as amended, or if such registration is required, that all applicable registration and qualification provisions of said acts have been complied with.

(d) An Officer's Certificate of the Obligated Group Representative shall be provided to the Master Trustee, each Related Credit Facility Issuer and the Authority (so long as any Related Bonds of the Authority are Outstanding) demonstrating that (i) the conditions described in Section 3.06(a)(i)(B) or 3.06(a)(ii) hereof would have been satisfied for the incurrence of one dollar ($1.00) of Additional Indebtedness, assuming that the Person which is becoming a Member of the Obligated Group had become a Member at the beginning of the Historic Audit Period and (ii) 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 or in the satisfaction of any condition contained in the 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.

*(Section 3.11)*

**Withdrawal from the Obligated Group**

(a) No Member of the Obligated Group may withdraw from the Obligated Group without the prior written consent of the Obligated Group Representative; provided further, that prior to the taking of such action, there is delivered to the Master Trustee:

(i) If all amounts due or to become 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, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law such Members withdrawal from the Obligated Group, whether or not contemplated on any date of delivery of any Related Bonds, would not cause the interest payable on such Related Bonds to become includable in the gross income of the recipient thereof under the Code;

(ii) The Obligated Group Representative shall have provided one of the following:

(A) An Officer's Certificate of the Obligated Group Representative demonstrating that assuming such withdrawal and any payment or extinguishment of Obligations to be made in connection therewith had occurred at the beginning of the Historic Audit Period taking all Long-Term Indebtedness incurred after the beginning of such period into account the conditions described in Section 3.06(a)(i)(B) or in Section 3.06(a)(ii) hereof would have been satisfied for the incurrence of one dollar ($1.00) of Additional Indebtedness; or

(B) receipt by the Master Trustee of (x) a Credit Facility for all Obligations of the Obligated Group or Related Bonds not already supported by a Credit Facility, and (y) 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 the rating applicable to such Related Bond or Obligation on the day prior to the effective date of such withdrawal;

(iii) an Opinion of Counsel, addressed and satisfactory to the Master Trustee, each Related Bond Issuer, and each Related Credit Facility Issuer to the effect that such withdrawal is authorized by and complies with all Governmental Restrictions and the provisions of the Master Indenture and any agreements or other documents relating to the Master Indenture, the Obligations or the Related Bonds; and

(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 or the satisfaction of any condition contained in the 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 thereto 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 Holders of any Obligations, and all liability of such Member of the Obligated Group with respect to all Obligations Outstanding under the Master Indenture shall cease.

For purposes of Section 3.12(b)(ii)(B), a Credit Facility must be irrevocable and 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 (unless the Credit Facility allows for the tender of the Related Bonds or Obligation prior to the stated expiration of the Credit Facility) and shall provide for payment in full of principal and interest on such Related Bond or Obligation when due.

*(Section 3.12)*

**Medicaid Account**

Commencing on the date of issuance of the initial Obligations under the Master Indenture, each Member of the Obligated Group which is reimbursed as health care provider pursuant to the Medicaid program (each, a "Medicaid Reimbursement Member") shall establish with the Master Trustee, as depositary, an account designated the "Medicaid Revenue Account." Each Medicaid Reimbursement Member shall cause there to be deposited in such Medicaid Revenue Account all Medicaid reimbursement whether received directly or as a payment from a health maintenance or other third-party organization and all reimbursement received with respect to any successor program to Medicaid the purpose of which is to provide substantially similar reimbursement coverage. Each Medicaid Reimbursement Member agrees that it will not establish any other account to receive such funds.

The Obligated Group Representative shall provide the Master Trustee, prior to January 1 of each year, and upon the issuance of any additional Obligations, a schedule ("Monthly Requirement Schedule") showing the estimated unfunded portion of debt service that is payable on all Indebtedness secured by Obligations outstanding under the Master Indenture (the "Monthly Requirement"). The Monthly Requirement Schedule, unless an Obligation otherwise provides, shall assume that (a) any principal payment due on Indebtedness secured by an Obligation shall be amortized in twelve equal monthly

installments; and (b) any variable rate interest Obligation shall bear interest at the maximum rate established for the prior twelve month period. For purposes of determining each Monthly Requirement, debt service is deemed not to be fully funded for a given month unless, at the time of determination, funds are on deposit in the Related Bond Indenture (or other comparable instrument pursuant to which the underlying Indebtedness secured by such Obligations are issued) to pay the estimated debt service on the Related Bonds secured by such Obligations for such month.

Beginning on the first day of each month that the Monthly Requirement Schedule shows that the Monthly Requirement is not fully funded, the Master Trustee shall retain all monies in the Medicaid Revenue Accounts until the aggregate amount on deposit in all such Medicaid Revenue Accounts, together with all other amounts paid by the Members of the Obligated Group under the Related Loan Agreement and Related Obligation in satisfaction of the Monthly Requirement, shall equal the Monthly Requirement for such month and transfer all funds in excess of the Monthly Requirement to the general funds of the Members of the Obligated Group. The Master Trustee shall then transfer the appropriate amount to the Holder of each Obligation in satisfaction of the payment requirement on any such Obligation then due. Notwithstanding the foregoing, in the event the Master Trustee shall receive notice of the occurrence of any Event of Default under subsections (a), (d), (e) or (f) of Section 4.01 hereof, all monies deposited to the Medicaid Revenue Accounts shall be transferred to the Gross Receipts Revenue Fund established under Section 4.03 hereof.

*(Section 3.13)*

**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 on any Obligations issued and Outstanding hereunder when and as the same shall become due and payable, whether at maturity, by proceedings for redemption, by acceleration or otherwise, in accordance with the terms thereof, of the Master Indenture or of any Supplement;

(b) Any Member of the Obligated Group shall fail duly to perform, observe or comply with any covenant or agreement on its part under the Master Indenture for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Members of the Obligated Group 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 twenty-five percent (25%) in aggregate principal amount of Obligations then Outstanding or by any Credit Facility Issuer, if any, with respect to an Obligation or Related Bonds; provided, however, that if said failure cannot be corrected within thirty (30) days after the receipt of such notice, it shall not constitute an Event of Default if corrective action is instituted within such 30-day period and diligently pursued until the Event of Default is corrected;

(c) 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 and the applicable period to cure such event of default, if any, shall have expired;

(d) (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 event of default such Indebtedness shall have been accelerated;

Provided, however, that failure to pay or other default pursuant to clauses (i) and (ii) of this Section 4.01(d) shall not constitute an Event of Default within the meaning of this Section if within 30 days of such failure to pay or acceleration (i) written notice is delivered to the Master Trustee, signed by the Obligated Group Representative, that a Member of the Obligated Group is contesting the payment or acceleration of such Indebtedness and (ii) within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Indebtedness is commenced, any Member of the Obligated Group in good faith shall commence proceedings to contest the obligation to pay such Indebtedness or the acceleration thereof and if a judgment relating to such Indebtedness has been entered against such Member of the Obligated Group (A) the execution of such judgment has been stayed or (B) sufficient moneys are escrowed with a bank or trust company for the payment of such Indebtedness;

(e) There is entered by a court having jurisdiction in the premises a decree or 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, trustee 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 any such decree or order continues unstayed and in effect for a period of ninety (90) consecutive days;

(f) Any Member of the Obligated Group institutes proceedings for an order for relief, or consents to an order for relief against it, or the filing by it of a petition or consent to a petition 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 4.01)*

**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 twenty-five percent (25%) in aggregate principal amount of Obligations Outstanding, or upon the request of a Related Credit Facility Issuer, or Related Credit Facility Issuers, if any, of not less than twenty-five percent (25%) in aggregate principal amount of Related Bonds that are secured by Obligations Outstanding, shall, by notice to the Members of the Obligated Group and the Obligated Group Representative 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 the 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 principal or redemption prices and all accrued and unpaid interest thereon 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 of the Master Indenture, then the Master Trustee may, and upon the written request of Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Obligations Outstanding or upon the request or consent of a Related Credit Facility Issuer, if any, with respect to any series of Related Bonds with respect to which the Event of Default has occurred, 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. The rights of any Related Credit Facility Issuer in this Section 4.02 apply only to the extent there is no Related Credit Facility Default by such Related Credit Facility Issuer and the full benefit of the Related Credit Facility remains available.

*(Section 4.02)*

**Additional Remedies and Enforcement of Remedies**

(a) Upon the occurrence and during the continuance of any Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Obligations Outstanding, or upon the request of a Related Credit Facility Issuer, or Related Credit Facility Issuers, if any, of not less than twenty-five percent (25%) in aggregate principal amount of Related Bonds that are secured by Obligations Outstanding, together with indemnification of the Master Trustee to its satisfaction therefore, 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) 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;

(vi) Exercise any rights the Master Trustee may have as a party under any Supplement; and

(vii) Enforcement of any other right of the Holders conferred by law or hereby.

(b) Upon the occurrence and during the continuance of an Event of Default pursuant to Section 4.01(a), the Master Trustee shall, and upon the occurrence and during the continuance of any other Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Obligations Outstanding, or upon the request of a Related Credit Facility Issuer, or Related Credit Facility Issuers, if any, of not less than twenty-five percent (25%) in aggregate principal amount of Related Bonds that are secured by Obligations Outstanding, shall, realize upon any security interest which the Master Trustee may have in Gross Receipts and shall request each Member of the Obligated Group to deliver or cause to be delivered its Gross Receipts to the Master Trustee and shall establish and maintain during the continuance of such Event of Default, a Gross Receipts Revenue Fund into which shall be deposited all such 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 in accordance with a budget approved by the Master Trustee, (ii) to the payment of the principal or redemption price of, and interest on all Obligations in accordance with their respective terms, and (iii) as may be required by the Master Indenture and any Supplement thereto. 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. The Gross Receipts Revenue Fund shall not be required to be maintained if the Event of Default has been remedied, or if the Event of Default has been waived pursuant to Section 4.09 hereof. Thereafter, upon receipt of an Officer's Certificate from the Obligated Group Representative, any amounts remaining in the Gross Receipts Revenue Fund shall be applied by the Master Trustee in accordance with such Officer's Certificate.

(c) In addition, with regard to Gross Receipts, the Master Trustee may, upon the occurrence and during the continuance of an Event of Default, 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 Members 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 collect, extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Gross Receipts, or release, wholly or partly, any person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; or (v) endorse in the name of the applicable Member any checks or other orders for the payment of money representing any unpaid assigned Gross Receipts or the proceeds thereof.

(d) Notwithstanding any other provision of the Master Indenture, the Master Trustee, shall not take and shall not be authorized to take, any action in violation of or contrary to any Governmental Restrictions, or which would cause it to be considered an operator of any Member of the Obligated Group so as to require the Master Trustee to receive Public Health Council establishment approval under Article 28 of the Public Health Law. The rights of any Related Credit Facility Issuer in this Section 4.03 apply only to the extent there is no Related Credit Facility Default by such Related Credit Facility Issuer and the full benefit of the Related Credit Facility remains available.

*(Section 4.03)*

**Application of Moneys During the Continuance of an Event of 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 reasonable and necessary operating expenses of the Obligated Group pursuant to 4.02(b)(i) and 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(b) 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 in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference;

Second: To the payment to the Persons entitled thereto of the unpaid principal installments of any Obligations which shall have become due, 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 of principal installments due on such date, to the Persons entitled thereto, without any discrimination or preference; and

Third: To the extent there exists a Related Credit Facility Issuer with respect to any series of Related Bonds, amounts owed to such Related Credit Facility Issuer by the Obligated Group and not otherwise paid under clauses First and Second above.

(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 over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest, 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 paragraph (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 paragraph (a) of this Section.

(d) 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.

(e) 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, a copy of which certificate shall be provided by the Obligated Group Representative to each Related Credit Facility Issuer prior to submission to the Master Trustee for the approval of each Related Credit Facility Issuer; provided, however, that the failure of a Related Credit Facility Issuer to object to such certificate shall be deemed to be the approval of such Related Credit Facility Issuer. Unless otherwise provided in the 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.

(f) 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 4.04)*

**Remedies Not Exclusive**

No remedy by the terms hereof conferred upon or reserved to the Master Trustee, the Related Credit Facility Issuers 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 4.05)*

**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 4.06)*

**Holders Control of Proceedings**

If an Event of Default shall have occurred and be continuing, the Holders of not less than a majority in aggregate principal amount of 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 (with the Master Trustee being permitted to rely upon an Opinion of Counsel pursuant to Section 5.02(d) hereof in making such a determination); provided, further, that the Related Credit Facility Issuers, if any, of not less than a majority in aggregate principal amount of Related Bonds that are secured by Obligations Outstanding, and not the Holders, shall have the right to control proceedings with respect thereto in the manner described in this Section. The rights of any Related Credit Facility Issuer in this Section 4.07 apply only to the extent there is no Related Credit Facility Default by such Related Credit Facility Issuer and the full benefit of the Related Credit Facility remains available.

*(Section 4.07)*

**Termination of Proceedings**

In case any proceeding taken by the Master Trustee on account of an Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Master Trustee or to 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 4.08)*

**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 prior written consent of the Related Credit Facility Issuer, if any, with respect to any Obligations or any series of Related Bonds with respect to which the Event of Default has occurred, 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 respect to any series of Related Bonds with respect to which the Event of Default has occurred, with the prior written consent of the Related Credit Facility Issuer, if any, 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. The rights of any Related Credit Facility Issuer in this Section 4.09 apply only to the extent there is no Related Credit Facility Default by such Related Credit Facility Issuer and the full benefit of the Related Credit Facility remains available.

*(Section 4.09)*

**Appointment of Receiver**

Upon the occurrence of any Event of Default described in Section 4.01(a), (e) or (f) 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 4.10)*

**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 4.11)*

**Notice of Default**

The Master Trustee shall, within ten (10) days after it has actual knowledge of the occurrence of an Event of Default, mail, by first class mail, to all Holders as the names and addresses of such Holders appear upon the books of the Master Trustee, and any Related Credit Facility Issuer, 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.

*(Section 4.12)*

**Termination of Related Credit Facility Issuer's Rights.**

Whenever by the terms of this Article IV the consent or approval of a Related Credit Facility Issuer is required or a Related Credit Facility Issuer, alone or together with any other Related Credit Facility Issuer or the Holders of Related Bonds, is authorized to request or direct the Master Trustee to take any action, such consent or approval shall not be required and the Master Trustee shall not be obligated to comply with such request or direction if a Related Credit Facility Default then exists with respect to such Related Credit Facility Issuer. Nothing contained herein shall limit or impair the rights of the holders of Related Bonds or of other Related Credit Facility Issuers to give any consent or approval or to request or direct the Master Trustee to take any action and, if a Related Credit Facility Default then exists with respect to a Related Credit Facility Issuer, such consent or approval shall be effective without the consent or approval of such Related Credit Facility Issuer otherwise required by this Article IV and the Master Trustee shall comply with such request or direction notwithstanding that such request or direction is required to be given or made together with such Related Credit Facility Issuer.

*(Section 4.13)*

**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, the Related Credit Facility Issuers, if any, of not less than a majority in aggregate principal amount of Related Bonds that are secured by Obligations 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, to each Holder by first class mail at the address then reflected on the books of the Master Trustee, and each Related Credit Facility Issuer 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 if no Event of Default shall have occurred and be continuing. If either no such appointment is made by the Obligated Group Representative within thirty (30) days of the date notice of resignation or removal is given, or 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 Outstanding shall appoint a successor Master Trustee, except that the Related Credit Facility Issuers, if any, of not less than a majority in aggregate principal amount of Related Bonds that are secured by Obligations Outstanding shall have the right to appoint the successor Master Trustee, and not the Holders. 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, any Related Credit Facility Issuer, 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 one hundred million dollars ($100,000,000), 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 the Obligated Group Representative 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 Holder by first class mail at the address then reflected on its books.

*(Section 5.04)*

**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 twenty-five percent (25%) in aggregate principal amount of Obligations Outstanding, or the Related Credit Facility Issuers, if any, of not less than twenty-five percent (25%) in aggregate principal amount of Related Bonds that are secured by 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 by the Master Trustee and the Co-Trustee or Co-Trustees 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) 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.

(e) 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.

(f) 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.

(g) 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, trusts, 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 5.07)*

**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, upon prior written notice to each Related Credit Facility Issuer, but without the consent of or notice to any of the Holders, enter into one or more Supplements for one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission herein.

(b) To correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising hereunder and which shall not materially and adversely affect the interests of the Holders.

(c) To grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them subject to the provisions of Section 6.02(a).

(d) To qualify the 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 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 or tax law.

(h) To add additional covenants, restrictions, security or conditions for the protection of the Holders of Obligations issued under the Master Indenture, and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants, restrictions or conditions an Event of Default permitting the enforcement of all or any of the several remedies provided in the Master Indenture; provided, however, that in respect of any such additional covenant, restriction or condition, such Supplemental Indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available to the Master Trustee upon such default;

(i) To provide for the establishment of additional funds and accounts under the Master Indenture and for the proper administration of and transfers of moneys among any such funds and accounts, provided that, except as otherwise provided in the Master Indenture, all such funds and accounts shall be established for the equal and ratable benefit of the Holders of all Outstanding Obligations;

(j) To permit the Master Trustee to comply with any duties imposed upon it by law; and

(k) So long as no Event of Default has occurred and is continuing under the Master Indenture and so long as no event which with notice or the passage of time or both would become an Event of Default under the Master Indenture has occurred and is continuing, to make any change to the provisions of the Master Indenture (except as set forth below) if the following conditions are met:

(i) the Obligated Group Representative delivers to the Master Trustee prior to the date such amendment is to take effect either (A)(1) a Consultants report to the effect that the proposed amendment is consistent with then current industry standards for comparable institutions and (2) an Officer's Certificate of the Obligated Group Representative demonstrating that the conditions described in Section 3.06(a)(i)(B) or 3.06(a)(ii) hereof are satisfied for the incurrence of an additional one dollar ($1.00) of Additional Indebtedness based upon the Historic Audit Period; or (B) evidence satisfactory to the Master Trustee to the effect that there exists for each Related Bond or Obligation which is not pledged to secure Related Bonds, a Credit Facility, and each such Credit Facility Issuer shall consent in writing to such amendment or modification;

(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 not lower than the rating applicable to such Related Bond or Obligation on the day prior to the effective date of such change; and

(iii) with respect to each outstanding Related Bond, an Opinion of Bond Counsel (which counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are not unacceptable to the Master Trustee) to the effect that the proposed change will not adversely affect the validity of any Related Bond or any exclusion from gross income for federal income taxation purposes of interest payable thereon to which such Bond would otherwise be entitled.

The authorization to enter into a Supplement permitted pursuant to this clause (k) does not include the authorization to make any amendment which would have the effect, directly or indirectly, of changing or providing an alternative to (1) any provision of the Master Indenture requiring the maintenance or demonstration of a Long-Term Debt Service Coverage Ratio, except to reduce such ratio, but in no event shall such ratio be reduced to less than 1.00, (2) the definitions in Article I of Affiliate, Audited Financial Statements, Book Value, Capital Addition, Days Cash on Hand, Non-Recourse Indebtedness, Operating Assets, Operating Expense, Property Plant and Equipment, Subordinated Debt, or Total Operating Revenues (except to the extent such definitions shall be changed to conform to changes required by then prevailing generally accepted accounting principles), (3) the definition of any other term used in the calculation of the Long-Term Debt Service Coverage Ratio, or the amount of Long-Term Indebtedness or Short-Term Indebtedness, or (4) Article IV; and Sections 5.04, 6.01, 6.02(a), 7.01 or 8.02 of the Master Indenture.

The limitations contained in the immediately preceding paragraph shall not apply if, in conjunction with the adoption of the proposed Supplement, the requirements of Section 6.01(k)(i)(B) are met.

*(Section 6.01)*

**Supplements Requiring Consent of Holders**

(a) Other than Supplements referred to in Section 6.01 hereof and subject to the terms and provisions and limitations contained in this Article and not otherwise, the Holders of not less than fifty-one percent (51%) in aggregate principal amount of Obligations then Outstanding shall have the right, with prior written consent of any Credit Facility Issuer, from time to time, anything contained

herein to the contrary notwithstanding, to consent to and approve the execution by the Obligated Group Representative, and the Master Trustee of such Supplements as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained 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 the 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 and each Related Credit Facility Issuer;

(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; or

(iv) Affect the rights of a Holder of a Covered Obligation with respect to a Mortgage without the consent of such Holder.

(b) If at any time the Obligated Group Representative or 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 the Governing Body of each Member 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 the Obligated Group Representative or 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 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 the Master Indenture. At any time after the Holders of the required principal amount 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 6.02)*

**Execution and Effect of Supplements**

In executing any Supplement permitted by Article VI, the Master Trustee shall be entitled to receive and to rely upon an Opinion of Counsel stating that the execution of such Supplement is authorized or permitted by the Master Indenture. The Master Trustee may but shall not be obligated to enter into any such Supplement which affects the Master Trustee's own rights, duties or immunities.

Except as otherwise set forth in such Supplement, upon the execution and delivery of any Supplement in accordance with Article VI, the provisions of the Master Indenture shall be modified in accordance therewith and such Supplement shall form a part thereof for all purposes and every Holder of an Obligation theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

Any Obligation authenticated and delivered after the execution and delivery of any Supplement in accordance with Article VI 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 Obligated Group Representative or the Master Trustee shall so determine, new Obligations so modified as to conform in the opinion of the Master Trustee and the Obligated Group Representative 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.

*(Section 6.03)*

**Satisfaction and Discharge of Indenture**

If (i) the Obligated Group Representative shall deliver to the Master Trustee for cancellation all Obligations theretofore authenticated 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 the 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 the 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 the Master Indenture or such Obligations.

*(Section 7.01)*

**Payment of Obligations after Discharge of Lien**

Notwithstanding the discharge of the lien of the Master Indenture as provided in Article VII, the Master Trustee shall nevertheless retain such rights, powers and duties thereunder 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.

*(Section 7.02)*

**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 owners 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 any 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 8.01)*

**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 the Master Indenture, Obligations or Related Bonds that are owned by any Member of the Obligated Group or by any Affiliate 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, request 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 an Affiliate. 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 8.02)*

**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 owner of a Related Bond in any direction, demand, request, waiver, consent, vote or other action of the Holder of such Obligation or owner of a Related Bond which by any provision hereof is required or permitted to be given shall be conclusive and binding upon such Holder or owner 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 and upon the Master Trustee and the Holders of all of such Obligations or owners of all such Related Bonds.

*(Section 8.03)*

**Controlling Provisions**

With respect to any Supplemental Indenture issued under the Master Indenture on or after the date hereof, in the event of any conflict between the terms of the Master Indenture and the terms contained in a Supplemental Indenture, the terms of the Supplemental Indenture will control.

*(Section 9.09)*

## SUPPLEMENTAL INDENTURE

**Definitions**

"Bond Trustee" means Manufacturers and Traders Trust Company, a banking organization duly organized under the laws of the State of New York and any successor to its duties under the Related Bond Indenture.

"Bondholder" means the registered owner of any Bonds.

"Bonds" means the Series 2017 Bonds and any other bonds issued under the Related Bond Indenture.

"Control Agreement" means any agreement whereby any Member of the Obligated Group, a secured party and a banking institution have agreed in an authenticated record (such as a signed writing) that the banking institution will comply with instructions originated by the secured party directing disposition of the funds in a deposit account held by such banking institution as security for the benefit of the secured party, without further consent by the Obligated Group.

"Ground Lessee" has the meaning given in Section 3(b).

"Investment Grade Category" means, with respect to the unsecured Long Term Indebtedness of the Obligated Group, such unsecured Long Term Indebtedness is rated at least BBB- or Baa3 (or correlative ratings) from at least two Rating Services (as defined in the Related Bond Indenture).

"Obligation No. 1" means Obligation No. 1 issued by the Obligated Group pursuant to Supplemental Indenture for Obligation No. 1.

"Obligation No. 2" means Obligation No. 2 issued by the Obligated Group pursuant to Supplemental Indenture for Obligation No. 2.

"Obligation No. 3" means Obligation No. 3 issued by the Obligated Group pursuant to the Supplemental Indenture.

"Partial Release" has the meaning given in Section 3(b).

"Partial Release Certificate" has the meaning given in Section 3(c).

"Partial Release Documents" has the meaning given in Section 3(d).

"Partial Release Property" has the meaning given in Section 3(b).

"Related Bond Indenture" means the Orange Regional Medical Center Obligated Group Revenue Bond Resolution adopted by the Authority on March 26, 2008, as supplemented by the Series

2017 Resolution authorizing Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2017 adopted by the Authority on January 11, 2017.

"Replacement Hospital" means the hospital facility constructed by ORMC in Wallkill, New York with proceeds of the Series 2008 Bonds, which Bonds are being refunded by the Series 2017 Bonds.

"Required Ratios" means a Long-Term Debt Service Coverage Ratio of at least 1.25 and Days Cash on Hand of at least 60.

"Security Agreement" means the Security Agreement granted by ORMC to the Master Trustee, dated as of February 28, 2017, as the same may be amended, supplemented or restated from time to time.

"Supplement" means this Supplemental Indenture.

Supplement No. 1" means Supplemental Indenture for Obligation No. 1 by and among the Obligated Group and the Master Trustee, dated as of May 1, 2008, as amended by Amendment No. 1 to Supplemental Indenture for Obligation No. 1, dated as of May 1, 2015, as the same may be amended, supplemented or restated from time to time.

"Supplement No. 2" means Supplemental Indenture for Obligation No. 2 by and among the Obligated Group and the Master Trustee, dated as of May 1, 2015, as the same be amended, supplemented or restated from time to time.

"2008 Mortgage" means that certain Mortgage dated as of May 7, 2008, granted by ORMC to the Master Trustee, which 2008 Mortgage is a Mortgage under the Master Indenture.

"2015 Mortgage" means that certain Building Loan Mortgage and Project Loan Mortgage, each dated as of May 13, 2015, granted by ORMC to the Master Trustee and the Authority, as the same may be amended, modified, supplemented, spread, partially released or restated from time to time, which 2015 Mortgage is a Mortgage under the Master Indenture.

"2015 Mortgaged Property" means the Mortgaged Property which is subject to the liens and security interests created under the 2015 Mortgage and includes the Replacement Hospital and the 2015 Project.

"2015 Parity Security Instrument" means a Mortgage that is to be secured by the 2015 Mortgaged Property on a parity basis with the 2015 Mortgage.

"2015 Project" means the project, funded in part with proceeds of the Series 2015 Bonds.

"2017 Covered Obligation" has the meaning given that term in Section 3(a).

"2017 Mortgage" means that certain Mortgage, dated February 28, 2017, granted by ORMC to the Master Trustee, as the same may be amended, modified, supplemented, spread, partially released or restated from time to time, which 2017 Mortgage is a Mortgage under the Master Indenture.

"2017 Mortgaged Property" means the Mortgaged Property which is subject to the liens and security interests created under the 2017 Mortgage and includes the Replacement Hospital and the 2015 Project.

"2017 Parity Security Instrument" means a Mortgage that is to be secured by the 2017 Mortgaged Property on a parity basis with the 2017 Mortgage.

"2017 Project" means the project, refunded in part with proceeds of the Series 2017 Bonds.

*(Section 1)*

**2017 Mortgage**

(a) To secure, among other things, the prompt payment of the principal of, redemption premium, if any, and the interest on Obligation No. 3, together with any other Covered Obligation that is expressly secured by the 2017 Mortgage in accordance with Section 17(b) (collectively, the "2017 Covered Obligations"), and the performance by each Member of the Obligated Group of its other obligations hereunder and under the Master Indenture, ORMC is granting the 2017 Mortgage to the Master Trustee. The 2017 Mortgage is a 2015 Parity Security Instrument.

(b) The Obligated Group may, in the future, request that the Master Trustee and the Authority grant: (i) the partial release of a portion of 2017 Mortgaged Property from the 2017 Mortgage ("Partial Release Property"); or (ii) a leasehold interest for a term of thirty years or longer in all or a portion of the Partial Release Property, to a Person that is neither an Affiliate of a Member, nor a Member (a "Ground Lessee"); or (iii) a mortgage on all or a portion of the Partial Release Property as security for a loan made by a lender to ORMC or to a Ground Lessee, as applicable. Any action described in this Section 3(b) is hereinafter referred to as a "Partial Release". The Master Trustee shall not consent to a Partial Release request without the written consent of the Authority (which consent shall not be unreasonably withheld) and which consent shall not require the consent of the Holders of Related Bonds secured by Obligation No. 3 or the applicable Related Bond Trustee.

(c) Prior to entering into a Partial Release, the Obligated Group Representative must deliver to the Master Trustee an Officer's Certificate (a "Partial Release Certificate") that describes the Partial Release in reasonable detail, including whether the Partial Release Property includes any portion of the 2017 Project and certifies that: (i) such Partial Release does not materially detract from the utility of the Replacement Hospital or the 2017 Project; (ii) (A) with respect to a sale of the Partial Release Property that includes a portion of the 2017 Project, the Partial Release Property is sold for fair market value as evidenced by a written appraisal prepared by an independent appraiser with experience in valuing similar assets, and (B) with respect to a loan made to ORMC or other Member of the Obligated Group that is secured by a mortgage on the Partial Release Property, such loan does not violate the limitations on Indebtedness contained in Section 3.06 of the Master Indenture; (iii) (A) with respect to a sale of Partial Release Property that includes a portion of the 2017 Project, the net proceeds received by the Members of the Obligated Group from the Partial Release of that portion of the Partial Release Property that is part of the 2017 Project will be applied to the operation, maintenance or improvement of the 2017 Mortgaged Property or other Health Care Facility, or to prepayment of the 2017 Covered Obligations then outstanding, pro rata based on the Outstanding principal amount thereof or as otherwise required pursuant to the Opinion of Counsel referred to in subsection (e) below, and (B) with respect to a loan made to ORMC or other Member of the Obligated Group that is secured by a mortgage on the Partial Release Property, the proceeds of such loan will be applied to the improvement of the Partial Release Property.

(d) The Master Trustee shall execute and deliver all instruments (such as releases, partial releases, subordinations, access agreements, and consents) that are reasonably required to effectuate a Partial Release (collectively the "Partial Release Documents"), provided that (i) the Master Trustee has previously received a Partial Release Certificate and a written, reasonably detailed request for execution

and delivery of the Partial Release Documents from the Obligated Group Representative and (ii) with respect to the execution and delivery of Partial Release Documents by the Master Trustee, it has received the Authority's written consent to the Partial Release.

(e) No Member of the Obligated Group shall enter into a Partial Release or Partial Release Property that includes any portion of the 2017 Project without first delivering to the Master Trustee an Opinion of Counsel, in form and substance satisfactory to the Master Trustee and the Related Bond Issuer, to the effect that the proposed transaction, in and of itself, would not adversely affect the validity of any Related Bond, and if interest on such Related Bonds is excluded from gross income for federal income taxation, an Opinion of Bond Counsel that the proposed transaction, in and of itself, would not adversely affect such exclusion.

(f) In addition to any other releases or subordinations as may be permitted hereunder and not as a limitation, the Master Trustee, in its capacity as a mortgagee under the 2017 Mortgage, shall, upon the written direction of the holder of Obligation No. 3, execute and deliver consents, waivers, estoppels, releases, partial releases, subordination agreements, and such other documents as the Authority deems reasonably necessary or appropriate.

*(Section 3)*

**Additional Remedies Regarding the 2017 Mortgage; Distribution of Proceeds from Enforcement of Rights under the 2017 Mortgage**

(a) In addition to any remedies enforceable pursuant to the Master Indenture, upon the occurrence and continuance of any Event of Default, the Master Trustee and the Authority may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the 2017 Covered Obligations Outstanding, or upon the direction of Related Credit Facility Issuers, if any, of not less than twenty-five percent (25%) in aggregate principal amount of Related Bonds that are secured by the applicable the 2017 Covered Obligations Outstanding, shall proceed forthwith to protect and enforce the rights of the Holders of the applicable 2017 Covered Obligations by such suits, actions, foreclosure proceedings or other proceedings as the Master Trustee and the Authority, being advised by counsel, shall deem expedient regarding enforcement of rights under the 2017 Mortgage and the Security Agreement. In addition, the Holders of not less than a majority in aggregate principal amount of the 2017 Covered Obligations then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Master Trustee and the Authority and accompanied by indemnity satisfactory to the Master Trustee and the Authority, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the 2017 Mortgage, except that the Related Credit Facility Issuers, if any, of not less than a majority in aggregate principal amount of Related Bonds that are secured by the 2017 Covered Obligations Outstanding, and not the Holders, shall have the right to control proceedings with respect to the 2017 Mortgage in the manner described in this Section. The rights of any Related Credit Facility Issuer in this Section 4 apply only to the extent there is no Related Credit Facility Default by such Related Credit Facility Issuer and the full benefit of the Related Credit Facility remains available.

(b) Any proceeds received from the enforcement of the rights of the Master Trustee as mortgagee under the 2015 Mortgage, the 2017 Mortgage and the Security Agreement shall, notwithstanding any provision in the Master Indenture to the contrary, be distributed by the Master Trustee, after application of the Gross Receipts in accordance with the Master Indenture, to satisfy any remaining amounts then due and owing under Obligation No. 2 and Obligation No. 3, in direct proportion that the amount then due and owing under such Obligation bears to the total amounts then due and owing under both Obligations.

*(Section 4)*

**Payments on Obligation No. 3; Credits**

(a) Payments on Obligation No. 3 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 Obligation No. 3 shall be made at the times and in the amounts specified in Obligation No. 3 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 (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 Obligation No. 3, specifying the amount paid and identifying such payment as a payment on Obligation No. 3. In no event shall payments made from the Debt Service Reserve Fund established under the Related Bond Indenture, except to the extent such payment may be made to redeem all Outstanding Related Bonds in accordance with the terms of such Related Bonds, be treated as credits under subsections (b) and (c) for payment of Obligation No. 3.

(b) The Obligated Group shall receive credit for payment on Obligation No. 3, in addition to any credits resulting from payment or prepayment from other sources, including payments made under the Master Indenture, for payments made directly to the Related Bond Trustee by any Member of the Obligated Group pursuant to Obligation No. 3.

(c) The Obligated Group shall receive credit for payment on Obligation No. 3, 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. 3 in an amount equal to moneys deposited in the Debt Service Fund created under the Related Bond Indenture which amounts are available to pay interest on the Series 2017 Bonds and to the extent such amounts have not previously been credited against payments on Obligation No. 3.

(ii) On installments of principal of Obligation No. 3 in an amount equal to moneys deposited in the Debt Service Fund created under the Related Bond Indenture which amounts are available to pay principal of the Series 2017 Bonds and to the extent such amounts have not previously been credited against payments on Obligation No. 3.

(iii) On installments of principal of, prepayment premium, if any, and interest on Obligation No. 3 in an amount equal to the principal amount of Series 2017 Bonds which have been called by the Related Bond Trustee for redemption prior to maturity, any prepayment premium with respect thereto and interest accrued thereon to the redemption date and for the payment of which sufficient amounts in cash are on deposit in the Debt Service Fund created under the Related Bond Indenture to the extent such amounts have not been previously credited against payments on Obligation No. 3. Such credits shall be made against the installments of principal of and interest on Obligation No. 3 which would be due, but for such call for redemption, to pay principal of and interest on such Series 2017 Bonds when due.

(iv) On installments of principal of and interest on, respectively, on Obligation No. 3 in an amount equal to the principal amount of Series 2017 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 Obligation No. 3 which would be due, but for such cancellation, to pay principal of and interest on such cancelled Series 2017 Bonds through maturity thereof.

*(Section 5)*

**Prepayment of Obligation No. 3**

(a) So long as all amounts which have become due under Obligation No. 3 have been paid, the Members may from time to time pay in advance all or part of the amounts to become due under Obligation No. 3. Prepayment may be made by payments of cash and/or surrender of Series 2017 Bonds, as contemplated by Section 5(c)(iii). All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of Series 2017 Bonds) shall, upon receipt, be deposited with the Related Bond Trustee in the Debt Service Fund created under the Related Bond Indenture and, at the request of and as determined by the Obligated Group Representative, used for the redemption or purchase of Outstanding Series 2017 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 2017 Bonds, as long as any Series 2017 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 Section 6 shall be credited against amounts to become due on Obligation No. 3 as provided in Section 5.

The Obligated Group may also prepay all of its Indebtedness under Obligation No. 3 by providing for the payment of Outstanding Series 2017 Bonds in accordance with Article 12 of the Related Bond Indenture and the provisions of the Series Resolution and Bond Series Certificate adopted pursuant to the Related Bond Indenture.

*(Section 6)*

**Right to Redeem**

Obligation No. 3 shall be subject to redemption, in whole or in part, prior to the maturity, in an amount equal to the principal amount of any Series 2017Bond (i) called for redemption pursuant to the Related Bond Indenture or (ii) purchased for cancellation by the Bond Registrar. Obligation No. 3 shall be subject to redemption on the date any Series 2017 Bond shall be so redeemed or purchased, and in the manner provided herein.

*(Section 10)*

**Effect of Call for Redemption**

On the date designated for redemption of the Series 2017 Bonds, Obligation No. 3 shall become and be due and payable in an amount equal to the redemption or purchase price to be paid on the Series 2017 Bonds on such date. If on the date fixed for redemption of Obligation No. 3, moneys for payment of the redemption or purchase price and accrued interest on the Series 2017 Bonds are held by the Bond Trustee, interest on Obligation No. 3 shall cease to accrue and said Obligation No. 3 shall cease to be entitled to any benefit or security under the Master Indenture to the extent of said redemption and the amount of Obligation No. 3 so called for redemption shall be deemed paid and no longer Outstanding.

*(Section 12)*

**Insurance and Condemnation Proceeds with respect to the 2017 Mortgaged Property**

Notwithstanding the percentage of Book Value of the Property, Plant and Equipment of the Obligated Group set forth in Section 3.04(a) of the Master Indenture, so long as the continued operation of the

applicable Health Care Facility is not materially adversely affected, amounts received by ORMC as insurance proceeds for any casualty loss suffered at the 2017 Mortgaged Property, or as condemnation awards with respect to the 2017 Mortgaged Property, that does not exceed $10,000,000 may be used in such manner as ORMC may determine, including, without limitation, applying such moneys to the payment or prepayment of any Indebtedness (including the Series 2017 Bonds) in accordance with the terms thereof.

*(Section 13)*

**Discharge of Supplement**

Upon payment by the Obligated Group of a sum, in cash or Defeasance Securities (as defined in the Related Bond Indenture), or both, sufficient, together with any other cash and Defeasance Securities held by the Bond Trustee and available for such purpose, to cause all Outstanding Series 2017 Bonds to be deemed to have been paid within the meaning of Section 12.01 of the Related Bond Indenture and to pay all other amounts referred to in Section 12.01 of the Related Bond Indenture, accrued and to be accrued to the date of discharge of the Related Bond Indenture, Obligation No. 3 shall be deemed to have been paid and to be no longer Outstanding under the Master Indenture and this Supplement shall be discharged.

*(Section 14)*

**Required Ratios**

(a) For so long as Obligation No. 3 remains Outstanding, the Obligated Group shall maintain the Required Ratios. The Long-Term Debt Service Coverage Ratio and number of Days Cash on Hand shall be calculated at the times and in accordance with Section 3.07(a) and (b) of the Master Indenture. A copy of the Officer's Certificate required by Section 3.07(b) of the Master Indenture shall also be delivered to the Authority so long as Obligation No. 3 remains Outstanding. The Officer's Certificate required by Section 3.07(c) of the Master Indenture shall include a certification that the Days Cash on Hand portion of the Required Ratios definition has been met. A copy of the Officer's Certificate required by Section 3.07(c) of the Master Indenture, including the additional certification as to Days Cash on Hand required by this Section 16(a) shall be delivered to the Authority so long as Obligation No. 3 remains Outstanding.

(b) The requirement to retain a Consultant contained in Section 3.07(c) of the Master Indenture shall be triggered if either the Long-Term Debt Service Coverage Ratio is less than 1.25, or the Days Cash on Hand is less than 60. The Obligated Group shall (A) prepare a scope of work for the Consultant in form and content reasonably acceptable to the Authority, (B) require such Consultant, within fifteen (15) days of its appointment, to commence work on a report to be delivered to the Obligated Group, the Master Trustee and the Authority recommending, in addition to the recommendations required to be included in such report pursuant to Section 3.07(c) of the Master Indenture, changes with respect to the operation and management of the Obligated Group's facilities and (C) to the extent permitted by law, implement such Consultant's recommendation in a timely manner. Any report of a Consultant prepared within the previous 12-month period pursuant to this subsection (b) shall, if addressed to the Authority and meeting the requirements of clause (C) above, be deemed to satisfy the foregoing requirement to procure a Consultant's report.

(c) If the Obligated Group Representative shall fail (A) to provide the Officer's Certificate required by paragraph (a) above, or (B) to satisfy the requirements of paragraph (b) above and Sections 3.07(c) and (d) of the Master Agreement to the reasonable satisfaction of the Authority, the Authority shall be entitled to notify the members of each Member's Board of such noncompliance, and to enforce

the provisions of this subsection (c) and Sections 3.07(c) and (d) of the Master Indenture by specific performance.

(d) Notwithstanding the provisions of paragraph (b) above and Section 3.07(e) of the Master Indenture, if the Days Cash on Hand is less than 30, then the Obligated Group shall not be in compliance with the Required Ratios and such event shall constitute an Event of Default under Section 4.01 of the Master Indenture.

*(Section 16)*

**Limitations on Creation of Liens**

(a) For so long as Obligation No. 3 remains Outstanding, the limitation on the creation of Liens contained in Section 3.05(b)(xx) of the Master Indenture is modified such that liens on Property, in the aggregate, as a percentage of Total Operating Revenues shall not exceed fifteen percent (15%).

(b) In the event that Indebtedness incurred under the Master Indenture or Long-Term Indebtedness permitted to be incurred pursuant to Section 18(a) is to be secured by the 2017 Mortgaged Property on a parity basis with the 2017 Covered Obligations, the Master Trustee shall only execute an amendment to, spreader of, or other documents relating to the 2017 Mortgage to so secure such permitted additional Indebtedness if such Indebtedness is either to be issued by the Authority, or if the Authority consents in writing to so securing such Indebtedness (which consent is not to be unreasonably withheld).

(c) In the event that Indebtedness incurred under the Master Indenture or Long-Term Indebtedness permitted to be incurred pursuant to Section 18(a) is to be secured by the 2017 Mortgaged Property on a parity basis with the 2017 Mortgage (a "2017 Parity Security Instrument"), such 2017 Parity Security Instrument may only be granted if the Indebtedness to be secured by such 2017 Parity Security Instrument is either to be issued by the Authority, or if the Authority consents in writing to so securing such Indebtedness (which consent is not to be unreasonably withheld).

(d) Except as provided in paragraph (b) or (c) above, the Authority's prior written consent shall not be required to secure either Long-Term Indebtedness permitted to be incurred pursuant to Section 18(a) or Subordinated Debt by a lien on the 2017 Mortgaged Property subordinate to the lien of the 2017 Mortgage.

*(Section 17)*

**Limitations on Indebtedness**

(a) For so long as Obligation No. 3 remains Outstanding, the limitation on Long-Term Indebtedness contained in Section 3.06(a) of the Master Indenture is modified such that the Long-Term Debt Service Coverage Ratio for the Historic Audit Period contained in Section 3.06(a)(ii)(A) of the Master Indenture must be at least 1.25 and the forecasted Long-Term Debt Service Coverage Ratio in Section 3.06(a)(ii)(B) of the Master Indenture must be not less than 1.30. The Obligated Group may incur additional Long-Term Indebtedness Section 3.06(a) of the Master Indenture, as modified by the preceding sentence, only if either: (i) at the time of incurrence of such additional Long-Term Indebtedness, the senior Long-Term Indebtedness of the Obligated Group (without regard to credit enhancement but after taking into account the proposed Indebtedness) is in an Investment Grade Category or (ii) the prior written consent of the Authority is obtained or (iii) the amount of Long-Term Indebtedness (including Long-Term Indebtedness proposed to be issued) issued pursuant to this clause (iii) during the immediately preceding twelve (12) month period does not exceed 10 million dollars and the Obligated Group receives written confirmation from the Rating Services that the issuance of such Additional

Indebtedness shall not adversely affect the ratings on the senior Indebtedness of the Obligated Group then Outstanding. The foregoing notwithstanding, Non-Recourse Indebtedness and Subordinated Debt may be incurred without limit and without Authority consent.

(b) Any Member of the Obligated Group proposing to incur Long-Term Indebtedness, whether evidenced by Obligations issued or by evidences of Indebtedness entered into pursuant to documents other than the Master Indenture, shall give written notice of its intention to incur such Indebtedness in accordance with Section 2.01 of the Master Indenture and shall include in such notice, the amount of Indebtedness to be incurred and the subsection of Section 3.06 of the Master Indenture under which it will be incurred, to the Authority for so long as Related Bonds of the Authority are Outstanding.

(c) For so long as Obligation No. 3 remains Outstanding, the limitation on Short-Term Indebtedness contained in Section 3.06(c) of the Master Indenture is modified such that the amount of Short-Term Indebtedness that may be incurred, as a percentage of Total Operating Revenues shall not exceed fifteen percent (15%).

(d) For so long as Obligation No. 3 remains Outstanding, the limitation on accounts receivable contained in Section 3.06(l) of the Master Indenture is modified such that the aggregate amount of accounts receivable of any Member or Members that may be sold, pledged, assigned or otherwise disposed or encumbered in an aggregate amount may not exceed forty percent (40%) of the three (3) month average outstanding accounts receivable of the Obligated Group that are one hundred and twenty (120) days old or less as calculated in accordance with generally accepted accounting principles.

*(Section 18)*

**Disposition of Cash and Investments**

For so long as Obligation No. 3 remains Outstanding, the limitation on the disposition of cash and investments in securities contained in Section 3.08(b) of the Master Indenture is modified such that the percentage of the Obligated Group's cash or investments in securities that are permitted to be transferred is five percent (5%), unless there shall be delivered to the Master Trustee and the Authority prior to such Transfer an Officer's Certificate certifying that after such Transfer, the conditions for the incurrence of one dollar of ($1.00) of Additional Indebtedness would be met and the unrestricted net assets of the Obligated Group after such Transfer is at least 90% of the unrestricted net assets of the Obligated Group prior to such Transfer. Notwithstanding anything herein to the contrary, the Days Cash on Hand requirement set forth in the definition of "Required Ratios" must be met.

*(Section 19)*

**Restriction on Control Agreements**

So long as any Related Bonds of the Authority are Outstanding, and unless in connection with a lien otherwise permitted under Section 3.05 of the Master Indenture, no Member of the Obligated Group shall enter into any Control Agreement unless it shall have delivered to the Authority (i) an opinion of counsel, which counsel is reasonably acceptable to the Authority, stating that such Control Agreement will not adversely affect the Master Trustee's security interest in Gross Receipts, and (ii) a list of the banking institutions with whom such Member of the Obligated Group has relationships.

*(Section 20)*

**Restriction on Self-Insurance**

So long as any Related Bonds of the Authority remains Outstanding, the Members of the Obligated Group shall not self-insure for damage to property except for deductibles and co-payments as are customary for institutions of comparable size in New York, which determination shall be confirmed upon request of the Authority by certification from an Insurance Consultant.

*(Section 21)*

**Authority Consent to Certain Amendments and Transactions**

Notwithstanding any provision of the Master Indenture, so long as any Related Bonds issued by the Authority remain Outstanding, the Authority's prior consent shall be required prior to (i) any amendment of the following sections of the Master Indenture: Section 3.01 (Security; Restrictions on Encumbering Property; Payment of Principal and Interest), 3.03 (Insurance), 3.05 (Limitations on Creations of Liens), 3.06 (Limitations on Indebtedness), 3.08 (Sale, Lease or Other Disposition of Operating Assets; Disposition of Cash and Investments; Unsecured Loans to Non-Members; Sale of Accounts) or 3.13 (Medicaid Account) of the Master Indenture, or (ii) any amendment to the Master Indenture that is inconsistent with any provision of this Supplement.

*(Section 22)*

**Filing of Financial Statements, Quarterly Reports, Certificate of Compliance, Other Information**

The Obligated Group covenants that it will:

(a) If an Event of Default shall have occurred and be continuing, file with the Authority such financial statements and information concerning its operations and financial affairs as the Authority may from time to time reasonably request, excluding specifically donor records, patient records, personnel records and other records that are protected by law or governmental regulation from being disclosed.

(b) So long as any Related Bonds of the Authority are Outstanding, submit to the Authority the schedule setting forth by month the estimated debt service payable on all Obligations outstanding under the Master Indenture promptly upon submitting such schedule to the Master Trustee as required by Section 3.13 of the Master Indenture (Medicaid Account).

*(Section 23)*

**Parties Becoming Members of the Obligated Group; Withdrawal from the Obligated Group**

For so long as Obligation No. 3 remains Outstanding, (i) ORMC may not withdraw from the Obligated Group; and (ii) the Authority's written consent (which consent shall not be unreasonably withheld) shall be required for a Person to become a Member of the Obligated and for any other Member of the Obligated Group to withdraw from the Obligated Group.

*(Section 24)*

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**APPENDIX F**

**PROPOSED FORM OF APPROVING OPINIONS OF CO-BOND COUNSEL**

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**APPENDIX F**

## PROPOSED FORM OF APPROVING OPINIONS OF CO-BOND COUNSEL

Upon issuance and delivery of the Series 2017 Bonds, Harris Beach PLLC and Brown Hutchinson LLP, Co-Bond Counsel to the Authority, propose to deliver their final approving opinions as to the Series 2017 Bonds in substantially the following forms:

[Date of Closing]

Dormitory Authority of the State of New York
515 Broadway
Albany, New York 12207

Re: $237,100,000 Dormitory Authority of the State of New York
Orange Regional Medical Center Obligated Group Revenue Bonds,
Series 2017

Ladies and Gentlemen:

As Co-Bond Counsel to the Dormitory Authority of the State of New York (the "Authority"), we have examined a record of proceedings relating to the sale and issuance of Authority's $237,100,000 aggregate principal amount of Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2017 (the "Series 2017 Bonds") of the Authority, a body corporate and politic constituting a public benefit corporation of the State of New York, created and existing under and pursuant to the Constitution and statutes of the State of New York, including the Dormitory Authority Act, as amended, constituting Chapter 524 of the Laws of New York of 1944 of New York, as amended (constituting Title 4 of Article 8 of the New York Public Authorities Law), including, without limitation, as amended by the Health Care Financing Consolidation Act, constituting Chapter 83 of the Laws of 1995 of New York (constituting Title 4-B of Article 8 of the New York Public Authorities Law) which authorized the Authority to issue bonds pursuant to the New York State Medical Care Facilities Finance Agency Act, as amended, constituting Chapter 392 of the Laws of 1973 of New York, as amended (the "Act"). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth.

The Series 2017 Bonds are issued under and pursuant to (i) the Constitution and laws of the State of New York, including in particular the Act, (ii) the Authority's Orange Regional Medical Center Obligated Group Revenue Bond Resolution adopted by the Authority on March 26, 2008, as amended and supplemented by the First Supplemental Resolution adopted by the Authority on January 11, 2017 (the "General Resolution"), (iii) the Orange Regional Medical Center Obligated Group Series 2017 Resolution Authorizing Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2017 Bonds adopted by the Authority on January 11, 2017 (the "Series 2017 Resolution" and, together with the General Resolution, the "Resolutions"); and (iv) the Bond Series Certificate relating to the Series 2017

Bonds, dated as of February 8, 2017, executed by an Authorized Officer of the Authority in accordance with the Resolutions (the "Series Certificate"). Capitalized terms used herein that are not otherwise defined shall have the meaning given to such terms in the Resolutions.

The Series 2017 Bonds are dated their date of closing, shall mature on December 1 in the years and principal amounts and shall bear interest, payable June 1, 2017 and semi-annually thereafter on each December 1 and June 1, at the respective rates per annum as set forth in the Bond Series Certificate.

The Series 2017 Bonds are issuable initially in the form of fully registered bonds in minimum denominations of $100,000 and integral multiples thereof (subject to reduction as set forth in the Bond Series Certificate). The Series 2017 Bonds are lettered and numbered "R-__" followed by the number from such bond. The Series 2017 Bonds are numbered consecutively from one upward in order of issuance.

The Series 2017 Bonds are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth in the Resolutions and in the Bond Series Certificate.

The Authority and Orange Regional Medical Center (the "Institution") have entered into a Loan Agreement, dated as of January 11, 2017 (the "Loan Agreement"), providing, among other things, for a loan by the Authority to the Institution of the proceeds of the Series 2017 Bonds for the purposes permitted thereby and by the Resolutions. Pursuant to the Loan Agreement, the Institution is required to make payments sufficient to pay the principal of and interest on the Series 2017 Bonds as the same shall become due, which payments have been pledged by the Authority to the Trustee for the benefit of the Holders of the Series 2017 Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2017 Bonds in order that interest thereon be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use and investment of bond proceeds and other moneys or property, required ownership of the facilities financed with the Series 2017 Bonds by an organization described in Section 501(c)(3) of the Code or a governmental unit, and the rebate to the United States of certain earnings in respect of investments. In the Resolutions, the Loan Agreement, the Tax and Arbitrage Certificate, dated the date hereof, of the Authority (the "Arbitrage Certificate"), and Tax Certificate, dated the date hereof, of the Institution (the "Tax Certificate"), the Authority and the Institution have covenanted to comply with certain procedures, and have made certain representations and certifications, designed to assure satisfaction of the requirements of the Code (the Arbitrage Certificate and the Tax Certificate being collectively referred to as the "Tax Documents").

In rendering the opinion set forth in paragraph 5 below, we have assumed the accuracy of certain factual certifications of, and continuing compliance with, the covenants, representations, warranties, provisions and procedures set forth in the Resolutions, the Loan Agreement and the Tax Documents by the Authority and the Institution. In the event of the inaccuracy or incompleteness of any of the certifications made by the Authority or the Institution, or the failure by the Authority or the Institution to comply with their covenants, representations, warranties, provisions and procedures set forth in the Resolutions, the Loan Agreement and the Tax Documents, interest on the Series 2017 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of the original issuance and delivery of the Series 2017 Bonds, regardless of the date on which the event causing such inclusion occurs. We express no opinion as to any federal, state, or local tax consequences with respect to the Series 2017 Bonds, or the interest thereon, if any change occurs or action is taken or omitted under the Resolutions, the Loan Agreement or the Tax Documents or under any other relevant documents without

the advice or approval of, or upon the advice or approval of any bond counsel other than, Harris Beach PLLC. In addition, we have not undertaken to determine, or to inform any person, whether any actions taken, or not taken, or events occurring, or not occurring, after the date of issuance of the Series 2017 Bonds may affect the tax status of interest on the Series 2017 Bonds. Further, although interest on the Series 2017 Bonds is not included in gross income for purposes of federal income taxation, receipt or accrual of the interest may otherwise affect the tax liability of a holder of a Bond depending upon the tax status of such holder and such holder's other items of income and deduction.

We have also examined one of the Series 2017 Bonds as executed and authenticated.

Based on the foregoing, and subject to the further assumptions and qualifications hereinafter set forth, we are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York, with the right and lawful authority and power to adopt the Resolutions and to issue the Series 2017 Bonds thereunder.

2. The Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect, and constitute legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms.

3. The Series 2017 Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State of New York, including the Act, and in accordance with the Resolutions. The Series 2017 Bonds are legal, valid and binding special obligations of the Authority payable as provided in Resolutions, are enforceable in accordance with their terms and the terms of the Resolutions, and are entitled to the equal benefits of the Resolutions and the Act.

4. The Authority has the right and lawful authority and power to enter into the Loan Agreement and the Loan Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

5. Under existing statutes, regulations, administrative rulings and court decisions as of the date hereof, the interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that interest on the Series 2017 Bonds is not an "item of tax preference" for purposes of computing the federal alternative minimum tax imposed on individuals and corporations; we note, however, that interest on the Series 2017 Bonds is included in "adjusted current earnings" for purposes of calculating the federal alternative minimum tax liability, if any, of certain corporations.

6. Under existing statutes, including the Act, interest on the Series 2017 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof.

The foregoing opinions are qualified only to the extent that the enforceability of the Resolutions, the Loan Agreement and the Series 2017 Bonds may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other laws heretofore or hereafter enacted and judicial decisions relating to or affecting the enforcement of creditors' rights or remedies or contractual obligations generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Except as stated in paragraphs 5 and 6 above, we express no opinion as to any federal, state or local tax consequences of the purchase, ownership or disposition of, or the accrual or receipt of interest on, the Series 2017 Bonds.

In rendering the foregoing opinions we have made a review of such legal proceedings as we have deemed necessary to approve the legality and validity of the Series 2017 Bonds. In rendering the foregoing opinions we have not been requested to examine any document or financial or other information concerning the Authority or the Institution other than the record of proceedings referred to above, and we express no opinion as to the adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2017 Bonds. In addition, we express no opinion as to the severability of any provisions of the Resolutions or the Loan Agreement.

Respectfully submitted,

HARRIS BEACH PLLC

[Date of Closing]

Dormitory Authority of the State of New York
515 Broadway
Albany, New York 12207

Re: $237,100,000 Dormitory Authority of the State of New York
Orange Regional Medical Center Obligated Group Revenue Bonds,
Series 2017

Ladies and Gentlemen:

As Co-Bond Counsel to the Dormitory Authority of the State of New York (the "Authority"), we have examined a record of proceedings relating to the sale and issuance of Authority's $237,100,000 aggregate principal amount of Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2017 (the "Series 2017 Bonds") of the Authority, a body corporate and politic constituting a public benefit corporation of the State of New York, created and existing under and pursuant to the Constitution and statutes of the State of New York, including the Dormitory Authority Act, as amended, constituting Chapter 524 of the Laws of New York of 1944 of New York, as amended (constituting Title 4 of Article 8 of the New York Public Authorities Law), including, without limitation, as amended by the Health Care Financing Consolidation Act, constituting Chapter 83 of the Laws of 1995 of New York (constituting Title 4-B of Article 8 of the New York Public Authorities Law) which authorized the Authority to issue bonds pursuant to the New York State Medical Care Facilities Finance Agency Act, as amended, constituting Chapter 392 of the Laws of 1973 of New York, as amended (the "Act"). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth.

The Series 2017 Bonds are issued under and pursuant to (i) the Constitution and laws of the State of New York, including in particular the Act, (ii) the Authority's Orange Regional Medical Center Obligated Group Revenue Bond Resolution adopted by the Authority on March 26, 2008, as amended and supplemented by the First Supplemental Resolution adopted by the Authority on January 11, 2017 (the "General Resolution"), (iii) the Orange Regional Medical Center Obligated Group Series 2017 Resolution Authorizing Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2017 Bonds adopted by the Authority on January 11, 2017 (the "Series 2017 Resolution" and, together with the General Resolution, the "Resolutions"); and (iv) the Bond Series Certificate relating to the Series 2017 Bonds, dated as of February 8, 2017, executed by an Authorized Officer of the Authority in accordance with the Resolutions (the "Series Certificate"). Capitalized terms used herein that are not otherwise defined shall have the meaning given to such terms in the Resolutions.

The Series 2017 Bonds are dated their date of closing, shall mature on December 1 in the years and principal amounts and shall bear interest, payable June 1, 2017 and semi-annually thereafter on each December 1 and June 1, at the respective rates per annum as set forth in the Bond Series Certificate.

The Series 2017 Bonds are issuable initially in the form of fully registered bonds in minimum denominations of $100,000 and integral multiples thereof (subject to reduction as set forth in the Bond Series Certificate). The Series 2017 Bonds are lettered and numbered "R-__" followed by the number

from such bond. The Series 2017 Bonds are numbered consecutively from one upward in order of issuance.

The Series 2017 Bonds are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth in the Resolutions and in the Bond Series Certificate.

The Authority and Orange Regional Medical Center (the "Institution") have entered into a Loan Agreement, dated as of January 11, 2017 (the "Loan Agreement"), providing, among other things, for a loan by the Authority to the Institution of the proceeds of the Series 2017 Bonds for the purposes permitted thereby and by the Resolutions. Pursuant to the Loan Agreement, the Institution is required to make payments sufficient to pay the principal of and interest on the Series 2017 Bonds as the same shall become due, which payments have been pledged by the Authority to the Trustee for the benefit of the Holders of the Series 2017 Bonds.

We have also examined one of the Series 2017 Bonds as executed and authenticated.

Based on the foregoing, and subject to the further assumptions and qualifications hereinafter set forth, we are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York, with the right and lawful authority and power to adopt the Resolutions and to issue the Series 2017 Bonds thereunder.

2. The Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect, and constitute legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms.

3. The Series 2017 Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State of New York, including the Act, and in accordance with the Resolutions. The Series 2017 Bonds are legal, valid and binding special obligations of the Authority payable as provided in Resolutions, are enforceable in accordance with their terms and the terms of the Resolutions, and are entitled to the equal benefits of the Resolutions and the Act.

4. The Authority has the right and lawful authority and power to enter into the Loan Agreement and the Loan Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

The foregoing opinions are qualified only to the extent that the enforceability of the Resolutions, the Loan Agreement and the Series 2017 Bonds may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other laws heretofore or hereafter enacted and judicial decisions relating to or affecting the enforcement of creditors' rights or remedies or contractual obligations generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

In rendering the foregoing opinions we have made a review of such legal proceedings as we have deemed necessary to approve the legality and validity of the Series 2017 Bonds. In rendering the foregoing opinions we have not been requested to examine any document or financial or other information concerning the Authority or the Institution other than the record of proceedings referred to above, and we express no opinion as to the adequacy or sufficiency of any financial or other information

which has been or will be supplied to purchasers of the Series 2017 Bonds. In addition, we express no opinion as to the severability of any provisions of the Resolutions or the Loan Agreement.

Respectfully submitted,

BROWN HUTCHINSON LLP

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**APPENDIX G**

**PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT**

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**AGREEMENT TO PROVIDE CONTINUING DISCLOSURE**

**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**
**ORANGE REGIONAL MEDICAL CENTER OBLIGATED GROUP REVENUE BONDS, SERIES 2017**

This **AGREEMENT TO PROVIDE CONTINUING DISCLOSURE** (the "Disclosure Agreement"), dated as of [ ] 2017, is executed and delivered by the Dormitory Authority of the State of New York (the "Issuer" or "DASNY"), Orange Regional Medical Center (the "Obligated Person"), Manufacturers and Traders Trust Company, as Trustee (the "Trustee") and Digital Assurance Certification, L.L.C. ("DAC"), as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the parties hereto through use of the DAC system and are not intended to constitute "advice" within the meaning of the United States Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC will not provide any advice or recommendation to the Issuer, the Obligated Person or anyone on the Issuer's or the Obligated Person's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Resolution (hereinafter defined). The capitalized terms shall have the following meanings:

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"Audited Financial Statements" means the financial statements (if any) of the Obligated Person for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Bonds" means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure required to be or voluntarily submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Obligated Person and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C., acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

"Disclosure Dissemination Agreement" means that agreement, dated January 31, 2005, as amended to the date hereof, by and between the Disclosure Dissemination Agent and the Issuer pursuant to which disclosure dissemination services are to be provided by the Disclosure Dissemination Agent.

"Disclosure Representative" means the chief financial officer of the Obligated Person or his or her designee, or such other person as the Obligated Person shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Failure to File Event" means the Obligated Person's failure to file an Annual Report on or before the Annual Filing Date.

"Force Majeure Event" means: (i) acts of God, war or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access System maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

"GHVHS PC" means GHVHS Medical Group, P.C., a professional corporation organized and existing under the laws of the State of New York.

"Holder" means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

"Information" means collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

"Issuer" means the Dormitory Authority of the State of New York, as conduit issuer of the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the United States Securities Exchange Act of 1934, as amended.

"Notice Event" means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

"Obligated Person" means any person who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

"Official Statement" means that Official Statement prepared by the Issuer and the Obligated Person in connection with the Bonds, as listed on Exhibit A.

"Resolution" means DASNY's bond resolution(s) pursuant to which the Bonds were issued.

"Trustee" means Manufacturers and Traders Trust Company and its successors and assigns.

"Voluntary Event Disclosure" means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

"Voluntary Financial Disclosure" means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Obligated Person shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy each for the Issuer and the Trustee, not later than 150 days after the end of each fiscal year of the Obligated Person (or any time thereafter following a Failure to File Event as described in this

Section), commencing with the fiscal year ending December 31, 2017, such date and each anniversary thereof, the "Annual Filing Date." Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide the Annual Report to the MSRB through its Electronic Municipal Market Access ("EMMA") System for municipal securities disclosures. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail), with a copy to the Issuer, to remind the Obligated Person of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall, not later than two (2) business days prior to the Annual Filing Date, either: (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Financial Information, Audited Financial Statements, if available, and unaudited financial statements, if audited financial statements are not available in accordance with subsection (d) below and the Certification, or (ii) instruct the Disclosure Dissemination Agent in writing, with a copy to the Issuer and the Trustee, that a Failure to File Event may occur, state the date by which the Annual Financial Information and Audited Financial Statements for such year are expected to be provided, and, at the election of the Obligated Person, instruct the Disclosure Dissemination Agent to send a notice to the MSRB in substantially the form attached as Exhibit B on the Annual Filing Date, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Obligated Person hereby irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Obligated Person are prepared but not available prior to the Annual Filing Date, the Obligated Person shall provide unaudited financial statements for filing prior to the Annual Filing Date in accordance with Section 3(b) hereof and, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy each for the Issuer and the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Section 2(a) and 2(b) with the MSRB;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;

(iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to the Section 4(c) of this Disclosure Agreement:

1. Principal and interest payment delinquencies;

2. Non-Payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, IRS notices or events affecting the tax status of the securities;

7. Modifications to rights of securities holders, if material;

8. Bond calls, if material;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the securities, if material;

11. Ratings changes;

12. Tender offers;

13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person or GHVHS PC;

14. Merger, consolidation, or acquisition of the Obligated Person or GHVHS PC, if material; and

15. Appointment of a successor or additional trustee, or the change of name of a trustee, if material;

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as "Failure to provide annual financial information as required" when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer or the Obligated Person pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. "amendment to continuing disclosure undertaking;"

2. "change in obligated person;"

3. "notice to investors pursuant to bond documents;"

4. "certain communications from the Internal Revenue Service;"

5. "secondary market purchases;"

6. "bid for auction rate or other securities;"

7. "capital or other financing plan;"

8. "litigation/enforcement action;"

9. "change of tender agent, remarketing agent, or other on-going party;"

10. "derivative or other similar transaction;" and

11. "other event-based disclosures;"

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer or the Obligated Person pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. "quarterly/monthly financial information;"

2. "change in fiscal year/timing of annual disclosure;"

3. "change in accounting standard;"

4. "interim/additional financial information/operating data;"

5. "budget;"

6. "investment/debt/financial policy;"

7. "information provided to rating agency, credit/liquidity provider or other third party;"

8. "consultant reports;" and

9. "other financial/operating data;"

(viii) provide the Obligated Person and the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Obligated Person may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, the Issuer, the Trustee and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

Each Annual Report shall contain:

(a) Annual Financial Information with respect to the Obligated Person which shall include (1) financial and operating data of the general type included in the Official Statement for the Bonds as described in "PART 7 – ORANGE REGIONAL MEDICAL CENTER" including: (1) the financial and operating data described under the heading "FINANCIAL INFORMATION" and "SELECTED FINANCIAL STATISTICS" less the proforma information therein, (ii) utilization statistics for the Fiscal Year and the comparable prior Fiscal Year of the general type set forth under the heading "UTILIZATION", and (iii) sources of patient service revenue for the Fiscal Year and the comparable prior Fiscal Year of the type set forth under the

heading "SOURCES OF REVENUES" and (2) together with such narrative explanation, as may be necessary to avoid misunderstanding regarding the presentation of such Annual Financial Information concerning the Obligated Person; and

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles ("GAAP") or alternate accounting principles as described in the Official Statement will be included in the Annual Report. If Audited Financial Statements are not available, the Obligated Person shall be in compliance under this Disclosure Agreement if unaudited financial statements, prepared in accordance with GAAP or alternate accounting principles as described in the Official Statement, are included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Obligated Person is an "obligated person" (as defined by the Rule), which have been previously filed the Securities and Exchange Commission or available from the MSRB Internet Website. If the document incorporated by reference is a Final Official Statement, it must be available from the MSRB. The Obligated Person will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information shall include an explanation, in narrative form, of such modifications.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices and determinations with respect to the tax status of the securities or other material events affecting the tax status of the securities;

7. Modification to rights of the security holders, if material;

8. Bond calls, if material;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds, if material;

11. Rating changes;

12. Tender Offers;

13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person or GHVHS PC;

    **Note to subsection (a)(13) of this Section 4:** For the purposes of the event described in subsection (a)(13) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

14. The consummation of a merger, consolidation or acquisition involving the Obligated Person or GHVHS PC, or the sale of all or substantially all of the assets of the Obligated Person or GHVHS PC, 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; and

15. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Obligated Person shall, in a timely manner not in excess of ten business days after its occurrence, notify DASNY, the Trustee and the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Upon actual knowledge of the occurrence of a Notice Event, DASNY or the Trustee shall promptly notify the Obligated Person and also may notify the Disclosure Dissemination Agent in writing of the occurrence of such Notice Event. Each such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the desired text of the disclosure, the written authorization for the Disclosure Dissemination Agent to disseminate such information, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer, the Obligated Person or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Issuer, the Obligated Person or the Disclosure Representative, such notified party will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer or the Obligated Person determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer or the Obligated Person desires to make, contain the written authorization of the Issuer or the Obligated Person for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer or the Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed as prescribed in subsection (a) or as prescribed in subsection (b) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB, in accordance with Section 2(e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers.

Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference in the Annual Reports, Audited Financial Statements, Notice Event notices and Voluntary Event Disclosure, the Obligated Person shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations.

The Obligated Person acknowledges and understands that other state and federal laws, including but not limited to the United States Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the United States Securities Exchange Act of 1934, as amended, may apply to the Obligated Person, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Obligated Person acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Issuer or the Obligated Person, with the prior approval of DASNY, may instruct the Disclosure Dissemination Agent to file Voluntary Event Disclosure with the MSRB from

time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer or Obligated Person desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, if applicable, and identify the date the Issuer or Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer or Obligated Person as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent may presume that the Obligated Person has obtained the prior approval of DASNY for such filing and shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer or Obligated Person, with the prior approval of DASNY, may instruct the Disclosure Dissemination Agent to file Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the desired text of the disclosure, contain the written authorization for the Disclosure Dissemination Agent to disseminate such information, if applicable, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer or Obligated Person as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent may presume that the Obligated Person has obtained the prior approval of DASNY for such filing and shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that neither the Issuer nor the Obligated Person is obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or to file any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Person, with the approval of DASNY, from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Section 7, or including any other information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement. If the Obligated Person chooses to include any information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement or to file Voluntary Event Disclosure or Voluntary Financial Disclosure, the Obligated Person shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Voluntary Financial Disclosure, Voluntary Event Disclosure, Failure to File Event Notice or Notice Event notice.

SECTION 8. Termination of Reporting Obligation.

The obligations of the Obligated Person and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Obligated Person is no longer an Obligated Person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent.

The Issuer has appointed DAC as exclusive Disclosure Dissemination Agent under this Disclosure Agreement pursuant to the Disclosure Dissemination Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternatively, agrees to assume all responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default.

In the event of a failure of the Obligated Person or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer or the Obligated Person has provided such information to the Disclosure Dissemination Agent as provided in this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information, or any other information, disclosures or notices provided to it by the Issuer or the Obligated Person and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Obligated Person, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Obligated Person's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality

thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the Issuer or the Obligated Person has complied with this Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer or the Obligated Person at all times.

THE OBLIGATED PERSON AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT, THE ISSUER AND THE TRUSTEE AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITY WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LOSSES, EXPENSES AND LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AND THE TRUSTEE'S (AND ITS OFFICERS, DIRECTORS, EMPLOYERS AND AGENTS') NEGLIEGENCE OR WILLFUL MISCONDUCT.

The obligations of the Obligated Person under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

**(**b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and neither 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 Person.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format through the EMMA System and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. No Issuer or Trustee Responsibility.

The Obligated Person and the Disclosure Dissemination Agent acknowledge that neither the Issuer nor the Trustee have undertaken any responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to this Disclosure Agreement other than those notices required under Section 4(b) hereof, and shall have no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures other than those notices required under said Section 4(b). DASNY (as conduit issuer) is not, for purposes of and within the meaning of the Rule, (i) committed by contract or other arrangement to support payment of all, or part of, the obligations on the Bonds, or (ii) a person for whom annual financial information and notices of material events will be provided. The Trustee shall be indemnified and held harmless in connection with this Agreement to the same extent provided in the Resolution for matters arising thereunder.

SECTION 13. Amendment; Waiver.

Notwithstanding any other provision of this Disclosure Agreement, the Obligated Person, the Issuer, the Trustee and the Disclosure Dissemination Agent may amend this Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to each of the Obligated Person, the Issuer, the Trustee and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided none of the Obligated Person, the Issuer, the Trustee or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, DASNY, the Obligated Person, the Trustee and the Disclosure Dissemination Agent shall have the right to amend this Disclosure Agreement for any of the following purposes:

(i) to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time;

(ii) to add or change a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(iii) to evidence the succession of another person to the Obligated Person, the Trustee or the Issuer and the assumption by any such successor of the covenants of the Obligated Person, the Trustee or the Issuer hereunder;

(iv) to add to the covenants of the Obligated Person, the Issuer or the Disclosure Dissemination Agent for the benefit of the Holders, or to surrender any right or power herein conferred upon the Obligated Person, the Issuer or the Disclosure Dissemination Agent;

(v) for any purpose for which, and subject to the conditions pursuant to which, amendments may be made under the Rule, as amended or modified from time to time, or any formal authoritative interpretations thereof by the Securities and Exchange Commission.

SECTION 14. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the Obligated Person, the Issuer, the Trustee, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law.

This Disclosure Agreement shall be governed by the laws of the State of New York (without regard to its conflicts of laws provisions).

SECTION 16. Counterparts.

This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[remainder of page left intentionally blank]

The Disclosure Dissemination Agent, the Issuer, the Trustee and the Obligated Person have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

**DIGITAL ASSURANCE CERTIFICATION, L.L.C.**,
as Disclosure Dissemination Agent

By:_____
Name:_____
Title:_____

**ORANGE REGIONAL MEDICAL CENTER**,
Obligated Person

By:_____
Name:_____
Title:_____

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

By:_____
Authorized Officer

**MANUFACTURERS AND TRADERS TRUST COMPANY,**
as Trustee

By: _____
Name: _____
Title: _____

## EXHIBIT A

## NAME AND CUSIP NUMBERS OF BONDS

| | |
|---|---|
| Name of Issuer: | Dormitory Authority of the State of New York |
| Obligated Person(s): | Orange Regional Medical Center |
| Name of Bond Issue: | Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2017 |
| Date of Issuance: | [ ], 2017 |
| Date of Official Statement: | [ ], 2017 |

| Maturity | CUSIP No. | Maturity | CUSIP No. |
|---|---|---|---|

**EXHIBIT B**

**NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT**

| | |
|---|---|
| Name of Issuer: | Dormitory Authority of the State of New York |
| Obligated Person(s): | Orange Regional Medical Center |
| Name of Bond Issue: | Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2017 |
| Date of Issuance: | [ ], 2017 |

CUSIP Numbers:

NOTICE IS HEREBY GIVEN that the Obligated Person has not provided an Annual Report with respect to the above-named Bonds as required by the Agreement to Provide Continuing Disclosure, dated as of [ ], 2017, by and among the Obligated Person, the Dormitory Authority of the State of New York, as Issuer, Manufacturers and Traders Trust Company, as Trustee and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Obligated Person has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated:_____

Digital Assurance Certification, L.L.C., as
Disclosure Dissemination Agent, on behalf of the
Obligated Person

_____

cc: Issuer
Obligated Person

# EXHIBIT C-1
# EVENT NOTICE COVER SHEET

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and Obligated Person's Names:

_____

Issuer's Six-Digit CUSIP Number:

_____

_____

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

_____

Number of pages attached: _____

Description of Notice Events (Check One):

1._____"Principal and interest payment delinquencies;"
2._____"Non-Payment related defaults, if material;"
3._____"Unscheduled draws on debt service reserves reflecting financial difficulties;"
4._____"Unscheduled draws on credit enhancements reflecting financial difficulties;"
5._____"Substitution of credit or liquidity providers, or their failure to perform;"
6._____"Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7._____"Modifications to rights of securities holders, if material;"
8._____"Bond calls, if material;"
9._____"Defeasances;"
10._____"Release, substitution, or sale of property securing repayment of the securities, if material;"
11._____"Rating changes;"
12._____"Tender offers;"
13._____"Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14._____"Merger, consolidation, or acquisition of the obligated person, if material;" and
15._____"Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

_____

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

## EXHIBIT C-2
## VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Continuing Disclosure Agreement dated as of _____ by and among the Issuer, the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

_____

Issuer's Six-Digit CUSIP Number:

_____

_____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

_____

Number of pages attached: _____

Description of Voluntary Event Disclosure (Check One):

1._____"amendment to continuing disclosure undertaking;"
2._____"change in obligated person;"
3._____"notice to investors pursuant to bond documents;"
4._____"certain communications from the Internal Revenue Service;"
5._____"secondary market purchases;"
6._____"bid for auction rate or other securities;"
7._____"capital or other financing plan;"
8._____"litigation/enforcement action;"
9._____"change of tender agent, remarketing agent, or other on-going party;"
10._____"derivative or other similar transaction;" and
11._____"other event-based disclosures."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

_____

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

## EXHIBIT C-3
## VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Continuing Disclosure Agreement dated as of _____ by and among the Issuer, the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

_____

Issuer's Six-Digit CUSIP Number:

_____

_____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

_____

Number of pages attached: _____

Description of Voluntary Financial Disclosure (Check One):

1._____"quarterly/monthly financial information;"
2._____"change in fiscal year/timing of annual disclosure;"
3._____"change in accounting standard;"
4._____"interim/additional financial information/operating data;"
5._____"budget;"
6._____"investment/debt/financial policy;"
7._____"information provided to rating agency, credit/liquidity provider or other third party;"
8._____"consultant reports;" and
9._____"other financial/operating data."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

_____

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

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DORMITORY AUTHORITY OF THE STATE OF NEW YORK • ORANGE REGIONAL MEDICAL CENTER OBLIGATED GROUP REVENUE BONDS, SERIES 2017

ORMC ORANGE REGIONAL MEDICAL CENTER

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

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