Secondary Market Disclosure Information

June 30, 2017

RWJ BARNABAS HEALTH, INC.

Condensed Consolidated Financial Statements and Supplementary Information as of and for the Six months ended June 30, 2017

RWJ BARNABAS HEALTH, INC.
Secondary Market Disclosure Information
June 30, 2017

Summary of Obligations under the
Master Trust Indenture and Other Credit Arrangements

Obligations under the Master Trust Indenture

- Barnabas Health Issue, Series 2011B (Variable Rate)
- Barnabas Health System Taxable Revenue Bonds, Series 2012
- Barnabas Health Issue, Series 2012A
- Barnabas Health Issue, Series 2014A
- Robert Wood Johnson University Hospital Issue, Series 2013A
- Robert Wood Johnson University Hospital Issue, Series 2014A
- Robert Wood Johnson University Hospital Issue, Series 2014B (Variable Rate)
- Robert Wood Johnson Health Care Corp at Hamilton Obligated Group Issue, Series 2002 (Variable Rate)
- RWJ Barnabas Health Taxable Revenue Bonds, Series 2016
- RWJ Barnabas Health Obligated Group Issue, Series 2016A
- RWJ Barnabas Health Obligated Group Issue, Series 2017A
- RWJ Barnabas Health Obligated Group Issue, Series 2017B (Variable Rate)

Other Credit Arrangements

- Irrevocable Standby Letter of Credit supporting the self insured worker's compensation programs
- Irrevocable direct pay letter of credit with JP Morgan Chase Bank, N.A. that provides liquidity support for the Series 2011B bonds
- Irrevocable direct pay letter of credit with TD Bank that provides liquidity support for the Series 2014B bonds
- Irrevocable direct pay letter of credit with TD Bank that provides liquidity support for the Series 2002 bonds

RWJ BARNABAS HEALTH, INC.

Secondary Market Disclosure Information

June 30, 2017

System Overview

Facility	**Location**	**Licensed Beds**
Acute Care Hospitals:		
Newark Beth Israel Medical Center	Newark	665 (1)
Community Medical Center	Toms River	617 (2)
Saint Barnabas Medical Center	Livingston	597
Robert Wood Johnson University Hospital, New Brunswick Campus	New Brunswick	584 (5)
Robert Wood Johnson University Hospital, Somerset Campus	Somerville	361
Monmouth Medical Center	Long Branch	514 (3)
Monmouth Medical Center, Southern Campus	Lakewood	241 (4)
Clara Maass Medical Center	Belleville	492 (2)
Jersey City Medical Center	Jersey City	316
Robert Wood Johnson University Hospital Rahway	Rahway	251
Robert Wood Johnson University Hospital at Hamilton	Hamilton	248
Total Acute Care Beds		**4,886**
Transitional Care Beds:		
Children's Specialized Hospital	New Brunswick	140 (6)
Community Medical Center Transitional Care Unit	Toms River	25 (2)
The Clara Maass Transitional Care Unit	Belleville	20 (2)
Total Transitional Care Beds		**185**
Specialty Hospitals:		
The Children's Hospital of NJ at Newark Beth Israel Medical Center	Newark	156 (1)
Barnabas Health Behavioral Health Center	Toms River	100 (4)
The Bristol-Myers Squibb Children's Hospital at Robert Wood Johnson University Hospital	New Brunswick	79 (5)
The Unterberg Children’s Hospital at Monmouth Medical Center	Long Branch	70 (3)
Total Specialty Hospital Beds		**405**

(1) Newark Beth Israel Medical Center is licensed for 665 beds, 156 of which are licensed for Children’s Hospital of New Jersey at Newark Beth Israel Medical Center. For presentation purposes, these 156 beds are included in the licensed bed complement for both Newark Beth Israel Medical Center and it's designated Children's Hospital.

(2) For presentation purposes, the 45 Transitional Care beds located at the general acute care hospitals are included in the licensed bed complements for both Clara Maass Medical Center and Community Medical Center.

(3) Monmouth Medical Center is licensed for 514 beds, 70 of which are licensed for The Unterberg Children’s Hospital at Monmouth Medical Center. For presentation purposes, these 70 beds are included in the licensed bed complement for both Monmouth Medical Center and its designated Children’s Hospital.

(4) Monmouth Medical Center, Southern Campus is licensed for 241 beds, 60 of which are psychiatric beds located at Barnabas Health Behavioral Health Center. For presentation purposes these 60 beds are included in the licensed bed complements of both Monmouth Medical Center, Southern Campus and Barnabas Health Behavioral Health Center.

(5) Robert Wood Johnson University Hospital is licensed for 584 beds, 79 of which are licensed for The Bristol-Myers Squibb Children's Hospital. For presentation purposes, these 79 beds are included in the licensed bed complement for both Robert Wood Johnson University Hospital and its designated Children’s Hospital. Robert Wood Johnson University Hospital has been granted temporary approval from the Department of Health to operate an additional 26 neonatal bassinets not included in the count.

(6) These licensed beds represent pediatric long term care and rehabilitation beds. Children’s Specialized Hospital operates at multiple locations in New Jersey, including the long term care beds in Mountainside and Toms River, New Jersey. In addition to licensed beds reported in this table, Children’s Specialized Hospital operates 27 Pediatric Day slots in Roselle Park, New Jersey.

RWJ BARNABAS HEALTH, INC.

Selected Utilization Statistics

June 30, 2017

The table below sets forth selected utilization statistics for the six months ended June 30, 2017.

	Six months ended June 30, 2017
Acute care licensed beds	4,886
Average acute care beds in service	3,827
Acute care admissions	97,339
Acute care length of stay	5.36
Acute care occupancy based on beds in service	73.5%
Maternity and Obstetric cases	11,759
Psychiatric Hospital inpatient admissions	661
Same day surgery cases (1)	29,926
Emergency Room visits (2)	315,865

(1) Includes cases from acute care hospitals only

(2) Treat and released only (does not include Barnabas Health Behavioral Health Center)

RWJ BARNABAS HEALTH, INC.

Condensed Consolidated Balance Sheets

(In thousands)

Assets	**June 30, 2017 (unaudited)**	**December 31, 2016 (audited)**
Current assets:		
Cash and cash equivalents	$ 41,190	36,136
Investments	74,681	62,450
Assets limited or restricted as to use	108,660	137,979
Patient accounts receivable, net of allowance for doubtful accounts of $229,436 and $222,774	487,692	494,929
Estimated amounts due from third-party payors, net	1,035	-
Other current assets	179,383	159,114
Total current assets	892,641	890,608
Assets limited or restricted as to use, noncurrent portion	239,635	260,984
Investments	2,817,439	2,551,959
Property, plant and equipment, net	1,982,163	1,976,544
Other assets, net	194,744	189,711
	$ 6,126,622	5,869,806
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 277,037	272,582
Accrued expenses and other current liabilities	573,659	559,203
Estimated amounts due to third-party payors, net	-	9,400
Long-term debt	66,012	49,278
Self-insurance liabilities	71,624	65,041
Total current liabilities	988,332	955,504
Estimated amounts due to third-party payors, net of current portion	54,750	47,311
Self-insurance liabilities, net of current portion	222,697	205,758
Long-term debt, less current portion	1,774,476	1,830,316
Accrued pension liability	114,441	115,173
Other liabilities	140,697	134,661
Total liabilities	3,295,393	3,288,723
Net assets:		
Unrestricted	2,686,839	2,433,305
Temporarily restricted	114,051	117,439
Permanently restricted	30,339	30,339
Total net assets	2,831,229	2,581,083
Total liabilities and net assets	$ 6,126,622	5,869,806

See accompanying notes to condensed consolidated financial statements.

RWJ BARNABAS HEALTH, INC.

Condensed Consolidated Statement of Operations

Six months ended June 30, 2017

(In thousands)

(Unaudited)

Revenue:	
Patient service revenue (net of contractual allowances and discounts)	$ 2,344,917
Provision for bad debts	(81,817)
Net patient service revenue less provision for bad debts	2,263,100
Other revenue, net	241,797
Total revenue	2,504,897
Expenses:	
Salaries and wages	927,890
Physician fees and salaries	237,913
Employee benefits	207,578
Supplies	462,596
Other	428,124
Interest	30,684
Depreciation and amortization	104,353
Total expenses	2,399,138
Income from operations	105,759
Nonoperating revenue (expenses):	
Investment income, net	141,755
Other, net	(3,459)
Total nonoperating revenue, net	138,296
Excess of revenue over expenses	244,055
Other changes:	
Net change in unrealized gains on available for sale investments	266
Pension changes other than net periodic benefit cost	4,280
Net assets released from restriction for purchases of property and equipment	4,682
Other, net	251
Increase in unrestricted net assets	$ 253,534

See accompanying notes to condensed consolidated financial statements.

RWJ BARNABAS HEALTH, INC.

Condensed Consolidated Statement of Changes in Net Assets

Six months ended June 30, 2017

(In thousands)

(Unaudited)

	Unrestricted	Temporarily restricted	Permanently restricted	Total net assets
Net assets at December 31, 2016	$ 2,433,305	117,439	30,339	2,581,083
Changes in net assets:				
Excess of revenues over expenses	244,055	-	-	244,055
Net change unrealized gains on investments	266	29	-	295
Pension changes other than net periodic benefit cost	4,280	-	-	4,280
Net assets released from restriction	4,682	(9,782)	-	(5,100)
Restricted contributions	-	5,793	-	5,793
Investment income on restricted investments, net	-	83	-	83
Other	251	489	-	740
Changes in net assets	253,534	(3,388)	-	250,146
Net assets at June 30, 2017	$ 2,686,839	114,051	30,339	2,831,229

See accompanying notes to condensed consolidated financial statements.

RWJ BARNABAS HEALTH, INC.

Condensed Consolidated Statement of Unrestricted Cash Flows

Six months ended June 30, 2017

(In thousands)

(Unaudited)

Unrestricted Cash, Cash Equivalents and Investments, beginning of year	$	2,650,545
Unrestricted Cash, Cash Equivalents and Investments, end of period		2,933,310
Change in Unrestricted Cash, Cash Equivalents and Investments	$	282,765
Change in Unrestricted Cash, Cash Equivalents and Investments consists of:		
Cash Flows from Operating Activities:		
Income from operations	$	105,759
Interest expense		30,684
Depreciation and amortization		104,353
Earnings before interest, taxes, depreciation and amortization (EBITDA)		240,796
Adjustments to reconcile earnings before EBITDA to net cash provided by operating activities:		
Pension changes other than net periodic benefit costs		4,280
Provision for bad debts		81,817
Equity in income of joint venture		(11,469)
Distributions received from investments in joint ventures		8,326
Change in operating assets and liabilities:		
Patient accounts receivable		(74,580)
Prepaid expenses and other assets		(22,159)
Accounts payable, accrued expenses and other current liabilities		19,421
Estimated amounts due from and to third party payors		(2,996)
Self-insured claims liabilities		23,522
Accrued pension liability		(732)
Other liabilities		5,525
Other changes in working capital		(32,455)
Net cash provided by operating activities		239,296
Cash Flows from Investing Activities:		
Purchases of property, plant and equipment, net		(109,975)
Investment income and realized gains, net		34,009
Net unrealized gains on investments		108,012
Cash withdrawn from assets limited as to use		50,669
Net cash provided by investing activities		82,715
Cash Flows from Financing Activities:		
Principal payments		(39,105)
Net cash used in financing activities		(39,105)
Nonoperating revenue and other, net		(141)
Change in Unrestricted Cash, Cash Equivalents and Investments	$	282,765
Supplemental disclosure of cash flow information:		
Cash paid for interest	$	14,006

See accompanying notes to condensed consolidated financial statements.

(1) Organization

Effective April 1, 2016, Robert Wood Johnson Health Care Corp. and its affiliates (collectively, RWJ) and Barnabas Health, Inc. and its affiliates (collectively, Barnabas Health) completed a transaction pursuant to a merger agreement dated March 16, 2016, to form RWJ Barnabas Health, Inc. The parent corporations of RWJ and Barnabas Health agreed to jointly sponsor a newly formed parent comprised of all entities of both systems. The merger was accomplished through the establishment of a new system parent corporation as the sole member of the former parent corporations of each system (RWJ and Barnabas Health, respectively). The parent corporation of the newly merged health care system, RWJ Barnabas Health, Inc., (the Corporation), is a not-for-profit, tax-exempt corporation. The merger was effected to create an integrated health system that would expand the scope of, and access to, health care services within communities served by both RWJ and Barnabas Health.

The services and facilities of the Corporation include 11 acute care hospitals, 3 acute care children’s hospitals, a free standing behavioral health center and statewide behavioral health network, a pediatric rehabilitation hospital, ambulatory care centers, geriatric centers, comprehensive home care and hospice centers, fitness and wellness centers, retail pharmacy centers, medical groups, diagnostic imaging centers, accountable care organizations, a burn treatment facility, comprehensive cardiac surgery services, a heart transplant center, a lung transplant center, kidney transplant centers, comprehensive cancer services and comprehensive breast centers.

Concurrent with the merger, trustees of both RWJ and Barnabas Health resigned at the effective date of the transaction, and a new board of trustees was formed. The Corporation has accounted for the combination as a merger of not-for-profit entities under Accounting Standards Codification (ASC) 958-805, *Not-for-Profit Entities: Business Combinations* resulting in a new reporting entity effective April 1, 2016, with no activities before the merger. Therefore, the consolidated assets, liabilities and net assets of RWJ and Barnabas Health are included in the accompanying consolidated financial statements as of the effective date at their historical basis under the carryover method. The application of merger accounting to the combination as of April 1, 2016 required RWJ and Barnabas Health to conform certain accounting policies for consistency, including the accounting for the valuation of patient accounts receivable and investments in joint ventures. Adjustments of $38,600 were made to conform the policies as of March 31, 2016.

The amounts recognized as of the reporting date for each major class of assets, liabilities and net assets for RWJ and Barnabas Health, and their respective historical affiliates are as follows:

		RWJ	Barnabas Health	Total
Assets:				
Cash and investments	$	746,866	1,533,221	2,280,087
Assets limited or restricted as to use		209,044	271,734	480,778
Patient accounts receivable, net		203,133	305,677	508,810
Property and equipment, net		826,780	991,331	1,818,111
Other assets		150,179	241,745	391,924
Total assets	$	2,136,002	3,343,708	5,479,710
Liabilities:				
Accounts payable	$	113,021	202,109	315,130
Accrued expenses and other current liabilities		166,890	370,046	536,936
Long-term debt		612,712	1,137,452	1,750,164
Other liabilities		183,299	304,856	488,155
Total liabilities		1,075,922	2,014,463	3,090,385
Net assets:				
Unrestricted		990,194	1,232,404	2,222,598
Temporarily restricted		55,473	82,980	138,453
Permanently restricted		14,413	13,861	28,274
Total net assets		1,060,080	1,329,245	2,389,325
Total liabilities and net assets	$	2,136,002	3,343,708	5,479,710

The following table presents supplemental pro forma information for the Corporation for the year ended December 31, 2016, as if the merger had occurred on January 1, 2016. The following supplemental pro forma information is not audited, and is as follows:

		Total revenue	Change in unrestricted net assets	Change in temporarily restricted net assets	Change in permanently restricted net assets
RWJ	$	1,851,619	21,652	321	5,294
Barnabas Health		3,238,276	294,035	(25,089)	(396)
Total	$	5,089,895	315,687	(24,768)	4,898

The supplementary information above is presented only for purposes of additional analysis and not as a presentation of financial position and results of operations. This information does not reflect all eliminations and reclassifications as required by generally accepted accounting principles and is not necessarily indicative of what the financial position and results of operations would have been for the consolidated entity had the merger occurred on January 1, 2016.

(2) Significant Accounting Policies

(a) Basis of Accounting of Financial Statement Presentation

The accompanying unaudited consolidated financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial reporting. Footnotes and other disclosures that would substantially duplicate the disclosures contained in an audited financial statement have been omitted. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements of the Corporation. Significant eliminations and reporting adjustments have been made to present the information in accordance with GAAP. Information for the six months ended June 30, 2017 is not based on audited information but, in the opinion of management, is presented on a basis consistent with audited consolidated financial statements and includes adjustments necessary for a fair presentation therein. Adjustments to these financial statements may occur as a result from the more comprehensive review undertaken as part of the audit process for the year ending December 31, 2017.

The consolidated financial statements include all affiliates and other entities for which operating control is exercised by the Corporation. Investments in entities where the Corporation does not have operating control are recorded under the equity or cost method of accounting. The Corporation has included its equity share of income or losses from investments in unconsolidated affiliates in other operating revenue. All significant intercompany balances and transactions have been eliminated.

(b) Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting year. Actual results could differ from those estimates.

(c) Accounting Pronouncements

The Corporation has adopted Accounting Standards Update (ASU) No. 2015-07, *Disclosure for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2015-07). ASU 2015-07 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 and 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. The guidance is effective for fiscal years beginning after December 15, 2016. The Corporation adopted ASU 2015-07 effective April 1, 2016.

In January 2016, the Financial Account Standards Board issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)* (ASU 2016-01). ASU 2016-01 makes targeted improvements to the accounting for, and presentation and disclosure of, financial instruments. ASU 2016-01 requires that most equity instruments be measured at fair value, with subsequent changes in fair value recognized in net income. ASU 2016-01 does not affect the accounting for investments that would otherwise be consolidated or accounted for under the equity method. The new standard also impacts financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. This ASU is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted and the Corporation has adopted this standard as of April 1, 2016.

In addition, entities that are not public business entities may early adopt the provisions of the standard that eliminate certain previously required fair value disclosures. The Corporation elected to early adopt the provision of the ASU to simplify the reporting for financial instruments and as such is no longer required to disclose the fair value of financial instruments measured at amortized cost.

(3) Healthcare Reimbursement

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is a possibility that recorded estimates could change by a material amount. In accounting for Medicare and Medicaid cost report settlements, the Corporation records all third-party receivables and liabilities at their estimated realizable values. Management periodically reviews recorded amounts receivable from, or payable to, third-party payors and adjusts these balances as new information becomes available. In addition, revenue received under certain third-party agreements is subject to audit.

During the six months ended June 30, 2017 certain prior year third-party cost reports were audited and settled, or tentatively settled by third-party payors. Adjustments resulting from such audits, settlements, and management reviews are reflected as adjustments to patient service revenue in the period that adjustments become known. The effect of cost report settlements increased patient service revenue by approximately $7,925 for the six months ended June 30, 2017. Although certain other prior year cost reports submitted to third-party payors remain subject to audit and retroactive adjustment, management does not expect any material adverse settlements.

(4) Fair Value Measurements

Accounting Standards Codification (ASC) 820, *Fair Value Measurement* establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include cash and cash equivalents and debt and equity securities that are traded in an active exchange market.

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 bonds.

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 Corporation currently holds no Level 3 investments.

The following tables present the Corporation's fair value hierarchy for those assets measured at fair value on a recurring basis, and exclude pledges receivable, net, other investments, and accrued interest receivable, as of June 30, 2017 and December 31, 2016:

	June 30, 2017			
	Fair value	**Level 1**	**Level 2**	**Level 3**
Available for sale investments:				
Investment categories:				
Cash and cash equivalents and money market funds	$ 204,999	204,999	—	—
Mutual funds	42,543	42,543	—	—
Certificates of deposit	2,593	—	2,593	—
Other investments	777	273	504	—
Total investments available for sale	250,912	247,815	3,097	—
Trading investments:				
Investment categories:				
Cash and cash equivalents and money market funds	126,900	126,900	—	—
Mutual funds	1,523,459	1,523,459	—	—
Certificates of deposit	2,744	—	2,744	—
Commercial mortgage-backed securities	44,212	—	44,212	—
Corporate bonds	304,676	—	304,676	—
Asset-backed securities	58,886	—	58,886	—
Government bonds	179,741	—	179,741	—
Government mortgage-backed securities	103,314	—	103,314	—
Municipal bonds	30,489	—	30,489	—
Other investments	738	738	—	—
Total trading investments	2,375,159	1,651,097	724,062	—
Total assets in fair value hierarchy	2,626,071	$ 1,898,912	727,159	—
Investments measured at net asset value (a)	590,105			
	$ 3,216,176			

	December 31, 2016			
	Fair value	**Level 1**	**Level 2**	**Level 3**
Available for sale investments:				
Investment categories:				
Cash and cash equivalents and money market funds	$ 255,875	255,875	—	—
Mutual funds	39,027	39,027	—	—
Certificates of deposit	2,582	—	2,582	—
Corporate bonds	1,732	—	1,732	—
Other investments	270	270	—	—
Total investments available for sale	299,486	295,172	4,314	—
Trading investments:				
Investment categories:				
Cash and cash equivalents and money market funds	164,394	164,394	—	—
Mutual funds	1,135,068	1,135,068	—	—
Certificates of deposit	6,235	—	6,235	—
Commercial mortgage-backed securities	52,247	—	52,247	—
Corporate bonds	412,120	—	412,120	—
Asset-backed securities	79,070	—	79,070	—
Government bonds	195,017	—	195,017	—
Government mortgage-backed securities	151,126	—	151,126	—
Municipal bonds	64,018	—	64,018	—
Other investments	711	711	—	—
Total trading investments	2,260,006	1,300,173	959,833	—
Total assets in fair value hierarchy	2,559,492	1,595,345	964,147	—
Investments measured at net asset value (a)	426,240			
	$ 2,985,732			

(a) In accordance with the adoption of ASU 2015-07, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy.

There were no transfers among Levels 1, 2 and 3 during the six months ended June 30, 2017 and the nine months ended December 31, 2016.

There are no financial liabilities reported at fair value.

(5) Long-term Debt

Long-term debt consists of the following:

		June 30, 2017	December 31, 2016
Revenue and refunding bonds	$	1,739,174	1,739,427
Note payable		—	30,000
Capital lease obligations		15,465	20,365
Other		3,831	5,113
Total long-term debt		1,758,470	1,794,905
Plus: Unamortized bond premium		98,369	101,617
Less:			
Unamortized bond discount		2,133	2,241
Deferred financing costs, net		14,218	14,687
Current portion		66,012	49,278
Long-term portion	$	1,774,476	1,830,316

On September 14, 2016, Barnabas Health entered into a Bridge Loan Agreement (Bridge Loan), with Citibank, N.A. (Citibank), as the initial lender. Barnabas Health issued a promissory note in the amount of $395,548 which was secured by a note issued under the Barnabas Health Master Trust Indenture (MTI) payable to Citibank. The proceeds were used to (i) defease all of the New Jersey Healthcare Facilities Financing Authority (NJHCFFA) Revenue and Refunding Bonds, Barnabas Health Issue, Series 2011A and the NJHCFFA Revenue and Refunding Bonds, Robert Wood Johnson University Hospital Issue, Series 2010, and (ii) fund certain expenses and costs of issuance.

On November 2, 2016, the Corporation initiated a substitution of each of their existing master trust indentures (the Old MTIs) with a new Master Trust Indenture and Loan Agreement, dated November 1, 2016 (the New MTI) between the Corporation, as Combined Group Agent, and Bank of New York Mellon, as the Master Trustee (Trustee). The New MTI secures all outstanding debt previously issued by Barnabas Health and RWJ under the Old MTIs. At the time of its execution and delivery, the New MTI formed a single Obligated Group consisting of the following entities as Obligated Group members: Barnabas Health, Inc., Children's Specialized Hospital, Clara Maass Medical Center, Community Medical Center, Jersey City Medical Center, Monmouth Medical Center (including Monmouth Medical Center, Southern Campus), Newark Beth Israel Medical Center, RWJ Barnabas Health, Inc., Robert Wood Johnson Health Care Corp., Robert Wood Johnson University Hospital, Robert Wood Johnson University Hospital at Hamilton, Robert Wood Johnson University Hospital Rahway, RWJ Health Care Corp at Hamilton and Saint Barnabas Medical Center.

To secure its payment obligations, the Obligated Group has granted to the Trustee a first lien and security interest in the gross revenues of each member of the Obligated Group.

Obligated Group members are jointly and severally liable under the New MTI. The Corporation does have the right to name designated affiliates. Though designated affiliates are not obligated to make debt service payments on the obligations under the New MTI, the Corporation may cause each designated affiliate to transfer such amounts as necessary to enable the Obligated Group members to comply with the terms of the New MTI, including payment of the outstanding obligations.

The Corporation's Obligated Group is required to maintain certain financial covenants in connection with the NJHCFFA and Credit Arrangements with a consortium of banks.

On November 2, 2016, the Corporation's Obligated Group:

- Issued $494,952 RWJBarnabas Health Taxable Revenue Bonds, Series 2016; $100,000 of the bonds mature July 1, 2026 with an interest rate of 2.954% and $394,952 of the bonds mature July 1, 2046 with an interest rate of 3.949%.

- NJHCFFA issued $679,135 of its tax-exempt Revenue and Refunding Bonds, RWJBarnabas Health Obligated Group Issue, Series 2016A. These bonds mature through 2036 with interest rates ranging from 3.50% to 5.00%.

- Redeemed the Children's Specialized Hospital Series 2015A from available funds of the Corporation.

The proceeds of Series 2016 and 2016A were used to (i) refund, refinance, redeem and legally defease certain bond issues, (ii) refinance the Bridge Loan, (iii) finance various capital improvements and (iv) fund certain expenses and costs of issuance.

On February 1, 2017, the Corporation completed the process to unify the security agreements for all of its outstanding indebtedness through a bond exchange for the Children's Specialized Hospital Series 2013A and B bonds (Series 2013). The exchange replaced the outstanding principal of Series 2013 with the RWJ Barnabas Health Obligated Group Issue, Series 2017A and Series 2017B bonds. There was no gain or loss recorded on the transaction.

At March 31, 2017, the long term portions of the Series 2002 and Series 2014B bonds were reclassed to current debt. The letters of credit (LOC) that provide liquidity support for those bonds expire March 31, 2018. Management is currently working to extend the expiration date of the LOC and once completed, the applicable portion of the debt will be reclassed back to long term.

On April 27, 2017, the Corporation paid the note payable of $30,000. On July 31, 2017, the Corporation repaid the remaining balance of other debt in the amount of $3,831. There was no impact to the condensed consolidated statement of operations as a result of these transactions.

(6) Employee Benefit Plans

The Corporation maintains several benefit plans for its employees. The following are brief descriptions of those plans and related expenses for the six months ended June 30, 2017:

- The Corporation provides pension benefits to its employees through defined contribution plans. Contributions to these plans are based on percentages of annual salaries. It is the policy of the Corporation to fund accrued costs under these plans on a current basis. Pension expense related to these defined contribution plans was approximately $36,301 for the six months ended June 30, 2017.

- Certain affiliates of the Corporation contribute to various multiemployer defined-benefit pension plans under the terms of collective bargaining agreements that cover union-represented employees. Contributions to these plans approximated $1,701 for the six months ended June 30, 2017.

- Certain employees of the Corporation participate in deferred compensation plans. Eligible employees may defer compensation under a salary reduction agreement, subject to certain dollar limitations. Payments, upon retirement or termination of employment, are based on amounts credited to individual accounts. In connection with these plans, certain affiliates deposit amounts with trustees on behalf of participating employees. Under the terms of these plans, the Corporation is not responsible for investment gains or losses incurred. The assets are restricted for payments under the plans. The plans are funded based upon the benefit formula as outlined in the plan documents.

- The Corporation maintains defined benefit plans (the Plans) that cover substantially all employees who were employed on specific dates depending on the terms outlined in the respective plan document. All Plans are currently frozen and no participants accrue credited service or contribute to the Plans. The policy of the Corporation is to evaluate the annual funding liability on a calendar year basis. Contributions to the plans are funded in accordance with regulatory requirements and approximated $377 for the six months ended June 30, 2017.

(7) Partnership

On July 27, 2017, the Corporation and Rutgers, the State University of New Jersey (Rutgers) signed a formal Letter of Intent to partner and create the state's largest academic health care system with the goal of integrating medical education, advanced research and healthcare delivery to produce world class clinical services and outcomes.

The Corporation and Rutgers will remain separate and distinct legal entities. The proposed partnership will create a joint committee for strategic planning and oversight. The clinical delivery of services will be managed and led by the Corporation in coordination with Rutgers, and the academic and research functions will be managed and led by Rutgers in coordination with the Corporation. It is anticipated that the partnership will be finalized in 2018.

(8) Subsequent Events

Management evaluated all events and transactions that occurred after June 30, 2017 and through August 14, 2017. The Corporation did not have any material recognizable subsequent events during the period, except as previously disclosed.

RWJ BARNABAS HEALTH, INC.

Note to Condensed Consolidated Financial Statements –
Obligated Group

The following financial information as of June 30, 2017 and December 31, 2016 and for the six months ended June 30, 2017 on pages 20 and 21 of the Corporation's Obligated Group was prepared for purposes of accommodating a certain group of bondholders. The financial information reflects the financial position and results of operations and changes in net assets of the Obligated Group and not of the entire Corporation and is not intended to be presented in conformity with U.S. generally accepted accounting principles.

RWJ BARNABAS HEALTH, INC.

Condensed Consolidated Balance Sheets - Obligated Group

(In thousands)

(Unaudited)

Assets		**June 30, 2017**	**December 31, 2016**
Current assets:			
Cash and cash equivalents	$	169,356	69,087
Investments		74,681	62,450
Assets limited or restricted as to use		91,984	119,848
Patient accounts receivable, net of allowance for doubtful accounts of $219,119 and $213,118		457,151	470,435
Estimated amounts due from third-party payors, net		1,586	-
Other current assets		177,949	142,520
Total current assets		972,707	864,340
Assets limited or restricted as to use, non-current portion		154,476	156,815
Investments		2,785,999	2,520,421
Property, plant and equipment, net		1,872,096	1,872,771
Other assets, net		187,516	209,254
	$	5,972,794	5,623,601
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$	259,629	251,635
Accrued expenses and other current liabilities		505,138	489,279
Estimated amounts due to third-party payors, net		-	8,754
Long-term debt		65,933	48,694
Due to affiliates		135,204	53,684
Self-insurance liabilities		33,499	26,916
Total current liabilities		999,403	878,962
Estimated amounts due to third-party payors, net of current portion		53,694	46,254
Self-insurance liabilities, net of current portion		90,666	80,959
Long-term debt, less current portion		1,711,751	1,766,587
Accrued pension liability		113,005	113,736
Other liabilities		129,945	123,326
Due to affiliates		19,358	19,431
Total liabilities		3,117,822	3,029,255
Net assets		2,854,972	2,594,346
Total liabilities and net assets	$	5,972,794	5,623,601

RWJ BARNABAS HEALTH, INC.

Condensed Consolidated Statement of Operations and Changes in Net Assets - Obligated Group

Six months ended June 30, 2017

(In thousands)

(Unaudited)

Revenue:	
Patient service revenue (net of contractual allowances and discounts)	$ 2,276,773
Provision for bad debts	(73,770)
Net patient service revenue less provision for bad debts	2,203,003
Other revenue, net	118,664
Total revenue	2,321,667
Expenses:	
Salaries and wages	855,223
Physician fees and salaries	209,537
Employee benefits	190,065
Supplies	434,657
Other	388,384
Interest	30,100
Depreciation and amortization	100,311
Total expenses	2,208,277
Income from operations	113,390
Nonoperating revenue (expenses):	
Investment income, net	138,327
Other, net	(3,439)
Total nonoperating revenue, net	134,888
Excess of revenue over expenses	248,278
Other changes in net assets:	
Net change in unrealized gains on investments	18
Pension changes other than net periodic benefit cost	4,213
Net assets released from restriction for purchases of property and equipment	4,682
Other, net	3,435
Increase in net assets	$ 260,626