NEW ISSUE – Book-Entry Only **See "Ratings" herein.**

Dartmouth-Hitchcock Health

$303,102,000
DARTMOUTH-HITCHCOCK HEALTH
Dartmouth-Hitchcock Obligated Group
4.178% Taxable Bonds, Series 2018B

Dated: Date of Delivery CUSIP: 23745QAA2* Price: 100% Yield: 4.178% Due: August 1, 2048

The above-captioned bonds (the "Bonds") are to be issued by Dartmouth-Hitchcock Health (the "Institution") pursuant to a Bond Indenture, dated as of January 1, 2018 (the "Bond Indenture"), by and between the Institution and U.S. Bank National Association, Boston, Massachusetts, as trustee (the "Trustee"). Interest on the Bonds will accrue from their date of delivery and will be payable on February 1 and August 1, commencing August 1, 2018, until maturity or prior redemption. **The Bonds are subject to redemption prior to maturity as set forth in this Offering Memorandum.**

The Bonds will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co. as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as the initial securities depository for the Bonds. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See "THE BONDS - Book-Entry Only System" herein.

Purchases of the Bonds will be made in book-entry form in denominations of $1,000 or any integral multiple thereof. Principal of and interest on the Bonds will be paid by the Trustee.

The Bonds shall constitute the full faith and credit general obligations of the Institution secured under the provisions of the Bond Indenture described herein. The obligation of the Institution to pay debt service on the Bonds is evidenced and secured by Obligation No. 42 (the "Obligation") issued pursuant to the Master Indenture (defined herein), wherein the Members of the Obligated Group, consisting of the Institution, Mary Hitchcock Memorial Hospital, Dartmouth-Hitchcock Clinic, The Cheshire Medical Center, The New London Hospital Association, Inc., Windsor Hospital Corporation and, following its expected admission as described herein, Alice Peck Day Memorial Hospital (collectively, "Obligated Group") are jointly and severally obligated to make payments on the Obligation according to the terms thereof. Payments on such Obligation are required to be in an amount sufficient to pay when due the principal of and premium, if any, and interest on the Bonds. The Bonds are secured solely by the Bond Indenture pursuant to which the Bonds are issued and payable solely from payments made under the Obligation.

The proceeds of the sale of the Bonds will be used by the Institution for its lawful corporate purposes.

Interest on and profit, if any, on the sale of the Bonds are not excludable from gross income for federal, state or local income tax purposes. See "CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS" herein.

The Bonds have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws, and are being issued in reliance on the exemption contained in Section 3(a)(4) of the Securities Act.

The Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of their legality and certain other matters by Hawkins Delafield & Wood LLP, New York, New York, special counsel to the Institution, and Devine, Millimet & Branch, P.A., Manchester, New Hampshire, corporate counsel to the Institution. Certain legal matters will be passed upon for the Underwriters by their counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts. It is expected that the Bonds will be available for delivery through the facilities of DTC or its custodial agent on or about February 21, 2018.

Citigroup **Morgan Stanley**

Dated: February 7, 2018

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* Copyright 2018, American Bankers Association. The CUSIP (Committee on Uniform Securities Identification Procedures) numbers in this Offering Memorandum have been assigned by an organization not affiliated with the Institution, the other Members of the Obligated Group, the Underwriters or the Trustee, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP number is included solely for the convenience of Bondholders and no representation is made as to the correctness of the CUSIP number herein. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including but not limited to the refunding or defeasance of such issue or the use of secondary market financial products. None of THE INSTITUTION, the Underwriters or the Trustee has agreed to, nor is there any duty or obligation to, update this Offering Memorandum to reflect any change or correction in the CUSIP numbers herein.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, salesperson or other person has been authorized by the Institution or the Underwriters to give information or to make representations with respect to the Bonds, other than those contained in this Offering Memorandum, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Offering Memorandum does not constitute an offer by any person to sell or the solicitation by any person of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information contained herein has been obtained from the Institution, DTC, and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of the Underwriters. The Underwriters have provided the following sentence for inclusion in this Offering Memorandum. The Underwriters have reviewed the information in this Offering Memorandum 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. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

References in this Offering Memorandum to any legislation or documents do not purport to be complete. Refer to such legislation and documents for full and complete details of their provisions.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE INSTITUTION AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Offering Memorandum, including Appendix A, contains disclosures which include "forward-looking statements." Forward-looking statements comprise all statements that do not relate solely to historical or current fact and can be identified by use of words like "pro forma", "may", "believe", "will", "expect", "project", "estimate", "anticipate", "plan", "continue" or similar expressions. These forward-looking statements are based on the Institution management's current plans and expectations and are subject to a number of known and unknown uncertainties and risks, many of which are beyond the Institution's control, which could significantly affect current plans and expectations and the Institution's future financial position and results of operations. As a consequence, current plans, anticipated actions and future financial position and results of operations may differ from those expressed in any forward-looking statements made by or on behalf of the Institution. Investors are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this Offering Memorandum, including Appendix A.

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. NEITHER THE INSTITUTION NOR ANY OTHER PARTY PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN CHANGES TO THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES UPON WHICH SUCH STATEMENTS ARE BASED OCCUR.

UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN CHANGES TO THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES UPON WHICH SUCH STATEMENTS ARE BASED OCCUR.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, NOR HAS THE BOND INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE BONDS HAVE ALSO NOT BEEN REGISTERED WITH ANY STATE SECURITIES COMMISSION AND, THEREFORE, CANNOT BE RESOLD UNLESS THEY ARE REGISTERED UNDER SUCH ACTS AND ANY STATE BLUE SKY LAWS, AS APPLICABLE, OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

U.S. Bank National Association ("U.S. Bank"), is serving as Trustee and Master Trustee for the Bonds. U.S. Bank has not reviewed or participated in the preparation of this Offering Memorandum and assumes no responsibility for the contents, accuracy, fairness or completeness of the information given in this Offering Memorandum. U.S. Bank has no duty to, has not undertaken to evaluate, and has not evaluated, the risks, benefits, or propriety of any investment in the Bonds and makes no representation, and has reached no conclusions, regarding the investment quality of the Bonds, about all of which U.S. Bank expresses no opinion and expressly disclaims the expertise to evaluate.

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OFFERING MEMORANDUM

Relating to

$303,102,000
Dartmouth-Hitchcock Health
Dartmouth-Hitchcock Obligated Group
4.178% Taxable Bonds, Series 2018B

INTRODUCTION

Purpose of this Offering Memorandum

The purpose of this Offering Memorandum is to set forth certain information concerning Dartmouth-Hitchcock Health (the "Institution") and its $303,102,000 Taxable Bonds, Series 2018B (the "Bonds"). The Bonds are being issued by the Institution under the Bond Indenture, dated as of January 1, 2018 (the "Bond Indenture"), by and between the Institution and U.S. Bank National Association, as trustee (the "Trustee"). The information contained in this Offering Memorandum is provided for use in connection with the initial sale of the Bonds. The definitions of certain terms used and not otherwise defined herein are contained in Appendix C — "CERTAIN PROVISIONS OF THE BOND INDENTURE."

The Dartmouth-Hitchcock Obligated Group and the Master Indenture

The obligations of the Institution under the Bond Indenture will be secured by Obligation No. 42 (the "Obligation") issued pursuant to the Master Trust Indenture, initially dated as of July 1, 1993, as first amended and restated pursuant to the Amended and Restated Master Trust Indenture (Security Agreement), dated as of August 1, 2009, and effective on August 1, 2013, and next amended and restated pursuant to the Second Amended and Restated Master Trust Indenture (Security Agreement), dated as of January 1, 2018 (the "Master Indenture") among the Institution and the other members of the Obligated Group (hereinafter defined) and U.S. Bank National Association, as Master Trustee (the "Master Trustee"), as supplemented by the Supplemental Master Trust Indenture No. 42, dated as of January 1, 2018 (the "Supplemental Master Indenture"), by and between the Obligated Group, as of the date of issuance of the Bonds, and the Master Trustee. The Obligation securing the Bonds shall constitute a joint and several obligation of each Member of the Obligated Group. The Institution, along with Mary Hitchcock Memorial Hospital, Dartmouth-Hitchcock Clinic, The Cheshire Medical Center, The New London Hospital Association, Inc. and Windsor Hospital Corporation are the current members of the Dartmouth-Hitchcock Obligated Group.

The Institution became the sole member of Alice Peck Day Memorial Hospital ("APD") in March 2016 and intends to admit APD to the Obligated Group following receipt of the New Hampshire regulatory approval described in Appendix A – "CERTAIN INFORMATION REGARDING DARTMOUTH-HITCHCOCK HEALTH AND SUBSIDIARIES" under the heading "Corporate Structure of the System; *Components of the System*." The exact timing of receipt of such approval is uncertain but is not expected to occur prior to the issuance of the Bonds. References to the "Obligated Group" herein shall include APD, assuming such admission to the Obligated Group occurs as expected, along with the Institution, Mary Hitchcock Memorial Hospital, Dartmouth-Hitchcock Clinic, The Cheshire Medical Center, The New London Hospital Association, Inc. and Windsor Hospital Corporation. References to "Member" herein refers to each individual member of the Obligated Group. For a more complete description of the Obligated Group and its components, see Appendix A – "CERTAIN INFORMATION REGARDING DARTMOUTH-HITCHCOCK HEALTH AND SUBSIDIARIES."

The Institution is the sole member of each Member of the Obligated Group, other than the Institution. The Institution has other affiliates that are not members of the Obligated Group. As of June 30, 2017, the Obligated Group contributed at least 92.7% of consolidated total assets, 96.6% of total liabilities and 95.5% of total unrestricted revenues of the Institution and its affiliates (collectively referred to herein as the "System").

Bonds Part of Larger Plan of Finance

Simultaneously with the issuance of the Bonds, the Institution expects the New Hampshire Health and Education Facilities Authority (the "Authority") to issue on its behalf $83.355,000 of the Authority's Revenue Bonds, Dartmouth-Hitchcock Obligated Group Issue, Series 2018A (the "Series 2018A Bonds" and together with the Bonds, the "Series 2018 Bonds") to (i) finance a portion of the costs of construction of The Jack Byrne Center for Palliative and Hospice Care at the Dartmouth-Hitchcock Medical Center in Lebanon, New Hampshire, and (ii) refinance other indebtedness of the Obligated Group, including without limitation repaying outstanding bonds issued by or on behalf of APD, if and when APD is admitted to the Obligated Group, all as described in the Official Statement dated February 7, 2018 with respect to the Series 2018A Bonds which has been filed on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA").

On December 27, 2017, the Authority issued $122,435,000 Revenue Bonds, Dartmouth-Hitchcock Obligated Group Issue, Series 2017A (the "Series 2017A Bonds"), which were purchased by Citibank, N.A., an affiliate of one of the underwriters of the Bonds (see "UNDERWRITING") and $109,800,000 Revenue Bonds, Dartmouth-Hitchcock Obligated Group Issue, Series 2017B (the "Series 2017B Bonds" and together with the Series 2017A Bonds, the "2017 Bonds"), which were purchased by T.D. Bank, N.A. The Series 2018A Bonds, the Series 2017A Bonds and the Series 2017B Bonds are secured by separate obligations under the Master Indenture. The 2017 Bonds were issued to refund outstanding indebtedness. Both the Series 2017A Bonds and the Series 2017B Bonds bear interest at a fixed rate to maturity and include mandatory sinking fund installments. Debt service on the 2017 Bonds is included in the column "Debt Service on Other Long-Term Indebtedness" in the table under "THE BONDS – Principal and Interest Requirements."

Certain Amendments to the Master Indenture

The Members of the Obligated Group intend, upon issuance of the Bonds, to implement certain amendments to the Master Indenture (the "Master Indenture Amendments") as set forth in a Second Amended and Restated Master Trust Indenture. The form of the Second Amended and Restated Master Trust Indenture is set forth in Appendix D hereto. Section 702 of the Master Indenture provides that the Master Indenture may be amended with the consent of the Holders of not less than a majority in aggregate principal amount of the Debt Obligations then Outstanding under the Master Indenture. By their purchase of the Bonds, the original purchasers thereof (i) shall consent, and shall be deemed to have consented, to the Master Indenture Amendments, and (ii) shall waive, and shall be deemed to have waived, any and all other formal notice, implementation, execution or timing requirements that may otherwise be required under the Master Indenture in order to implement the Master Indenture Amendments. Upon obtaining the consent of the Holders of not less than a majority in aggregate principal amount of all Debt Obligations Outstanding under the Master Indenture, such Master Indenture Amendments will then be effective. After giving effect to the issuance of the Bonds (and obtaining the consent of the purchasers of such Bonds as described above), and after giving effect to the redemption of the Series 2015A Bonds and the Series 2016A Bonds, there will be $697.887 million of Debt Obligations Outstanding under the Master Indenture, and the consent of the Holders of $629.662 million, or 90.22% in aggregate principal amount of such Debt Obligations (representing the consents of the Holder of the Series 2016B Obligation that secures the Series 2016B Bonds, as well as the Holders of the Debt Obligations securing the 2017 Bonds and the 2018 Bonds), shall have been obtained with respect to the Master Indenture Amendments. As such, upon the issuance of the Bonds, the Holders of not less than a majority in aggregate principal amount of all Debt Obligations Outstanding under the Master Indenture shall have been obtained with respect to the Master Indenture Amendments. As a result, the Master Indenture Amendments will become effective upon the issuance of the Bonds.

Use of Proceeds

The proceeds from the sale of the Bonds will be used by the Institution for its general corporate purposes, including the refinancing of certain debt, financing certain capital improvements for the members of the Obligated Group (the "Projects"), paying a portion of the fee to terminate certain interest rate swaps and paying costs of issuance of the Bonds.

The Bonds will be secured by the Obligation issued on a parity with all other obligations issued and to be issued under the Master Indenture. For a description of indebtedness currently secured or expected to be secured under the Master Indenture, see Appendix A – "CERTAIN INFORMATION REGARDING DARTMOUTH-HITCHCOCK HEALTH AND SUBSIDIARIES." Such indebtedness, together with the Bonds and any Additional Indebtedness that

may be secured under the Master Indenture, will be equally and ratably secured to the extent provided therein. See Appendix D – "FORM OF SECOND AMENDED AND RESTATED MASTER TRUST INDENTURE."

Information and Continuing Disclosure

Set forth in this Offering Memorandum is certain information relating to the System, the Bonds, the Bond Indenture, the Master Indenture, and related matters. Included in Appendix A hereto is information relating to the Institution and the System. For the benefit of the holders of the Bonds, the Institution will make its consolidated annual audited financial statements and unaudited quarterly consolidated financial statements available to the holders of the Bonds by posting such on its website, with EMMA or with the Trustee, as more fully described under "CONTINUING DISCLOSURE" herein.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

The following is a brief description of the security provided for the payment of the Bonds. For more complete descriptions of the Bond Indenture, see Appendix C – "CERTAIN PROVISIONS OF THE BOND INDENTURE." See Appendix D for the form of the Second Amended and Restated Master Trust Indenture. Certain capitalized terms used herein below and not otherwise defined are defined in Appendix C.

Funds

The Bonds will be payable from and secured solely by the funds established under the Bonds Indenture and held by the Bond Trustee in trust for the benefit of the Bondholders.

Bond Indenture

The Bond Indenture provides that it is a general obligation of the Institution and that the full faith and credit of the Institution are pledged to its performance. The Bond Indenture provides, among other things, that the Institution is obligated to make payments to the Trustee not later than 11:00 a.m. (New York City time) on each date on which a payment of principal or interest is due of an amount sufficient, together with amounts already on deposit under the Bond Indenture, to make such principal and interest payments on the Bonds, and requires the Trustee to make transfers from the Bond Fund in amounts and at times necessary to provide for debt service payments on the Bonds. The Bond Indenture shall remain in full force and effect until such time as all of the Bonds and the interest thereon have been fully paid or until adequate provision for such payments has been made. Pursuant to the Bond Indenture, Additional Bonds may be issued by the Institution on a parity with the Bonds. At the election of the Institution, such Additional Bonds may be consolidated with the Bonds. Any Additional Bonds so consolidated shall mature on the same maturity date, shall bear interest at the same interest rate per annum, shall bear the same CUSIP identifier, and shall be identical in all respects to the Bonds except for their date of issuance and their initial interest payment date, and shall be considered as part of the Bonds for all purposes of the Bond Indenture. See "THE BONDS — Additional Bonds" herein.

The Trustee may declare all of the Bonds immediately due and payable prior to maturity at par, plus accrued interest, upon the occurrence of a Bond Indenture Event of Default. See Appendix C – "CERTAIN PROVISIONS OF THE BOND INDENTURE" under the heading "Remedies for Events of Default."

Gross Revenues Pledge

As permitted under the Master Indenture, the Members of the Obligated Group have granted a security interest in their Gross Revenues (subject to the right of any Member to grant a prior lien or a parity lien thereon as permitted in the Master Indenture) as security for their obligations to make payments under the Obligation, on a parity with the existing security interests in Gross Revenues granted to secure other Outstanding Long-Term Indebtedness of the Obligated Group. The Obligation issued to secure the Bonds will be equally and ratably payable with the other Obligations issued under the Master Indenture to secure indebtedness previously issued on behalf of Members of the Obligated Group. See Appendix A - "CERTAIN INFORMATION REGARDING DARTMOUTH-HITCHCOCK HEALTH AND SUBSIDIARIES."

Bonds Not Secured by Real Property

The Bonds are not secured by a mortgage lien on or security interest in any real property of the Institution or any other Member of the Obligated Group.

Master Indenture

The Master Indenture contains covenants of the Obligated Group regarding restrictions on the creation of liens on the Members' assets and revenues, the incurrence of additional indebtedness or guarantees, the disposition of the Members' property and the maintenance of rates and charges. The Master Indenture also contains provisions that would allow other entities to become members of the Obligated Group. See Appendix D – "FORM OF SECOND AMENDED AND RESTATED MASTER TRUST INDENTURE." See also "BONDOWNERS' RISKS – Enforceability of Master Indenture and Bond Indenture."

Enforcement of Claims

Enforcement of any claims for payment of principal of, redemption premium, if any, and interest on the Bonds, as well as the enforceability of the Master Indenture and the Bond Indenture would be subject to, and may be limited by, bankruptcy, insolvency, and other laws heretofore or hereafter enacted affecting creditors' rights generally and to the exercise of judicial discretion in accordance with equitable principles, including principles of equitable subordination. See "BONDHOLDERS' RISKS AND MATTERS AFFECTING THE HEALTHCARE INDUSTRY" herein.

THE BONDS

General

The Bonds will be issued in the aggregate principal amount of $303,102,000, will mature on August 1, 2048 and will bear interest at the interest rate of 4.178% per annum, all as set forth on the cover page hereof. Subject to the provisions discussed under "THE BONDS—Book-Entry Only System" below, the Bonds are issuable as fully registered bonds without coupons in the denomination of $1,000 or any integral multiple thereof. The Bonds will be dated the date of initial delivery thereof.

Principal or Redemption Price of the Bonds shall be payable by check or by wire transfer of immediately available funds in lawful money of the United States of America at the designated office of the Trustee. Interest on such Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2018, and shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds shall be payable from (i) the Bond Payment Date next preceding the date of their authentication or the date of their authentication if authenticated on a Bond Payment Date, or (ii) if on the date of their authentication payment of interest thereon is in default, as of the date to which interest has been paid. Payment of the interest on each Bond Payment Date shall be made to the registered Holders whose names appear on the bond registration books of the Trustee on the Record Date for such Bond Payment Date, such interest to be paid by check mailed by first class mail to such Holder at its address as it appears on such registration books, or, upon the written request of any Holder of at least $1,000,000 in aggregate principal amount of Bonds, submitted to the Trustee at least fifteen (15) days prior to the Record Date, by wire transfer or electronic transfer in immediately available funds to an account within the United States designated by such Holder. The Record Date for the Bonds is the fifteenth day of the month immediately preceding each Bond Payment Date. Notwithstanding the foregoing, as long as DTC or any other Securities Depository selected pursuant to the terms of the Bond Indenture is the Holder of all or part of the Bonds in book-entry form, said principal or Redemption Price and interest payments shall be made to the Securities Depository by wire transfer in immediately available funds. CUSIP number identification shall accompany all payments of principal or Redemption Price and interest, whether by check or by wire transfer.

Any such interest not so punctually paid or duly provided for with respect to any Bond shall forthwith cease to be payable to the Bondholder on such Record Date and shall be paid to the Person in whose name the Bond is registered on a "Special Record Date" for the payment of such defaulted interest to be fixed by the Trustee, notice whereof to be given by first class mail to the Holders of such Bonds not less than ten (10) days prior to such Special Record Date.

The Bonds will be registered initially in the name of Cede & Co., as Bondholder and nominee for DTC. So long as DTC or its nominee is the Bondholder, payment of principal, Redemption Price, and interest on, the Bonds will be made to DTC for ultimate distribution to the Beneficial Owners (hereinafter defined) of the Bonds in accordance with the procedures described herein under the heading "THE BONDS - Book-Entry Only System".

Redemption

Optional Redemption. The Bonds are subject to optional redemption at any time prior to maturity at the written direction of the Institution, in whole or in part on any date (i) prior to February 1, 2048, at their Make-Whole Redemption Price, and (ii) on or after February 1, 2048, at a Redemption Price equal to the principal amount of the Bonds to be redeemed, in either case together with accrued interest to the date fixed for redemption.

The "Make-Whole Redemption Price" is the greater of (1) 100% of the principal amount of the Bonds to be redeemed; and (2) the sum of the present values of the remaining scheduled payments of principal and interest on any Bonds being redeemed (exclusive of interest accrued to the redemption date) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 20 basis points, all as calculated by Dartmouth-Hitchcock Health, and certified to the Trustee. "Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date. "Comparable Treasury Issue" means the United States Treasury security or securities selected by a Designated Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Bonds to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Bonds. "Comparable Treasury Price" shall mean, with respect to any redemption date, the average of the Reference Treasury Dealer Quotations for such redemption date or, if the Designated Investment Banker obtains only one Reference Treasury Dealer Quotation, such Reference Treasury Dealer Quotation. "Designated Investment Banker" shall mean one of the Reference Treasury Dealers appointed by Dartmouth-Hitchcock Health. "Reference Treasury Dealer" shall mean each of Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC, or their respective affiliates which are primary U.S. government securities dealers, and their respective successors; provided that if Citigroup Global Markets Inc. or Morgan Stanley & Co. LLC or their respective affiliates shall cease to be a primary U.S. government securities dealer (a "Primary Treasury Dealer"), Dartmouth-Hitchcock Health shall substitute therefor another Primary Treasury Dealer.

Selection of Bonds for Redemption. Subject to the provisions described under "Book-Entry Only System" herein, whenever provision is made in the Bond Indenture for the redemption of less than all of the Bonds, the Trustee shall select the Bonds to be redeemed, from all Bonds subject to redemption not previously called for redemption, pro rata.

Notice of Redemption. Notice of redemption shall be mailed by the Trustee by first class mail, postage prepaid, not less than thirty (30) days, nor more than forty-five (45) days prior to the redemption date, to the respective Holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee. Each such notice shall set forth the date fixed for redemption, the official name of the issue, date of notice, date of issue, dated date, the Redemption Price to be paid or method of calculating the Make-Whole Redemption Price (as applicable) and, if less than all of the Bonds then Outstanding shall be called for redemption, the distinctive numbers and letters, including CUSIP identification numbers, if any, and certificate numbers of such Bonds to be redeemed, the maturity date and interest rate of such Bonds to be redeemed, the name of the Trustee with address, telephone number, and contact person, and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. Failure to give notice by mailing to any Bondholder, or any defect therein, shall not affect the validity of any proceedings for the redemption of any other Bonds.

Any notice of optional redemption given under the Bond Indenture may state that it is conditional, and if so may be rescinded upon written request of the Institution at any time up to and including the fifth (5^{th}) Business Day prior to the date fixed for redemption. The Trustee shall give notice of such rescission in the same manner as for notices of redemption.

Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portion thereof) so called for redemption being held by the Trustee, on the date fixed for redemption designated in such notice, the Bonds (or portion thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice and interest accrued thereon to the date fixed for redemption, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portion thereof) shall cease to be entitled to any benefit or security under the Bond Indenture, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the date fixed for redemption from funds held by the Trustee for such payment.

Purchase in Lieu of Redemption. In the event that any Bonds have been called for optional redemption pursuant to the Bond Indenture, the Institution shall have the right to purchase such Bonds in lieu of a redemption thereof, at a price equal to the applicable Redemption Price of the Bonds so called for redemption plus accrued interest thereon to the date fixed for redemption, on the date such Bonds have been so called for optional redemption, and the payment of the Redemption Price of the Bonds so called for optional redemption shall be deemed in such event to be the payment of the purchase price of such Bonds to be purchased in lieu of such optional redemption and such Bonds may, at the option of the Institution, remain Outstanding under the Bond Indenture or be cancelled. To exercise such right to purchase Bonds in lieu of optional redemption, the Institution shall give written notice of its intent to purchase Bonds to the Trustee not later than 12:00 p.m. (New York City time) no later than five (5) Business Days preceding the applicable redemption date, which notice shall state whether such Bonds are to remain Outstanding or be cancelled, and the Institution shall promptly confirm its purchase thereof in a written notice delivered to the Trustee.

Acceleration. In addition to the foregoing redemption provisions, upon the occurrence and continuation of a Bond Indenture Event of Default, the Trustee may, and upon written request of Bondholders holding a majority of principal amount of the Bonds shall, declare all Outstanding Bonds immediately due and payable. The Trustee shall give written notice of such acceleration to the Institution and the Bondholders stating the accelerated date on which the Bonds shall be due and payable. Except in the case when a redemption is unconditional, and there occurs a Bond Indenture Event of Default because of the failure to pay the Make-Whole Redemption Price when due, the Make-Whole Redemption Price shall not be due and payable as a result of any such acceleration. Any such declaration, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared to be due and payable as a result of a Bond Indenture Event of Default, 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 this Bond Indenture, moneys shall have accumulated in the appropriate Funds and Accounts created under the Bond Indenture sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, upon all Bonds then Outstanding (except the principal of any Bonds not then due and payable by their terms and the interest accrued on such Bonds since the last Bond Payment Date), and the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and all other amounts then payable by the Institution hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee, and every other Bond Indenture Event of Default actually known to the Trustee in the observance or performance of any covenant, condition, agreement or provision contained in the Bonds or in the Bond Indenture (other than a default in the payment of the principal of such Bonds then due and payable only because of the declaration under the Indenture) shall have been remedied to the satisfaction of the Trustee, then and in every such case the Trustee shall, by written notice to the Institution, rescind and annul such declaration and its consequences, and the Trustee shall promptly give notice of such annulment in the same manner as provided in this paragraph for giving notice of acceleration. No such annulment shall extend to or affect any subsequent Bond Indenture Event of Default or impair any right consequent thereon. See Appendix C — "CERTAIN PROVISIONS OF THE BOND INDENTURE" under the headings "Bond Indenture Events of Default" and "Acceleration of Maturity."

Defeasance or Discharge. The Bonds may be defeased or discharged as provided in the Bond Indenture. See Appendix C — "CERTAIN PROVISIONS OF THE BOND INDENTURE" under the headings "Discharge" and "Providing for Payment of Bonds."

Principal and Interest Requirements

The following table sets forth, for fiscal year of the Obligated Group ending June 30, the amounts (rounded to the nearest whole dollar) required to be made available by the Obligated Group for payment of the principal of, sinking fund installments and interest on the Bonds and other Long-Term Indebtedness.

Fiscal Year	Debt Service on other Long-Term Indebtedness*	Principal	Interest	Total Debt Service	Debt Service on Series 2018A Bonds	Total Debt Service*
2018	$ 4,188,099.78	$ -	$ -	$ -	$ -	$ 4,188,099.78
2019	12,810,371.50	-	11,960,068.13	11,960,068.13	3,910,354.17	28,680,793.80
2020	19,913,319.75	-	12,663,601.56	12,663,601.56	4,140,375.00	36,717,296.31
2021	19,901,758.50	-	12,663,601.56	12,663,601.56	4,140,375.00	36,705,735.06
2022	19,897,644.00	-	12,663,601.56	12,663,601.56	4,140,375.00	36,701,620.56
2023	16,970,650.00	-	12,663,601.56	12,663,601.56	4,140,375.00	33,774,626.56
2024	22,975,713.50	-	12,663,601.56	12,663,601.56	6,397,500.00	42,036,815.06
2025	22,891,760.88	-	12,663,601.56	12,663,601.56	7,212,875.00	42,768,237.44
2026	22,832,118.76	-	12,663,601.56	12,663,601.56	7,512,500.00	43,008,220.32
2027	22,756,244.63	-	12,663,601.56	12,663,601.56	7,588,500.00	43,008,346.19
2028	22,674,699.25	-	12,663,601.56	12,663,601.56	7,670,500.00	43,008,800.81
2029	22,564,431.75	-	12,663,601.56	12,663,601.56	7,781,875.00	43,009,908.31
2030	22,484,396.50	-	12,663,601.56	12,663,601.56	7,861,875.00	43,009,873.06
2031	22,396,955.00	-	12,663,601.56	12,663,601.56	7,950,250.00	43,010,806.56
2032	22,306,827.75	-	12,663,601.56	12,663,601.56	8,040,875.00	43,011,304.31
2033	26,452,016.00	-	12,663,601.56	12,663,601.56	3,901,250.00	43,016,867.56
2034	26,408,166.00	-	12,663,601.56	12,663,601.56	3,936,437.50	43,008,205.06
2035	18,876,941.00	-	12,663,601.56	12,663,601.56	11,468,750.00	43,009,292.56
2036	18,882,116.00	-	12,663,601.56	12,663,601.56	11,465,000.00	43,010,717.56
2037	18,872,866.00	-	12,663,601.56	12,663,601.56	11,470,875.00	43,007,342.56
2038	18,872,616.00	-	12,663,601.56	12,663,601.56	11,474,875.00	43,011,092.56
2039	18,874,241.00	-	12,663,601.56	12,663,601.56	-	31,537,842.56
2040	18,866,016.00	-	12,663,601.56	12,663,601.56	-	31,529,617.56
2041	17,087,266.00	-	12,663,601.56	12,663,601.56	-	29,750,867.56
2042	2,264,802.25	-	12,663,601.56	12,663,601.56	-	14,928,403.81
2043	2,277,318.42	-	12,663,601.56	12,663,601.56	-	14,940,919.98
2044	2,298,870.42	-	12,663,601.56	12,663,601.56	-	14,962,471.98
2045	2,314,391.50	-	12,663,601.56	12,663,601.56	-	14,977,993.06
2046	2,328,933.58	-	12,663,601.56	12,663,601.56	-	14,992,535.14
2047	-	-	12,663,601.56	12,663,601.56	-	12,663,601.56
2048	-	-	12,663,601.56	12,663,601.56	-	12,663,601.56
2049	-	303,102,000.00	6,331,800.78	309,433,800.78	-	309,433,800.78
Total	**$ 492,241.551.72**	**$ 303,102,000.00**	**$ 385,536,314.15**	**$ 688,638,314.15**	**$ 142,205,791.67**	**$ 1,323,085,657.54**

* Includes debt service on the 2017 Bonds, $10,970,000 outstanding principal amount of New Hampshire Health and Education Facilities Authority, Revenue Bonds (Dartmouth-Hitchcock Obligated Group Issue), Series 2016B (the "2016 Bonds"), $26,960,000 outstanding principal amount of New Hampshire Health and Education Facilities Authority, Revenue Bonds (Dartmouth-Hitchcock Obligated Group Issue), Series 2014A, $14,530,000 outstanding principal amount of New Hampshire Health and Education Facilities Authority, Revenue Bonds (Dartmouth-Hitchcock Obligated Group Issue), Series 2014B and $26,735,000 outstanding principal amount of New Hampshire Health and Education Facilities Authority, Revenue Bonds (Cheshire Medical Center Obligated Group Issue), Series 2012. Excludes debt service on (i) outstanding indebtedness refinanced with the Bonds, (ii) the bonds refunded by the 2017 Bonds and (iii) the bonds refunded by the Series 2018A Bonds. See "INTRODUCTION - Bonds Part of Larger Plan of Finance." Also excludes debt service associated with capital leases. The 2016 Bonds amortize in the years 2041 through 2045 but are subject to put by the holder thereof, T.D. Bank, N.A., in July 2026.

Additional Bonds

The Bond Indenture provides that the Institution may issue Additional Bonds thereunder, subject to the terms and conditions set forth in the Bond Indenture. The Additional Bonds that, at the election of the Institution, are consolidated with the Bonds shall be treated as a single series of Bonds for all purposes of the Bond Indenture. Additional Bonds that are consolidated with the Bonds shall mature on the same date, shall bear interest at the same rate per annum, and shall be subject to redemption at the same times, in the same manner, and at the same Redemption Price as the Bonds. See Appendix C ─ "CERTAIN PROVISIONS OF THE BOND INDENTURE" under the heading "Additional Bonds."

Book-Entry Only System

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. 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"). DTTC 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", and, together with the Direct Participants, the "Participants"). DTC has a rating of AA+ from S&P Global Ratings ("S&P"). 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 and www.dtc.org.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by

arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmissions to them of notices of significant events with respect to the Bonds, such as redemptions, tender offers, defaults and proposed amendments to the principal financing documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Institution 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 Institution, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the Institution 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 Bonds at any time by giving reasonable notice to the Institution or the Trustee. In addition, the Institution may determine that continuation of the system of book entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners. If for either reason the Book Entry Only system is discontinued, Bond certificates will be delivered as described in the Bond Indenture and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the Bondholder. Thereafter, the Bonds may be exchanged for an equal aggregate principal amount of the Bonds in other authorized denominations of the same maturity and interest rate, upon surrender thereof at the principal corporate trust office of the Trustee. The transfer of any Bond may be registered on the books maintained by the Trustee for such purpose only upon assignment in form satisfactory to the Trustee. For every exchange or registration of transfer of the Bonds, the Institution and the Trustee may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge may be made to the Bondholder for any exchange or registration of transfer of the Bonds. The Trustee will not be required to transfer or exchange any Bond during the notice period preceding any redemption if such Bond (or any part thereof) is eligible to be selected or has been selected for redemption.

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

NEITHER THE INSTITUTION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR DTC PARTICIPANTS, OR INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

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

BONDOWNERS' RISKS AND MATTERS AFFECTING THE HEALTH CARE INDUSTRY

The following factors, among others, constitute risks with respect to the Bonds. The ability of the Members of the Obligated Group to pay amounts due with respect to the Bonds is subject to significant risks relating to both the health care industry generally and to the Members of the Obligated Group. Certain of these factors are also addressed in the context of the Obligated Group's activities. See Appendix A – "CERTAIN INFORMATION REGARDING DARTMOUTH-HITCHCOCK HEALTH AND SUBSIDIARIES."

General

There are risks associated with the purchase of the Bonds. The principal of, redemption premium, if any, and interest on the Bonds are payable solely from the amounts paid by the Obligated Group under the Obligation or from amounts paid by the Institution to the Trustee pursuant to the Bond Indenture. No representation or assurance can be made that revenues will be realized by the Institution in the amounts necessary to make payments at the times and in the amounts sufficient to pay the debt service on the Bonds.

The future financial condition of the Institution and each other Member of the Obligated Group, could be adversely affected by, among other things, legislation, regulatory actions, increased competition from other health care providers, demand for health care services, technological developments and demographic changes, confidence of physicians and the public in the Members of the Obligated Group, the ability of the Members of the Obligated Group to provide the services required by patients, management capabilities, the success of the strategic plans of the Members of the Obligated Group, economic trends and events, physicians' relationships with the Obligated Group, the Obligated Group's ability to control expenses, maintenance of the Obligated Group's relationships with managed care organizations (MCOs), malpractice claims and other litigation, changes in the rates, timing and methods of payment for the services of health care providers as well as increased costs and changes in governmental regulations, including IRS policy regarding tax exemption. Such factors may also consequently affect payment of principal and interest on the Bonds. Third-party payment and charge control statutes and regulations are likely to change, and unanticipated events and circumstances may occur which cause variations from the Institution's expectations, and the variations may be material. There can be no assurance that the financial condition of the Members of the Obligated Group or utilization of their facilities will not be adversely affected in the future.

While the Obligated Group reasonably expects in the future to generate sufficient revenues to cover its expenses, statutes, regulations and contractual provisions that affect revenues may change adversely, and other unanticipated events and circumstances may occur that cause material variations from this expectation. In addition, the tax-exempt status of one or more Members of the Obligated Group could be adversely affected by, among other things, an adverse determination by a governmental entity, non-compliance with governmental regulations, or legislative changes.

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 Medicare beneficiaries. Medicare is administered by Centers for Medicare & Medicaid Services, part of the U.S. Department of Health and Human Services (CMS). In order to achieve and maintain Medicare certification, a health care provider must meet CMS's "Conditions of Participation" on an ongoing basis, as determined by the State Survey Agency in the state in which the provider is located or by verification of compliance by an Accrediting Organization whose standards and processes have been formally approved by CMS.

Medicare is a significant source of revenue for the Obligated Group. Changes in the Medicare program may have a material effect on the Obligated Group. Each year, federal statutes are enacted and federal regulations are implemented that make changes to Medicare payments to providers. Many of the changes reduce the level of payments to providers. It is impossible to predict the effect of such laws and regulations that will be enacted and promulgated in the future, and it is possible that there will be material reductions in Medicare payments in the future.

The ACA has made several changes to the Medicare program, ranging from changes to amounts payable to providers through imposition, directly or indirectly, of quality assurance measures. Those changes are summarized above.

Medicare-participating health care providers are subject to audits and retroactive audit adjustments with respect to the Medicare program. Generally, the Obligated Group maintains reserves for anticipated or proposed audit adjustments. Nevertheless, such adjustments may exceed amounts reserved and may be substantial. Medicare regulations also provide for withholding Medicare payment in certain circumstances, and such withholding could have a material adverse effect on the ability of the Obligated Group to make payments with respect to the Bonds or on their overall financial condition. Management of the Institution is not aware of any situation where Medicare payments are either currently being withheld or anticipated to be withheld.

CMS also uses recovery audit contractors (RACs) to further assure accurate payments to providers under a program originally established under section 306 of the Medicare Prescription Drug, Improvement and Modernization Act of 2003. The Institution is subject to such RAC audits. RACs search for potentially improper Medicare payments from prior years that may not have been detected through CMS's existing program integrity efforts. RACs use their own software and review processes to determine areas for review. RAC review is not intended to replace the level of analysis conducted by the Medicare Administrative Contractors; rather, it creates a supplemental level of review. The RAC program is intended to detect and correct improper Medicare payments by reviewing claims data received from a hospital's fiscal intermediary. The RAC auditors are authorized to look back three years from the date the claim was paid, but in no event earlier than October 1, 2007, and to review the appropriateness of each claim by applying the same standards and guidance as a Medicare contractor would have applied at the time. A hospital's failure to submit a requested medical record to a RAC within 45 days, absent good cause for delay, results in disallowance of a claim and demand for recoupment of any reimbursement paid. Once a RAC identifies a potentially improper claim as a result of an audit, it applies an assessment to the provider's Medicare reimbursement in an amount estimated to equal the overpayment from the provider pending resolution of the audit. Such audits may result in reduced reimbursement for past alleged overpayments and resolution of appeals, when successful, is a lengthy process. The Institution and other Members of the Obligated Group have complied with RAC requests and the findings have been consistent with those seen nationally at other institutions. Based on prior RAC requests and findings, the Institution and other Members of the Obligated Group have established reserves for any future findings in its financial statements.

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

In October 2011, the Medicare Payment Advisory Commission (MedPAC) recommended to Congress that the Sustainable Growth Rate (SGR) system be fully repealed and replaced by a different methodology for determining the nationally-uniform conversion factor. With the enactment of the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA), the SGR System was repealed. Beginning in July 2015 and continuing through 2019, the Medicare Physician's Fee Schedule (PFS) increases by 0.5% annually. The PFS will then remain at the same reimbursement level for five years (2020-2025). Beginning in 2026, the PFS will be increased either by (i) 0.25% annually for providers participating in the Merit-Based Incentive Payment System, or (ii) 0.75% annually for providers participating in Alternative Payment Models.

In 2019, penalties under Medicare's current quality reporting programs (the Physician Quality Reporting System, Electronic Health Records Incentive Program, and the Physician Value-Based Modifier) will end and be replaced with the Merit-Based Incentive Payment System (MIPS). MIPS combines the Physician Quality Reporting System, Electronic Health Records Incentive Program, and Physician Value-Based Modifier into a single payment adjustment. The payment adjustment can be an increase or a decrease. Alternatively, providers may participate in the Alternative Payment Models (APMs). APMs are programs that involve more than nominal financial risk on behalf of the provider. MACRA had created an advisory panel to consider proposals for new payments models and coverage for telehealth services in APMs.

The new quality reporting programs may negatively impact the reimbursement amounts received by the Obligated Group for the cost of providing physician services.

There can be no assurance that payments to the Obligated Group for the services of their employed physicians or other employed health care professionals will be sufficient to fully reimburse the Obligated Group for the cost of providing the services of such professionals.

Medicaid. Under Title XIX of the Social Security Act, 42 U.S.C. Sections 1396, et seq., the federal government supplements funds provided by states for medical assistance under the Medical Assistance Program (Medicaid). New Hampshire's State Medicaid Plan (NH Plan) is administered by its Department of Health and Human Services (DHHS).

New Hampshire currently pays for hospital inpatient services utilizing a DRG methodology based upon the federal PPS. Rates for each DRG are established by the State each year according to projections developed by the DHHS. Outpatient services are reimbursed at a percentage of allowable Medicaid costs calculated using the Medicare cost report methodology. DHHS also contracts with two MCOs willing to accept capitated rates and therefore assume the responsibility to negotiate with and reimburse health care providers for services rendered to the New Hampshire Medicaid recipients. Payments to the Hospital for inpatient and outpatient services are made using the same methodology as that used by New Hampshire Medicaid, albeit the negotiated rates are slightly higher than those paid by New Hampshire Medicaid.

In 2014, New Hampshire implemented the New Hampshire Health Protection Program (NHHPP) to expand coverage to low-income New Hampshire residents. In 2015, New Hampshire expanded Medicaid under the ACA to include low-income adults under age 65, using funds available through a Section 1115 Waiver. Under this Waiver, the NHHPP instituted (1) a mandatory Health Insurance Premium Payment Program for individuals with access to cost-effective employer-sponsored insurance; (2) a bridge program to cover the new adult group in Medicaid managed care plans through December 31, 2015; and (3) a mandatory individual qualified health plan premium assistance program (the Premium Assistance Program) beginning on January 1, 2016. The New Hampshire Legislature has reauthorized the NHHPP through December 31, 2018. A state commission studying the future of New Hampshire's expanded Medicaid program is recommending that it continue for five years, but that it move toward a fully managed care model that includes the expansion population in 2019. It is anticipated that the commission's recommendation will form the basis for legislation to be introduced in 2018 to reauthorize the expanded Medicaid program.

New Hampshire legislation enacted in June 2017 requires DHHS to seek a waiver or state plan amendment from CMS to establish certain work requirements as conditions of eligibility for participation in the NHHPP, to be in place by April 30, 2018. New Hampshire has submitted its application for the waiver amendment to add the work requirement for Medicaid recipients. CMS has not yet acted on the application. Any reductions in reimbursement resulting from any changes in the Plan would have a material effect on the Institution's revenues. In addition, any tightening in eligibility criteria could result in more free care and less compensation.

Vermont's State Medicaid Plan is administered by the Department of Vermont Health Access. Vermont currently pays for hospital inpatient services rendered to Medicaid program beneficiaries at prospectively determined rates per discharge. Similar to Medicare and New Hampshire Medicaid, the reimbursement methodology uses a DRG system that is based on clinical, diagnostic, and other factors. For certain inpatient services such as psychiatric and rehabilitation services, payment is based on a per diem rate calculation. Outpatient services rendered to Medicaid beneficiaries are paid based upon a prospective standard rate.

Under the State of Vermont's Global Commitment to Health Section 1115 Waiver from CMS, the Department of Vermont Health Access entered into an alternative payment and population health management program called the Medicaid Next Generation Model ACO Program with OneCare Vermont ACO, LLC for the five-year period through December 31, 2021. Under this model, several of the state's hospitals have agreed to participate in the OneCare Vermont ACO and accept financial risk via a global fixed budget payment methodology. Hospitals participating in this type of payment methodology will no longer be paid on an underlying fee-for-service, but rather, will receive monthly pro-rata cash payments based on the global budget established for their organization prior to the beginning of a contract performance period. This model limits the financial risk exposure to these hospitals through the use of risk corridors and reinsurance mechanisms.

In 2018, some hospitals that have not yet elected to participate in a fixed global budget payment arrangement have instead elected to participate in the OneCare Vermont Medicaid Next Generation Model ACO Program through shared risk arrangements that include underlying fee-for-service payment methodologies reconciled to a budgeted total cost of care on an annual basis. There are also some smaller hospitals that have yet to elect to transition into either a fixed global budget payment arrangement or a shared risk reconciliation payment arrangement; these hospitals remain on a traditional fee-for-service basis for at least the 2018 calendar year. The State of Vermont

has stated its goal is to transition most, if not all, Vermont-based hospitals to a fixed global payment model administered by OneCare Vermont (or other ACOs that may choose to operate in the state) by 2021.

As part of Vermont's health care reform initiatives, in 2011 the state established the Green Mountain Care Board to regulate commercial health insurance plans doing business in Vermont, to approve premium rate setting, to appove Vermont hospital budgets and to approve major capital expenditures in Vermont hospital. Beginning in 2018, under the Green Mountain Care Board has annual operating budgetary approval and regulatory oversight over ACOs operating in the State of Vermont, including OneCare Vermont ACO. The Green Mountain Care Board also has authority to set annual allowed rate increases for each payer contract that an ACO enters into, including those with the Department of Vermont Health Access.

The foregoing models apply to providers whose members are attributed based on their primary care physician. Referral providers, including New Hampshire-based Members of the Obligated Group, will continue to receive fee for service payments at Medicaid prevailing rates.

Federal and State Budget Cuts

The federal government and the State are under continuing pressure to reduce spending and, therefore, seek ways to limit healthcare spending. Generally, the American Taxpayer Relief Act of 2012 (ATRA) requires the Medicare program to recoup funds from hospitals based upon changes in documentation and coding that have increased inpatient prospective payment system (IPPS) payments but that do not represent real increases in the intensity of services provided to patients. The IPPS and the outpatient prospective payment system (OPPS) provide for predetermined payment amounts for inpatient and outpatient services, as applicable, based upon a weighted average for specific services and adjusted for geographic area and inflation. Annually, CMS issues various final rules containing updated rates and payment policy changes for the Medicare program including the IPPS and the OPPS for the upcoming federal fiscal year.

Budgetary pressures and other considerations have caused the State to implement and continue to consider measures which reduce Medicaid payments.

Federal budgetary pressures also present a significant uncertainty for research funding. There can be no assurance that the Obligated Group will continue to receive research funding from federal agencies consistent with current levels.

Future actions by the federal government and the State are generally expected to continue the trend toward more limits on payment for hospital services. The changes in Medicare and Medicaid reimbursement referred to above include changes related to implementation of the Affordable Care Act, described below. In addition, also as described in more detail herein, there are other activities at the federal and state level that may adversely affect health care provider cost reimbursement.

Potential Depletion of the Medicare Trust Fund

Medicare is expected to experience cost growth substantially in excess of Gross Domestic Product (GDP) growth through the mid-2030s due to rapid population aging caused by the large baby-boom generation entering retirement and lower-birth-rate generations entering employment. Growth in expenditures per beneficiary will also exceed growth in per capita GDP over this period. The Medicare Board of Trustees (as defined below) projects that total Medicare costs will grow from approximately 3.6 percent of GDP in 2016 to 5.6 percent of GDP by 2041.

The Medicare program has two separate trust funds, the Hospital Insurance (HI) Trust Fund and the Supplementary Medical Insurance (SMI) Trust Fund. HI, otherwise known as Medicare Part A, helps pay for hospital, home health services following hospital stays and skilled nursing facility and hospice care for the aged and disabled. SMI consists of Medicare Part B and Part D. Part B helps pay for physician, outpatient hospital, home health, and other non-hospital services for the aged and disabled who have voluntarily enrolled. Part D provides subsidized access to drug insurance coverage on a voluntary basis for all beneficiaries, as well as premium and cost-sharing subsidies for low-income enrollees.

The trustees of the HI and SMI Trust Funds (the Medicare Board of Trustees) currently project that the HI Trust Fund will be depleted in 2029, after which the HI Trust Fund will no longer to be able to pay for full benefits for beneficiaries. At that time, annual incoming revenue will be sufficient to pay only 88 percent of HI costs with no funds left to cover any shortfall. Currently, the HI Trust Fund is failing the test of short-range financial adequacy, as the incoming annual revenue is already below 100 percent of annual costs (the annual shortfalls are being paid out of the existing HI Trust Fund balance). This revenue/cost ratio is expected to remain substantially unchanged to 2021 before declining in a continuous fashion until reserve depletion in 2029. The Medicare Board of Trustees currently projects that the SMI Trust Fund will remain adequately financed into the indefinite future because it is funded from general revenues and beneficiary premiums.

Section 340B Drug Pricing Program

Hospitals that participate (as "covered entities") in the prescription drug discount program established under Section 340B of the federal Public Health Service Act (the 340B Program) are able to purchase certain outpatient prescription drugs for their patients at a reduced cost. On November 1, 2017, CMS announced its intent to finalize proposed rule changes to the OPPS and Ambulatory Surgical Center (ASC) Payment System that will substantially reduce Medicare Part B reimbursement for 340B Program drugs paid to hospitals and ASCs by an estimated $1.6 billion. The principal change will be to the Part B reimbursement formula. These changes went into effect on January 1, 2018. The decrease in reimbursement for 340B Program drugs could have a significant impact on the Obligated Group's participating hospitals and ASCs.

Congress is also considering changes to the 340B Program, and efforts to prevent the new CMS policy from going into effect may be the subject of significant pressure on Congress. In addition, certain groups representing hospitals that participate in the 340B Program are considering litigation to prevent the 340B Program cuts from going into effect. There can be no assurance, however, that efforts to prevent the cuts from taking effect, or that beneficial congressional changes to the 340B Program, will be timely or successful.

Affordable Care Act and Health Care Reform Initiatives

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (the Affordable Care Act or the ACA), was enacted in 2010. The Affordable Care Act was intended to address disparities in access, cost, quality and delivery of health care to United States residents.

The changes to various aspects of the health care system in the ACA are far-reaching and include substantial adjustments to Medicare reimbursement, establishment of individual and employer mandates for health insurance coverage, extension of Medicaid coverage to certain populations, provision of incentives for employer-provided health care insurance, restrictions on physician-owned hospitals, and increased efficiency and oversight provisions. The provisions of the ACA were structured to take effect over time, ranging from immediately upon passage to ten years from passage. Most of the significant health insurance coverage reforms began in 2014. The ACA also requires the promulgation of substantial regulations with significant effects on the health care industry.

The ACA changes the sources and methods by which consumers will pay for health care. The ACA also imposed new requirements for employers' provision of health insurance to their employees and dependents. One of the primary goals of the ACA was to provide or make available, or subsidize the premium costs of, health care insurance for otherwise uninsured (or underinsured) consumers who fall below certain income levels. The ACA was intended to accomplish that objective by a number of means, including creating state organized insurance markets in which individuals and small employers can purchase health care insurance; providing income-based subsidies for premium costs to individuals and families; mandating that individual consumers obtain and certain employers provide a minimum level of health care insurance; establishing insurance reforms, such as prohibiting denials of coverage for pre-existing conditions; and expanding existing public programs, such as Medicaid.

Some of the specific provisions of the ACA that may affect hospital operations, financial performance or financial conditions are described below. This listing is not exhaustive. The ACA is complex and comprehensive, and includes a myriad of new programs and initiatives and changes to existing programs, policies, practices and laws. Further, as discussed below, the current position of the Trump Administration is to roll back implementation of key elements of the ACA, or to repeal it entirely.

- Annual inflation adjustments to Medicare payments have been reduced.

- Many state Medicaid programs have expanded to a broader population.

- Medicare has begun reducing payments to hospitals found to have an excess readmissions ratio for certain conditions.

- To reduce waste, fraud, and abuse in public programs, the ACA provides for provider enrollment screening, enhanced oversight periods for new providers and suppliers, enrollment moratoria in areas identified as being at elevated risk of fraud in all public programs, increased penalties for fraud and abuse violations, and increased funding for anti-fraud activities.

- Medicare payments to certain hospitals to cover conditions acquired during hospitalization have been reduced and federal payments to states for Medicaid services related to hospital-acquired conditions are prohibited.

- A value-based purchasing program has been established under the Medicare program. Under this program, hospital payments will increase or decrease depending on a hospital's performance vis-à-vis established quality measures.

- Medicaid Disproportionate Share Hospital (DSH) allotments to each state have also been reduced, based on state-wide reduction in uninsured and uncompensated care.

In general, the provisions of the ACA that encourage or mandate health care coverage for individuals can be expected to increase demand for health care and reduce the amount of uncompensated care that the Obligated Group provides. However, the reimbursement paid by the payers of the newly insured may be inadequate to cover costs. Revisions to the Medicare reimbursement program will also likely reduce Medicare reimbursement levels. The practical consequences of the ACA, as well as of other future federal and state actions affecting the health care delivery system cannot be foreseen. In particular, any legal, legislative or executive action that delays the implementation of new employer mandates, reduces federal health care program spending, increases the number of individuals without health insurance, reduces the number of people seeking health care, or otherwise significantly alters the health care delivery system or insurance markets could have a material adverse effect on the Obligated Group's business or financial condition.

Challenges to the Affordable Care Act

The ACA has been subject to significant opposition in the political and judicial arenas. Multiple lawsuits challenging the constitutionality of the ACA have been filed by private and state parties in federal courts. In 2012, the U.S. Supreme Court largely upheld the ACA as constitutional. However, in the same decision it limited the scope of the ACA by restricting the federal government's ability to condition Medicaid funding on states' participation in the ACA's anticipated Medicaid expansion. As a result, states effectively have the option but not the obligation to extend Medicaid coverage to the indigent adult population specified in the ACA. In 2015, the Supreme Court rejected an effort to limit federal subsidies only to exchanges that were established directly by the states and not through the federal government.

Many issues remain to be determined about the ACA's impact, and it seems likely that continuing litigation and political strategies will seek to undermine portions, perhaps significant portions, of the ACA. President Trump and Republican leaders of Congress have repeatedly cited health care reform, and particularly, repeal and replacement of the ACA, as a key goal. Several legislative efforts to further this agenda have so far failed. Objections to one recently proposed bill to repeal included that it would permit insurers to charge higher premiums for pre-existing conditions and that it would cut Medicaid over time and allow states to opt out of the ACA requirement that insurers cover "essential health benefits." Despite recent setbacks, certain Congressional leaders have stated that efforts to repeal the ACA would resume "after tax reform." Furthermore, the recently enacted federal tax reform eliminated the individual mandate's "shared responsibility payment," which has the potential to significantly impact the insurance exchange market by reducing the number of healthy individuals in the ACA health insurance exchanges. The extent to which other key provisions of the ACA may be modified or repealed by Congress will depend on the political will of the Trump Administration and others to continue efforts to repeal or replace the Act, either in its entirety or

regarding key provisions. Management of the Institution cannot predict whether additional health care reform legislation will be enacted or the interim or ultimate effects of any such legislation.

In addition to the legislative changes discussed above, ACA implementation and the ACA insurance exchange markets can be significantly affected by executive branch actions. In early 2017, President Trump issued an executive order requiring all federal agencies with authorities and responsibilities under the ACA to "exercise all authority and discretion available to them to waive, defer, grant exemptions from, or delay" parts of the ACA that place "unwarranted economic and regulatory burdens" on states, individuals or health care providers.

Due to the Trump Administration's recent action under this authority, the cost-sharing reductions (CSRs) that health insurance plans receive to cover lower-income individuals will no longer be paid. As a result, insurers will lose funding for the final three months of 2017 and for the indefinite future. This may have short-term implications if plans decide to discontinue participation in the marketplace. Coupled with the Administration's executive order to direct agencies to consider expanding coverage through association health plans and short-term limited duration insurance plans, these actions create uncertainty and potential destabilization of the marketplace. In response to the CSR cuts, eighteen states and the District of Columbia filed a lawsuit against the Trump Administration, arguing that withholding the CSR payments violates a mandate in the ACA. A recent federal court ruling rejected the challenge and denied a preliminary injunction, allowing the CSR cuts to proceed.

Management of the Institution cannot predict the effect of these executive branch actions on the Obligated Group's business or financial condition, though such effects could be material.

Accountable Care Organizations

The ACA includes a number of provisions that encourage the creation of new health care delivery programs for Medicare beneficiaries, such as patient-centered medical homes that feature interdisciplinary professional teams to support primary care practices, and the Medicare Shared Savings Program (MSSP), under which accountable care organizations (ACOs) composed of groups of providers will be held accountable for the quality, cost and overall care of Medicare beneficiaries attributed to the ACO and will share in the cost savings they achieve for the Medicare program.

The Center for Medicare and Medicaid Innovation (CMMI) has implemented the Next Generation ACO Model for ACOs that are experienced in coordinating care for populations of patients. The Institution participates in the Next Generation ACO Model. Participating provider groups will be able to assume higher levels of financial risk and reward than are available under other ACO models. The goal of this Model is to test whether strong financial incentives for ACOs, coupled with tools to support better patient engagement and care management, can improve health outcomes and lower expenditures for original Medicare fee-for-service beneficiaries.

Included in the Next Generation ACO Model are strong patient protections to ensure that patients have access to and receive high-quality care. Like other Medicare ACO initiatives, this Model will be evaluated on its ability to deliver better care for individuals, better health for populations, and lower growth in expenditures. CMS will publicly report the performance of the Next Generation ACOs on quality metrics, including patient experience ratings, on its website. For information concerning the Institution's participation in the Next Generation ACO Model, see Appendix A – "CERTAIN INFORMATION REGARDING DARTMOUTH-HITCHCOCK HEALTH AND SUBSIDIARIES" under the heading "Corporate Structure of the System; *Services*."

Medicaid Enhancement Tax and Disproportionate Share Payments in New Hampshire

Disproportionate Share Hospital payments are supplemental Medicaid payments made to hospitals that provide care to a disproportionate number of indigent patients. Revenue for these payments is raised by the State through the Medicaid Enhancement Tax (MET), a state tax imposed on hospitals' net patient service revenue. For the taxable period beginning July 1, 2017, the MET rate is 5.4% of net patient service revenue. The revenues from the MET are used by the State to obtain federal matching funds, which are then redistributed in the form of DSH payments to qualifying New Hampshire hospitals.

The MET revenue and DSH payments have been the subject of federal and state legislation and litigation. Prior to fiscal year 2011, the State collected MET revenue from each hospital and returned an equivalent amount to

each hospital in the form of a DSH payment. However, in fiscal years 2012 and 2013, the State collected MET revenue but failed to make the required DSH payments, using the revenue for general fund purposes instead. Numerous administrative and judicial challenges followed. Under a 2014 settlement between New Hampshire hospitals and the State, the hospitals agreed not to challenge the MET on constitutional grounds so long as the State utilizes MET revenue for its intended purposes, including DSH payments and the state codified this settlement by legislation. Litigation by the New Hampshire Hospital Association against CMS challenging aspects of the methodology used to calculate DSH payments is still pending. In addition, while the recent Continuing Resolution, the Bipartisan Budget Act of 2018 (P.L. 115-123), passed by Congress on February 5, 2018, delays federal DSH cuts through federal fiscal year 2019, significant DSH reductions are slated to become effective thereafter.

As a consequence of these state and federal activities, no assurances can be made as to the amount of DSH payments that will be received by the Obligated Group or the amount of the MET that may be levied on the Obligated Group. In addition, there can be no assurance that the New Hampshire General Court or CMS may not amend the current statutes or regulations regarding these matters.

Increased Competition

In response to various regulatory changes in payments, competition among health care providers has increased significantly. Health care providers are also expanding or reconfiguring their service lines in order to capture incremental market share, to enter potentially lucrative service lines, or to reduce or limit services in service lines that generate losses.

Other proprietary and non-profit competitors may, in certain instances, have greater financial resources than the Obligated Group and there can be no assurance that its market share will be maintained. MCOs have become increasingly aggressive in negotiating contracts with acute care hospitals and, where applicable, their affiliated health care systems. In certain cases, major MCOs have declined to contract with specific hospitals, have proposed terms that are financially difficult or unacceptable to those hospitals, and have sought to recoup previously agreed upon rate increases. No assurance can be made that the Institution will be able to obtain or maintain contracts with various MCOs, or that if obtained, such contracts will be on financially viable or favorable terms.

Finally, other forms of competition may affect the ability of the Obligated Group to maintain or improve its market share, including increasing competition (i) between physicians who generally use hospitals and non-physician practitioners such as nurse-midwives, nurse practitioners, chiropractors, physical and occupational therapists and others who may not generally use hospitals; (ii) from physician-owned entities seeking to remove ambulatory surgery from the hospital setting; (iii) from other hospitals for physician recruitment; (iv) from home health agencies, ambulatory care facilities, surgical centers, rehabilitation and therapy centers, physician group practices and other non-hospital providers of many services for which patients generally and currently rely on the Obligated Group, and (v) based on site of service arrangements entered into among MCOs, non-hospital providers and employers which require or create incentives for employees and their families to receive certain care from lower cost providers of various services.

Management of the Institution believes that sustained growth in patient volume together with firm cost controls will be increasingly important as the health care environment becomes more competitive. There are many limitations on a provider's ability to increase volume and control costs, and there can be no assurance that volume increases or expense reductions needed to maintain the financial stability of the Obligated Group will occur.

Managed Care; Private Health Insurance Plans; Exchanges

MCO gross patient service revenue represented approximately 17 percent and 15 percent of total net patient service revenue for the Institution and subsidiaries in fiscal years 2017 and 2016, respectively. See Appendix A – "CERTAIN INFORMATION REGARDING DARTMOUTH-HITCHCOCK HEALTH AND SUBSIDIARIES" under the heading "Financial Information; *Sources of Revenue*."

The discounts offered to MCOs may result in payment to a provider that is less than its actual cost. Additionally, the volume of patients directed to a provider may vary significantly from projections and changes in utilization may be dramatic and unexpected, thus jeopardizing the provider's ability to manage this component of revenue and cost.

Often, MCO contracts are enforceable for a stated term, regardless of health care provider losses and may require hospitals to care for enrollees for a certain time period, regardless of whether the MCO is able to pay the health care provider. Health care providers from time to time have disputes with MCOs concerning operational issues, contract interpretation and claims payment issues.

Failure to maintain MCO contracts could have the effect of reducing market share and net patient service revenues of the Institution. Conversely, growth in the number of persons enrolled in managed care plans may result in material reductions in patient volume levels if MCOs are able to effectively redirect patients to other providers that may offer lower costs and/or higher demonstrated quality, reduced payment levels and/or increased patient out-of-pocket cost share responsibility, and other changes, which may challenge the Institution's management to operate under different payment incentives, including capitated or global payment arrangements. In addition to challenges related to varying payment incentives, the growth in the number of patients enrolled in managed care plans would likely result in increased administrative costs associated with complying with varying billing, coding, prior approval/authorization, and other requirements imposed by each MCO contract. Finally, the managed care market in New Hampshire is dominated by a Blue Cross Blue Shield plan. The success (or failure) of contract negotiations with this plan may have significant impact of the overall success (or failure) of the Institution. Thus, managed care poses one of the most significant business risks (and opportunities) that the Institution faces.

The ACA imposes, over time, increased regulation of the industry, the use and availability of state-based exchanges in which health insurance can be purchased by certain groups and segments of the population, the extension of subsidies and tax credits for premium payments by some consumers and employers and the imposition upon commercial insurers of certain terms and conditions that must be included in contracts with providers. In addition, the ACA imposes many new obligations on states related to health insurance. It is unclear how the increased federal oversight of state health care may affect future state oversight or affect the Obligated Group. The effects of these changes upon the financial condition of any third-party payor that offers health insurance, rates paid by third-party payors to providers and thus the revenues of the Obligated Group, and upon the operations, results of operations and financial condition of the Obligated Group cannot be predicted.

Litigation Relating to Billing and Collection Practices

Lawsuits have been filed in both federal and state courts alleging, among other things, that hospitals have failed to fulfill their obligations to provide charity care to uninsured patients and have overcharged uninsured patients. Many of these cases have since been dismissed by the courts but a number of cases are still pending in various courts around the country with inconsistent results. While it is not possible to make general predictions, some hospitals and health systems have entered into substantial settlements.

Challenges to Real Property Tax Exemptions

In the past several years, the real property tax exemptions afforded to certain non-profit health care providers by state and local taxing authorities have been challenged in other states on the grounds that the health care providers were not engaged in sufficient charitable activities. These challenges have been based on a variety of grounds, including allegations of aggressive billing and collection practices and excessive financial margins. In a recent decision in Illinois, the denial of real property tax exemption for a non-profit hospital has been upheld by the state's highest court.

Charity Care and Community Benefit

Hospitals are permitted to obtain federal 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 of tax-exempt status should be eliminated. Federal and state tax authorities are also beginning to demand that tax-exempt hospitals justify their tax-exempt status by documenting their charitable care and other community benefits. The most recent IRS report on this initiative determined that a lack of uniformity in definitions of community benefit used by reporting hospitals, including those regarding uncompensated care and various types of community benefits, made it difficult for the IRS to assess whether any particular hospital is in compliance with

current law. The revised Form 990 includes a new schedule, Schedule H, which hospitals must use to report their community benefit activities, including the cost of providing charity care and other tax-exemption related information.

Enforceability of Master Indenture

To be enforceable under the laws of the State of New Hampshire, a guarantee of the debts of another (or a pledge of the assets by a Member to secure the debts of another) must generally be in furtherance of the Member's corporate purposes. In addition, it is possible that the security interest granted by a Member and the joint and several obligation of a Member to make payments due under the Obligation in respect of moneys used by another Member may not be valid and enforceable and could be declared void in an action brought by third-party creditors pursuant to the fraudulent conveyance statute of New Hampshire, with certain variations as applicable, or may be avoided by a Member, or a trustee in bankruptcy in the event of the bankruptcy of the Member from which payment is requested, or by the Attorney General of the State of New Hampshire.

In addition, any obligation of a Member of the Obligated Group may be voided under the federal Bankruptcy Code or under the New Hampshire fraudulent conveyance statute, if (a) the obligation was incurred without receipt by the obligor of "fair consideration" or "reasonably equivalent value," and (b) the obligor is insolvent or the obligation renders the obligor "insolvent," as such terms are defined under the statute.

Interpretation by the courts of the tests of "insolvency," "reasonably equivalent value" and "fair consideration" has resulted in a conflicting body of case law. For example, a Member's joint and several obligation under the Master Indenture to make all payments thereunder, including payments in respect of funds used for the benefit of the other Member, may be held to be a "transfer" which makes such Member "insolvent" in the sense that the total amount due under the Master Indenture could be considered as causing its liabilities to exceed its assets. Also, one of the Members may be deemed to have received less than "fair consideration" for such obligation because none or only a portion of the proceeds of the Bonds are to be used to finance facilities occupied or used by such Member. While a Member may benefit generally from the facilities financed from the Bond proceeds for the other Member, the actual cash value of this benefit may be less than the joint and several obligations. The rights under the fraudulent conveyance statute of New Hampshire may be asserted for a period of up to six years from the incurring of the obligations or granting of security under the Master Indenture.

In addition, the assets of any Member may be held by a court to be subject to a charitable trust which prohibits payment in respect of obligations incurred by or for the benefit of others if a Member has insufficient assets remaining to carry out its own charitable functions or, under certain circumstances, if the obligations paid by such Member were issued for purposes inconsistent with or beyond the scope of the charitable purposes for which the Member was organized. Due to the absence of clear legal precedent in this area, the extent to which the assets of any Member can be used to pay obligations issued by others cannot be determined at this time.

Enforceability of Remedies

Generally. The remedies granted to the Trustee, the Master Trustee, or the Holders upon an event of default under the Bond Indenture or the Master Indenture may be dependent upon judicial actions, which are often subject to discretion and delay. Under existing law, the remedies specified in the Bond Indenture or the Master Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the provisions of the Bond Indenture or the Master Indenture by limitations imposed by state and federal laws, rulings and decisions affecting equitable remedies regardless of whether enforceability is sought in a proceeding at law or in equity and by bankruptcy, reorganization, insolvency, receivership or other similar laws affecting the rights of creditors generally.

Effect of Bankruptcy. If any Obligated Group Member files for protection under the federal Bankruptcy Code, its revenues may not be subject to the security interests created under the Master Indenture. Property acquired after the date of filing of the bankruptcy, including newly created accounts receivable, may not be subject to the security interests created under the Master Indenture. The Member's property, including accounts receivable and cash collateral, also could be used for the benefit of the Member despite the security interest of the Master Trustee if the Bankruptcy Court finds that "adequate protection" of the security interest in the property exists or is given.

The commencement of a case under the federal Bankruptcy Code operates as an automatic stay of any act or proceeding to enforce a lien upon property of the affected Member. A patient care ombudsman could be appointed as an advocate for the welfare of patients. The Master Trustee may not be able to obtain relief from the automatic stay to realize security interests created under the Master Indenture as a result of concern for patient welfare or otherwise. Delay in the Master Trustee's ability to exercise remedies against collateral could impair recovery from the collateral securing the Bonds.

The commencement of a proceeding under the Bankruptcy Code can also adversely affect the business of the affected Member, including by increasing costs and by deterring recipients of health care services from using such Obligated Group Member for such services. In addition, if the affected Member were to become insolvent or if reorganization under the Bankruptcy Code were to be perceived as being in doubt, accounts receivable could become more difficult or impossible to collect. In a proceeding under the Bankruptcy Code, in particular if the indebtedness evidenced by the Bonds were to be deemed not fully secured, payments made in respect of the Bonds or other transfers of property, including the payment of debt or the transfer of any collateral, including receivables and Gross Revenues, within 90 days prior to the date of a bankruptcy case could be avoided as preferential transfers absent the presence of one of the Bankruptcy Code defenses to avoidance. To the extend avoided, the value of such payments or transfers could be recovered from the Trustee or the Master Trustee or from subsequent transferees and claims in respect of the Obligation could be disallowed pending recovery of the value of such payments or transfers.

In a Chapter 11 case, an Obligated Group Member could file a plan of reorganization that would adjust its debts and modify the rights of creditors generally, or any class of creditors, secured or unsecured. The plan, if confirmed by the court, binds all creditors and discharges all claims held by creditors who had notice or knowledge of the bankruptcy except as set forth in the plan. No plan may be confirmed unless, among numerous other conditions, the plan is determined to be in the best interest of creditors, is feasible and either has been accepted by each class of claims impaired thereunder, or the court has found sufficient grounds to confirm the plan over the objections of a dissenting class. To accept the plan, at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that vote with respect to the plan must accept the plan. Even if the plan is not so accepted, it may still be confirmed if the court finds that the plan does not discriminate unfairly in favor of junior creditors and is "fair and equitable" with respect to each class of non-accepting creditors impaired thereunder. In addition, the court could allow for a sale of assets of the affected Member to which creditors claim a security interest if the court makes certain findings under Section 363(f) of the Bankruptcy Code. With respect to secured claims of holders of the Obligation, if certain legal requirements were satisfied, a plan could alter substantive rights such as the maturity date and interest rate of the Obligation.

A secured creditor's ability to maximize the value of its collateral is also impacted by the limitation provided in the Bankruptcy Code to the ability of a charitable corporation to transfer assets to a for profit entity. Specifically, Section 541(f) requires the charitable entity to comply with state laws.

Security May Not Be Sufficient in the Event of a Default. In the event the Obligated Group is unable to generate sufficient Gross Revenues and other revenues to pay debt service on the Bonds and the other expenses of the Obligated Group, the assets which may be available to the Bond Trustee to liquidate and pay the Bonds may not be sufficient to pay the Bonds in full. There can be no assurance that the proceeds from the enforcement of rights will be sufficient to pay debt service on the Bonds and the other expenses of the Obligated Group.

Regulation of the Health Care Industry

The health care industry is heavily regulated by federal and state governments and is dependent on governmental sources for a substantial portion of revenues. Governmental revenue sources are subject to statutory and regulatory changes, administrative rulings, interpretations of policy, determinations by the non-governmental organizations or agencies that contract with the federal government to process Medicare claims, government funding restrictions and restrictive coverage decisions, all of which may materially increase or decrease the rates of payment and cash flow to providers of health care services. In the past, there have been frequent and significant changes in the methods and standards used by both federal and state government agencies to reimburse and regulate the operation of providers. Many of these changes are implemented retroactively, resulting in significant prior year adjustments. There is reason to believe that substantial additional changes will occur in the future.

Legislation is periodically introduced in Congress and in the legislature of the State of New Hampshire that could result in reductions in provider revenues, 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 maintain tax-exempt status. In New Hampshire, Executive Orders have also been utilized to reduce Medicaid rates. No assurance can be given that payments made under any government or third party payment 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.

Members of the Obligated Group are also subject to regulatory and administrative actions by CMS in the administration of the Medicare and Medicaid programs, the New Hampshire Department of Health and Human Services, the New Hampshire Department of Justice, Division of Charitable Trusts, the United States Food and Drug Administration (FDA), the United States Department of Labor, the National Labor Relations Board, and other federal, state and local government agencies and private bodies. In addition, the Institution and certain of the services and educational programs that it offers are subject to accreditation by The Joint Commission and other entities. Actions of these organizations could adversely affect future operations or revenue of the Institution. See Appendix A – "CERTAIN INFORMATION REGARDING DARTMOUTH-HITCHCOCK HEALTH AND SUBSIDIARIES."

While Management of the Institution believes that Members of the Obligated Group are in substantial compliance with the standards of the aforementioned regulatory and accrediting bodies, there can be no assurance that a challenge or investigation will not occur in the future. An adverse finding by the organizations could materially adversely affect future operations or revenue of the Obligated Group.

Licensing; Surveys; Investigations

Health facilities, including those of the Obligated Group, are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. These include, but are not limited to, requirements relating to Medicare and Medicaid participation and payments, state licensing agencies, private payors and The Joint Commission. Renewal and continuation of the operating licenses, certifications and accreditations of the Institution and other Members of the Obligated Group, as applicable, are based on inspections, surveys, investigations and other reviews, some of which may require or include affirmative action or response by such Members. These activities are conducted in the normal course of business of health facilities, both in connection with periodic renewals and in response to specific complaints, which may be made to governmental agencies, private agencies or the media by patients, ombudsmen or employees, among others. Nevertheless, an adverse result could cause a loss or reduction in the scope of licensure, certification or accreditation of the Members of the Obligated Group, as applicable, could reduce the payments received or could require repayment of amounts previously remitted to the provider.

The Institution and other Members of the Obligated Group receive, from time to time, subpoenas, civil investigatory demands, audit requests and other formal inquiries from state and federal legislative committees, governmental agencies or investigators. It is often impossible to determine the specific nature of the investigation or whether the Institution might have any potential liability under a cause of action that might subsequently be asserted by the government. Moreover, the Institution generally is not informed when such investigations are resolved without the assertion of any claims. Management of the Institution considers these investigations a routine part of operations in the current health care climate, and expects them to continue in the future.

Certificate of Need

The New Hampshire Legislature repealed the Certificate of Need (CON) program effective July 1, 2016 and created an alternative structure, specifically RSA 151:2-e, with a narrow approach on certain high risk services, specifically cardiac catheterization laboratory services, open heart surgery or coronary artery bypass graft surgery, and megavoltage radiation therapy, rather than facilities. The new alternative structure requires a special health care service license prior to initiating any of these high risk services. As a result, absent further legislative or other action, competitors offering these high risk services will face an entry barrier and competition may diminish. Competitors that offer services outside of those included above will no longer face this entry barrier and increased competition may arise.

Negative Rankings Based on Clinical Outcomes, Cost, Quality, Patient Satisfaction and Other Performance Measures

Health plans, Medicare, Medicaid, employers, trade groups and other purchasers of health services, private standard-setting organizations and accrediting agencies increasingly are using statistical and other measures in efforts to characterize, publicize, compare, rank and change the quality, safety and cost of health care services provided by hospitals and physicians. Published rankings (such as "score cards"), tiered hospital networks with higher co-payments and deductibles for non-emergent use of lower-ranked providers, "pay for performance" plans, and other financial and non-financial incentive programs are being introduced to affect the reputation and revenue of hospitals and the members of their medical staffs and to influence the behavior of consumers and providers such as the Institution. Measures of performance set by others that characterize a hospital negatively or result in lower volume or payments may adversely affect its reputation and financial condition.

Federal and State "Fraud and Abuse" Laws and Regulations

"Fraud" in government funded health care programs is a significant concern of DHHS and many states and is one of the federal government's prime law enforcement priorities. Federal and state governments impose a wide variety of complex and technical requirements intended to prevent over-utilization based on economic inducements, misallocation of expenses, overcharging and other forms of fraud in state and federally-funded health care programs, including the Medicare and Medicaid programs. Fraud regulation affects a broad spectrum of hospital activity, including billing, accounting, recordkeeping, medical staff oversight, physician contracting and recruiting, cost allocation, clinical trials, discounts and other functions and transactions. Violations carry significant civil, criminal and administrative sanctions and may result in temporary or permanent exclusion from participation in Medicare, Medicaid and other federally-funded health care programs. Health care providers may reduce their financial exposure for fraud and abuse law violations through prompt repayment of sums received as a result of violations of applicable laws, prompt voluntary reporting to the government of illegal arrangements and implementation of effective corporate compliance programs. This financial exposure is generally uninsured. Much of this risk cannot be assessed accurately due to the broadly worded prohibitions, limited case law and the lack of material guidance by CMS and the Office of the Inspector General (OIG).

Anti-Kickback Law

The federal anti-kickback statute (AKS) makes it a criminal offense to knowingly and willfully offer, pay, solicit or receive remuneration in return for or to induce referrals for any item or service that may be paid for, in whole or in part, under a federal health care program including, but not limited to, the Medicare or Medicaid programs. Activities subject to the AKS include almost any arrangement between a hospital and a person or entity in a position to generate business for the hospital or benefit from business from the hospital. In recent years, the government has aggressively enforced the AKS, and the ACA amended the AKS to make it easier for the government to prove "intent" to violate the law.

Violation of the AKS can result in a felony conviction, fines, imprisonment, civil monetary penalties, and exclusion from the Medicare and Medicaid programs. "Safe harbor" regulations, published by the OIG, provide protections from prosecution or administrative enforcement action for a limited scope of arrangements. The safe harbors are narrow and a wide range of business arrangements common to most hospitals, physicians and other health care providers are not protected thereunder. However, failure to satisfy the conditions of a safe harbor does not necessarily indicate a violation of the applicable AKS provision.

False Claims Acts

The federal False Claims Acts are criminal and civil statutes that prohibit a person from "knowingly" presenting or causing to be presented a false or fraudulent claim for payment or approval to the federal government and from "knowingly" making, using or causing to be made a false record or statement to get a false or fraudulent claim paid or approved by the federal government. These prohibitions extend to claims submitted to federal health care programs including, but not limited to, Medicare and Medicaid. The terms "knowing" and "knowingly" are broadly defined and do not require proof of a specific intent to defraud in order to prove that the law has been violated. The ACA amended the False Claims Acts to expressly state that claims for items or services resulting from violations of the AKS are false or fraudulent for purposes of the False Claims Acts. Additionally, providers may be liable for

the submission of false claims when they are not in full compliance with applicable legal and regulatory standards. Both the Fraud Enforcement and Recovery Act of 2009 and the ACA significantly expanded the scope of the False Claims Acts by subjecting to them (a) conspiracy to commit any substantive violation of the False Claims Acts, (b) knowingly retaining an overpayment from a federal health care program, and (c) payments made by, through or in connection with a health insurance exchange.

Violations of the criminal False Claims Act can result in imprisonment and/or fines, while violations of the civil False Claims Act may result in substantial monetary penalties. Private individuals may also bring suit under the *qui tam* provisions of the civil False Claims Act and may be eligible for incentive payments for providing information that leads to recoveries or sanctions that arise in a variety of contexts in which hospitals and health care providers operate. The ACA also eased the requirements for private individuals to bring suit under the civil False Claims Act. The Commonwealth has a state false claims act that is modeled on the federal statutes.

New Hampshire, like many other states, has a false claims act modeled on the federal statute. Federal legislation imposes financial penalties on any state that does not require health care providers receiving more than $5 million in annual Medicaid revenues to adopt policies and train employees on the federal and state false claims acts.

Stark Law

The federal statute commonly known as the Stark Law prohibits a physician (or an immediate family member of such physician) from referring a Medicare or Medicaid patient for certain "designated health services" to an entity with which the referring person has a financial relationship. It also prohibits such entity from billing the Medicare or Medicaid program for services furnished pursuant to a prohibited referral. Unlike the AKS, neither knowledge nor intent are required to find a violation of the Stark Law. The "designated health services" include clinical laboratory services, physical and occupational therapy services, radiology services, radiation therapy services and supplies, durable medical equipment, parenteral and enteral nutrients (including equipment and supplies), orthotic and prosthetic devices, speech language pathology, home health services, outpatient prescription drugs and inpatient and outpatient hospital services. The Stark Law defines a financial relationship as either an ownership or investment interest in the entity that provides designated health services or a compensation arrangement with such entity.

Many ordinary business practices and arrangements with physicians would trigger the prohibition on referrals and billing under the Stark Law. There are certain statutory and regulatory exceptions to the prohibition, but these exceptions are narrow and exacting to meet. Violations of the Stark Law can result in denial of payment, or a refund of amounts paid for the designated health services, substantial civil monetary penalties and exclusion from the Medicare and Medicaid programs. In certain circumstances, knowing violations may also create liability under the False Claims Acts.

CMS has established a voluntary self-disclosure program under which hospitals and other entities may report Stark Law violations in an effort to reduce potential refund obligations. The program is relatively new, so it is uncertain whether it will provide significant monetary relief to hospitals that discover and self-disclose inadvertent Stark Law violations. The Obligated Group may make self-disclosures under this program as it deems appropriate from time to time.

Civil Monetary Penalty Act

The federal Civil Monetary Penalty Act (CMPA) provides for administrative sanctions, including civil money penalties and treble damages, against health care providers for a broad range of billing and other financial abuses. For example, a health care provider is liable under the CMPA if it knowingly presents, or causes to be presented, improper claims for reimbursement under Medicare, Medicaid and other federal health care programs or if it gives benefits or other inducements to Medicare or Medicaid beneficiaries that the provider knows or should know are likely to induce the beneficiaries to choose the provider for their care. In addition, a hospital that participates in arrangements (known as "gainsharing") under which a physician is paid to limit or reduce needed services to Medicare fee-for-service beneficiaries would be subject to CMPA penalties. The ACA added new exceptions to the CMPA permitting, among other things, arrangements that promote access to care and pose a low risk of harm to patients and the federal health care programs.

Health care providers may be found liable under the CMPA even when they did not have actual knowledge of the impropriety of their action. The imposition of civil money penalties on a health care provider could have a material adverse impact on the provider's financial condition.

OIG Compliance Guidance

The OIG has encouraged all health care providers to adopt and implement programs to promote compliance with federal and state laws, including the False Claims Acts, the AK S and the Stark Law. The OIG's Compliance Program Guidance (CPG) and Supplemental Compliance Program Guidance provide recommendations to hospitals for adopting and implementing effective compliance programs. The CPG also identifies significant risk areas for hospitals. The ACA requires the establishment of a compliance program as a condition of enrollment under the Medicare and Medicaid programs. The OIG is expected to implement further regulations regarding industry-specific compliance plan requirements. The OIG will consider the existence of an effective compliance program that pre-dated any governmental investigation when addressing the appropriateness of administrative penalties. However, the presence of a compliance program is not an assurance that a health care provider will not be investigated by one or more federal or state agencies that enforce health care fraud and abuse laws or that it will not be required to make repayments to various health care insurers (including the Medicare and/or Medicaid programs). Hospitals are also required to create a Medicaid Compliance Plan and to educate staff, agents and contractors about state and federal anti-fraud and abuse laws.

Enforcement Activity

Federal and state governments are intensifying their efforts to investigate and prosecute waste, fraud and abuse in both government and private health care programs, and pursuant to the ACA and other legislation significant additional federal monies have been made available for these enforcement efforts. Enforcement activity against health care providers, such as investigations, audits or inquiries, has increased, and enforcement authorities are adopting more aggressive approaches. Enforcement authorities are sometimes in a position to compel settlements by providers charged with, or being investigated for, violations of the various federal and state fraud and abuse or false claims laws and regulations by threatened penalties, including withholding Medicare, Medicaid or similar payments or the possibility of a criminal action. The cost, time and management attention of defending or responding to an investigation or alleged violation and the facts of a particular case may dictate settlement, resulting in additional costs. Prolonged and publicized investigations could damage the reputation, business and credit of a provider, regardless of the outcome. Settlements, fines, prospective restrictions or other results of settlement agreements and negative publicity may have a materially adverse impact on a hospital's operations, financial condition and reputation.

The federal government has significant authority to enforce laws and regulations governing the conduct of clinical trials at hospitals. The DHHS Office of Human Research Protection (OHRP) is one of the agencies with responsibility for monitoring federally-funded research. In recent years, OHRP has been pressured by both Congress and the OIG to strengthen protections for human subjects and to ensure its independence and the effectiveness of its enforcement efforts. While recently OHRP has been conducting fewer compliance evaluations, OHRP has reportedly increased the use of other mechanisms, such as contacting research institutions directly, to address allegations of noncompliance. The FDA also has authority over the conduct of clinical trials performed in hospitals when these trials are conducted on behalf of sponsors seeking FDA approval to market the drug or device that is the subject of the research. The FDA has the authority to conduct both announced and unannounced inspections of clinical investigator sites. Reportedly, the FDA has a renewed focus on compliance with human subject protection regulations (referred to as Good Clinical Practice or GCP standards). In 2015, DHHS published the first substantial revision in 25 years to regulations governing human subject protections. These regulations were to take effect in January, 2018, but the Trump Administration has signaled that implementation of new requirements may be delayed. Similarly, the 21st Century Cures Act included provisions to modernize clinical research oversight and to harmonize FDA and DHHS human subject protection regulations. The status of these new requirements is unclear creating ambiguity for research institutions such as the Institution and for its clinical investigators. The Obligated Group providers receive payments for health care items and services under many research grants and are subject to complex and overlapping coverage principles and rules governing billing for items or services they provide to patients participating in clinical trials funded by governmental agencies and private sponsors. These agencies' enforcement powers range from substantial fines and penalties to exclusion of researchers and suspension or termination of entire research programs. Errors in billing the Medicare program for care provided to patients enrolled in clinical trials that are not eligible for Medicare reimbursement can subject these providers to sanctions as well as repayment obligations.

The Obligated Group conducts a variety of activities that pose varying degrees of risk under the foregoing federal and state fraud and abuse laws and accompanying regulations, federal laws and regulations governing the conduct of clinical trials at hospitals, and under the Health Insurance Portability and Accountability Act (HIPAA) and Health Information Technology for Economic and Clinical Health Act (HITECH) (discussed below). While management believes that the Obligated Group is in material compliance with such laws and regulations and is not aware of any current compliance investigations or proceedings except as set forth in Appendix A – "CERTAIN INFORMATION REGARDING DARTMOUTH-HITCHCOCK HEALTH AND SUBSIDIARIES," there can be no assurance that a federal or state investigation or enforcement action may not commence in the future. Any such investigation or enforcement action, if it resulted in an adverse outcome, could have a material adverse effect on the Obligated Group.

Federal and State Laws Relating to the Privacy and Security of Personal Health Information; Cyber Security

Under HIPAA, DHHS has issued regulations to standardize and facilitate the electronic transfer of health care information for purposes that include the processing of health care payments, privacy regulations that protect patient medical records and other personal health information maintained by health care providers, health plans and health care clearinghouses, and security regulations that require health care providers to implement safeguards to protect the confidentiality, integrity and availability of the electronic health information that they receive or create. HIPAA also requires that health care providers enter into business associate agreements to assure that entities doing business on their behalf protect the privacy and security of patient information.

The HIPAA privacy and security regulations were strengthened under HITECH. HITECH expanded certain provisions and created new avenues of enforcement, including the ability of state attorneys general to bring actions. HITECH also made business associates directly liable for HIPAA security compliance and established breach notification obligations for providers in the event of a breach that creates a risk of harm to individuals. Violations of the privacy and security standards can result in civil monetary penalties up to $1.5 million per year and criminal penalties including fines and imprisonment. The Obligated Group believes that its operations and information systems comply with the HIPAA standardized electronic transfer, privacy and security regulations, although there can be no assurance that the Obligated Group will not be found to have violated these regulations in a particular instance. Regulations implementing major provisions of HITECH contained significant changes for Covered Entities and Business Associates with respect to permitted uses and disclosures of Protected Health Information (which terms are defined under HIPAA and include most The Obligated Group affiliates).

Under HITECH's new breach notification requirements, Covered Entities must report breaches as soon as is reasonably practicable, but no later than 60 days following discovery of the breach. Reports must be made to affected individuals and to appropriate officials. In some cases, breaches must also be reported through local and national media, depending on the size of the breach.

Covered Entities are subject to audit under DHHS' HITECH-mandated audit program and may also be audited in connection with a privacy complaint. Covered Entities are subject to prosecution and/or administrative enforcement and increased civil and criminal penalties for non-compliance, including a new, four-tiered system of monetary penalties adopted under HITECH. To avoid penalties under the HITECH breach notification provisions, Covered Entities must ensure that breaches of Protected Health Information are promptly detected and reported within the organization, so that the Covered Entity can make all required notifications on a timely basis. However, even if such reports are timely made, Covered Entities may still be subject to penalties for the underlying breach.

Despite the Obligated Group's implementation of network security measures, its information technology systems may be vulnerable to breaches, hacker attacks, computer viruses, physical or electronic break-ins and other similar events or issues. The Federal Bureau of Investigation has expressed concern that health care systems are a prime target for such cyber-attacks due to a higher financial payout for medical records in the black market, and health care systems have recently been subject to such attacks. Such events or issues could lead to the inadvertent disclosure of protected health information or other confidential information, which could materially impact the operations, financial position and cash flows of the Obligated Group.

Portions of the Obligated Group's IT infrastructure also may experience interruptions, delays or cessations of service or produce errors in connection with systems integration, maintenance or migration work that takes place from time to time. The Obligated Group may not be successful in implementing new systems and transitioning data,

which could cause business disruptions and be more expensive, time consuming, disruptive and resource-intensive. Such disruptions could adversely impact the Obligated Group's ability to provide services and interrupt other processes. Increased costs, damaged reputation, reduction in revenue or lost patients and business resulting from these disruptions could materially impact the operations, financial position or revenues and expenses of the Obligated Group.

Regulation of Patient Transfer

The Emergency Medical Treatment and Active Labor Act (EMTALA) requires hospitals that have emergency rooms to provide medical screening and stabilizing treatment before transferring a patient who is medically unstable or in labor to another facility, unless the patient asks to be transferred or a physician certifies that the benefits of the transfer outweigh the risks. The law further prohibits hospitals from delaying such screening or treatment in order to inquire about an individual's method of payment. Failure to comply with EMTALA can result in exclusion from the Medicare and/or Medicaid programs as well as civil and criminal penalties. In addition, hospitals may be liable for claims brought by any individual who has suffered harm as a result of such violation. Accordingly, failure of acute care hospitals to meet their responsibilities under EMTALA could adversely affect their financial condition. Management believes that The Obligated Group hospitals are in compliance with these requirements.

Environmental Matters

Health care 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, toxic and hazardous waste management, air and water quality control, related notices to employees and the public, and training requirements for employees. As a health care operator and employer, each Member of the Obligated Group is subject to potentially material liability for the costs of investigating and remedying releases of any hazardous substances either on their properties or that have migrated from their properties, as well as those that have been improperly disposed of off-site, and the harm to persons or property that such releases may cause.

In its role as an owner and/or operator of properties or facilities, each Member of the Obligated Group may be subject to liability for investigating and remedying any hazardous substances that have come to be located on the property, including any such substances that may have migrated off their 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 and 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.

Management of the Institution is not aware of any pending or threatened claim, investigation or enforcement action regarding such environmental issues or any instance of contamination which, if determined adversely to the Institution or other Member of the Obligated Group, would have material adverse consequences to the Institution.

Tax-Exempt Status with respect to the Obligated Group and Other Tax Matters

Limitations on Contractual and Other Arrangements with Physician Imposed by the Code. Third-party payment methodologies create financial incentives for hospitals to recruit and retain physicians who will admit patients and utilize hospital services. The Obligated Group's use of these incentives is limited, however, by legal restrictions, including limitations with respect to permitted activities of tax-exempt organizations. As a tax-exempt organization, a hospital is limited with respect to its use of practice income guarantees, reduced rent on medical office space, below market-rate loans, joint venture programs, and other means of recruiting and retaining physicians and executives and otherwise conducting its affairs. The IRS has intensified its scrutiny of a broad variety of contractual and compensation relationships commonly entered into by hospitals and has issued detailed 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 penalties on excess compensation arrangements, revocation of tax-exempt status, or assessment of additional tax. The IRS has also commenced intensive audits of selected health care 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 or Stark Law could constitute grounds for revocation of a hospital's tax-exempt status. Like many health care providers, the Members of the Obligated Group may have entered into arrangements with physicians, either directly or through affiliates, that are of the kind that the IRS has indicated it will examine in connection with audits of tax-exempt hospitals. Any suspension, limitation or revocation of the tax-exempt status of the Institution or other Member of the Obligated Group or assessment of significant tax liability could have a material adverse effect on the Obligated Group.

Revocation of Tax Exemption: Private Inurement. Revocation of the tax-exempt status of a hospital under Section 501(c)(3) of the Code could trigger defaults in covenants regarding tax-exempt debt of the Obligated Group. Loss of tax-exempt status could also result in substantial tax liabilities on income of the Obligated Group. Section 501(c)(3) of the Code specifically conditions the continuing exemption of all organizations described in such section 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 status as tax-exempt under Section 501(c)(3). 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, regulations or public advisory rulings that addresses many common arrangements between exempt hospitals and non-exempt individuals or entities. While management of the Institution believes that the arrangements between the Institution or other Members of the Obligated Group and private persons and entities are generally consistent with the IRS's guidance, there can be no assurance concerning the outcome of an audit or other investigation by the IRS given the lack of clear authority interpreting the range of activities undertaken by the Obligated Group.

Intermediate sanctions legislation 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 tax 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 to 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 value or 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, certain members of the medical staff and various others.

Although management of the Institution believes that the sanction of revocation of tax-exempt status is likely to be imposed only in cases of pervasive excess benefit, the imposition of penalty excise taxes in lieu of revocation based upon a finding that the Institution or another Member of the Obligated Group 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 Obligated Group.

Unrelated Business Income. In recent years, the IRS and state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt health care organizations with respect to their exempt activities and the generation of unrelated business income (UBI). The Institution believes that it has properly accounted for and reported UBI; nevertheless, an investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported UBI and in some cases could ultimately affect the tax-exempt status of the Institution or other Members of the Obligated Group as well as the exclusion from gross income for federal income tax purposes of the interest payable on tax-exempt debt of the Obligated Group.

ACA Requirements for Tax-Exempt Status. As part of the ACA, Congress enacted Section 501(r) of the Code, which imposes additional requirements for hospitals and other designated health care organizations to be treated as tax-exempt under Code Section 501(c)(3). Under these rules, in order to maintain their tax-exempt status hospitals must establish and publicize written financial assistance policies, conduct community health needs assessments at least once every three years and describe in their annual tax returns how they are addressing the needs identified in such assessments. Tax-exempt hospitals are also subject to limitations on their collection activities and the amounts they can charge for emergency or other medically necessary care for individuals eligible for financial assistance. Each

of the Obligated Group's tax-exempt hospitals is subject to these rules, and failure to comply can result in fines and the loss of a hospital's tax-exempt status. There have been no challenges to the tax-exempt status of the Obligated Group's hospitals, but there can be no assurance that a challenge will not occur in the future.

Antitrust

Enforcement of 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, and other areas of activity. The application of 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/or 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 activities 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 Obligated Group is or may be involved with all of these types of activities. In general, it cannot be predicted 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. With respect to payor contracting, the Institution may from time to time be involved in joint contracting activity with other hospitals or providers. The precise degree to which this or similar joint contracting activities may expose the participants to antitrust risk from governmental or private sources is dependent on a myriad of factual matters that may change periodically.

If any medical group or other provider with which the Institution is affiliated is determined to have violated the antitrust laws, the Institution also may be subject to liability as a joint actor, or the value of any investment in such medical group, provider may be affected.

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 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.

Affiliations, Mergers, Acquisitions and Divestitures

As with many other health care delivery systems, the Institution may in the future plan for, evaluate and pursue potential merger and affiliation opportunities on a continuing basis as part of its overall strategic planning and development process. On an ongoing basis, the Institution also reviews the use, compatibility and business ability of many of its operations, and from time to time may pursue changes in the use of, or disposition of, its facilities. Likewise, the Institution may receive offers from, or conduct discussions with, third parties about the potential acquisition of operations or properties which may become part of the Institution in the future, or about the potential sale of some of the operations and properties of the Institution.

Currently, the Institution also has operating affiliations and joint ventures with other nonprofit and for-profit corporations. See Appendix A - "CERTAIN INFORMATION REGARDING DARTMOUTH HITCHCOCK HEALTH AND SUBSIDIARIES" under the heading "Corporate Structure of the System." In certain instances, such affiliates may conduct operations which are of strategic importance to the Institution, and their operations may subject the Institution to potential legal or financial liabilities. In some cases, the Institution provides funding to the affiliates on a start-up or ongoing basis, and this funding may be significant.

Physician Medical Staff

The primary relationship between a hospital and the physicians who practice in it is through the hospital's organized medical staff. Medical staff bylaws, rules and policies establish the criteria and procedures by which a

physician may have his or her privileges or membership curtailed, denied or revoked. Physicians who are denied medical staff membership or certain clinical privileges or who have such membership or privileges curtailed or revoked often file legal actions against hospitals and medical staffs. Such actions may include a wide variety of claims, some of which could result in substantial uninsured damages to a hospital. In addition, failure of the hospital governing body to adequately oversee the conduct of its medical staff may result in hospital liability to third parties.

Nursing and Other Shortages

At the present time, significant nursing shortages exist in the service areas of the Institution, and various studies have predicted that this nursing shortage will become more acute over time. Further, legislation is periodically introduced that would require specified nurse staffing ratios, which could in turn intensify the nursing shortage. In addition, shortages of other professional and technical staff such as diagnostic imaging techs, pharmacists, rehabilitation therapists, laboratory technicians and others may occur or worsen. Operations, patient and physician satisfaction, financial condition, results of operations and future growth of the Obligated Group could be negatively affected by these shortages, resulting in a material adverse effect on the Obligated Group.

Professional Liability Claims and General Liability Insurance

In recent years, the number of professional and general liability suits and the dollar amounts of damage recoveries have increased nationwide, resulting in substantial increases in malpractice insurance premiums, higher deductibles and generally less coverage. Professional liability and other actions alleging wrongful conduct and seeking punitive damages are often filed against health care providers. Insurance does not provide coverage for judgments for punitive damages. Litigation also arises from the corporate and business activities of the Obligated Group, from the status of each Member of the Obligated Group as an employer and as a result of medical staff or provider network peer review or the denial of medical staff or provider network privileges. Certain of these risks are not covered by insurance or other sources and may, in whole or in part, be a liability of the Obligated Group. For example, some antitrust claims or business disputes are not covered by insurance or other sources and may, in whole or in part, be a liability of the Institution if determined or settled adversely.

While the Members of the Obligated Group maintain an insurance program which management of the Institution considers adequate, no assurances can be given that the maintenance of such coverage will continue to be financially feasible or available in the market in the future. See Appendix A - "CERTAIN INFORMATION REGARDING DARTMOUTH-HITCHCOCK HEALTH AND SUBSIDIARIES" under the heading "Insurance."

Indigent Care

Tax-exempt hospitals and other providers often treat large numbers of patients who, for various reasons, are unable to pay in full for their medical care. The Institution has treated significant numbers of uninsured and underinsured patients. The Institution and other providers may be susceptible to economic and political changes that could increase the number of uninsured and underinsured individuals or their responsibility for caring for this population. General economic conditions that affect the number of employed individuals who have health insurance coverage affect the ability of patients to pay for their care. Similarly, changes in governmental policy, which may result in coverage exclusions under local, state and federal health care programs (including Medicare and Medicaid) may increase the frequency and severity of indigent treatment by such hospitals and other providers. It also is possible that future legislation could require that tax-exempt hospitals and other providers maintain minimum levels of indigent care as a condition to federal income tax exemption or exemption from certain state or local taxes. Therefore, indigent care commitments of the Institution could have a material adverse effect on the financial condition of the Institution.

Investments

The Institution has significant holdings in a broad range of investments. Market fluctuations may affect the value of those investments and those fluctuations may be and historically have been at times material. See Appendix A - "CERTAIN INFORMATION REGARDING DARTMOUTH-HITCHCOCK HEALTH AND SUBSIDIARIES" under the heading "Financial Information; *Investments and Policy*" and Appendix B-1 - "CONSOLIDATED FINANCIAL STATEMENTS OF DARTMOUTH-HITCHCOCK HEALTH AND SUBSIDIARIES."

Trading Market for the Bonds

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

Other Risk Factors

The following additional factors, among others, may adversely affect the operations of health care providers, including the Obligated Group, to an extent that cannot be determined at this time:

- Any increase in the quantity of indigent care provided that is mandated by law or required due to increased needs of the community in order to maintain the charitable status of the Obligated Group's hospitals.

- Reduced need for hospitalization or other health care services arising from medical and scientific advances or from decreases in population in the facilities' respective service areas;

- Employee-related risks, including strikes and other related work actions, contract disputes, discrimination claims, personal tort actions, work-related injuries, exposure to hazardous materials, scarcity of qualified personnel and other risks that may flow from the relationships between employer and employee, including without limitation nurses, or between physicians, patients and employees;

- Costs of pension plans and benefit plans for employees, including the impact of interest rate movements on the requirements for funding for future liabilities;

- Increased unemployment or other adverse economic conditions in the service areas of Obligated Group facilities that would increase the proportion of patients who are unable to meet fully their obligations for the cost of their care;

- Increases in cost and limitations in the availability of any insurance, such as fire, terrorism and/or business interruption, automobile and comprehensive general liability, medical professional liability, cyber security liability, and directors' and officers' liability, that the Members of the Obligated Group generally carries;

- Bankruptcy of an indemnity/commercial insurer, managed care plan or other payer; and

- The occurrence of a natural or man-made disaster that could damage the Obligated Group's facilities, interrupt utility service to the facilities, result in an abnormally high demand for health care services or otherwise impair the Obligated Group's operations and the generation of revenues from the facilities.

CONTINUING DISCLOSURE

Under the Master Indenture, the Obligated Group has covenanted to provide as soon as practicable after they are available, but in no event more than 150 days after the last day of each Fiscal Year, audited financing statement of the Obligated Group for such Fiscal Year (or if the Obligated Group Agent shall so elect, a consolidated financial report of the System or the Obligated Group). See Appendix D – "FORM OF SECOND AMENDED AND RESTATED MASTER TRUST INDENTURE."

The Obligated Group has entered into continuing disclosure undertakings in connection with tax-exempt revenue bonds issued for the benefit of the Obligated Group, and the Obligated Group is expected to do so in connection with the issuance of the Series 2018A Bonds (collectively, the "Continuing Disclosure Undertakings"). Holders and prospective purchasers of the Bonds may obtain copies of the information provided by the Obligated Group under the Continuing Disclosure Undertakings on the MSRB's EMMA system.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of Bonds by original purchasers of the Bonds who are U.S. Holders (as defined below). This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations, revenue rulings and court decisions, all as now in effect and all subject to change at any time, possibly with retroactive effect. This summary assumes that the Bonds will be held as "capital assets" under the Code, and it does not discuss all of the United States Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Bonds as a position in a "hedge" or "straddle" for United States Federal income tax purposes, holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code. Each prospective purchaser of the Bonds should consult with its own tax advisor concerning the United States Federal income tax and other tax consequences to it of the acquisition, ownership and disposition of the Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of a Bond that is for United States Federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

U.S. Holders—Interest Income

Interest and original issue discount (as defined below) on the Bonds are not excludable from gross income for United States Federal income tax purposes.

Original Issue Discount

For United States Federal income tax purposes, a Bond will be treated as issued with original issue discount ("OID") if the excess of a Bond's "stated redemption price at maturity" over its "issue price" equals or exceeds a statutorily determined *de minimis* amount. The "issue price" of each Bond in a particular issue equals the first price at which a substantial amount of such issue is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The "stated redemption price at maturity" of a Bond is the sum of all payments provided by such Bond other than "qualified stated interest" payments. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. In general, if the excess of a Bond's stated redemption price at maturity over its issue price is less than .25 percent of the Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity (the "*de minimis* amount"), then such excess, if any, constitutes *de minimis* OID, and the Bond is not treated as being issued with OID and all

payments of stated interest (including stated interest that would otherwise be characterized as OID) is treated as qualified stated interest, as described below.

Payments of qualified stated interest on a Bond are taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received in accordance with the U.S. Holder's regular method of tax accounting. A U.S. Holder of a Bond having a maturity of more than one year from its date of issue generally must include OID in income as ordinary interest as it accrues on a constant-yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Holder's regular method of tax accounting. The amount of OID included in income by the U.S. Holder of a Bond is the sum of the daily portions of OID with respect to such Bond for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder held such Bond. The daily portion of OID on any Bond is determined by allocating to each day in any "accrual period" a ratable portion of the OID allocable to the accrual period. All accrual periods with respect to a Bond may be of any length and the accrual periods may vary in length over the term of the Bond, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or final day of an accrual period. The amount of OID allocable to an accrual period is generally equal to the difference between (i) the product of the Bond's "adjusted issue price" at the beginning of such accrual period and such Bond's yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Bond at the beginning of any accrual period is the issue price of the Bond plus the amount of accrued OID includable in income for all prior accrual periods minus the amount of any prior payments on the Bond other than qualified stated interest payments. The amount of OID allocable to an initial short accrual period may be computed using any reasonable method if all other accrual periods other than a final short accrual period are of equal length. The amount of OID allocable to the final accrual period is the difference between (i) the amount payable at the maturity of the Bond (other than a payment of qualified stated interest) and (ii) the Bond's adjusted issue price as of the beginning of the final accrual period. Under the OID rules, U.S. Holders generally will have to include in income increasingly greater amounts of OID in successive accrual periods.

A U.S. Holder may elect to include in gross income all interest that accrues on a Bond using the constant-yield method described above under the heading "*Original Issue Discount*," with the modifications described below. For purposes of this election, interest includes, among other things, stated interest, OID and de minimis OID, as adjusted by any amortizable bond premium described below under the heading "*Bond Premium*". In applying the constant-yield method to a Bond with respect to which this election has been made, the issue price of the Bond will equal its cost to the electing U.S. Holder, the issue date of the Bond will be the date of its acquisition by the electing U.S. Holder, and no payments on the Bond will be treated as payments of qualified stated interest. The election will generally apply only to the Bond with respect to which it is made and may not be revoked without the consent of the Internal Revenue Service. If this election is made with respect to a Bond with amortizable bond premium, then the electing U.S. Holder will be deemed to have elected to apply amortizable bond premium against interest with respect to all debt instruments with amortizable bond premium (other than debt instruments the interest on which is excludable from gross income) held by the electing U.S. Holder as of the beginning of the taxable year in which the Bond with respect to which the election is made is acquired or thereafter acquired. The deemed election with respect to amortizable bond premium may not be revoked without the consent of the Internal Revenue Service.

U.S. Holders of any Bonds issued with OID should consult their own tax advisors with respect to the treatment of OID for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, and disposition of Bonds.

Bond Premium

In general, if a U.S. Holder acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "Taxable Premium Bond"). In general, if a U.S. Holder of a Taxable Premium Bond elects to amortize the premium as "amortizable bond premium" over the remaining term of the Taxable Premium Bond, determined based on constant yield principles (in certain cases involving a Taxable Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond), the amortizable premium is treated as an offset to interest income; the U.S. Holder will make a corresponding adjustment to such holder's basis

in the Taxable Premium Bond. Any such election applies to all debt instruments of the U.S. Holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired, and is irrevocable without the Internal Revenue Service's consent. A U.S. Holder of a Taxable Premium Bond that so elects to amortize bond premium does so by offsetting the qualified stated interest allocable to each interest accrual period under the U.S. Holder's regular method of Federal tax accounting against the bond premium allocable to that period. If the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is treated as a bond premium deduction under Section 171(a)(1) of the Code, subject to certain limitations. If a Taxable Premium Bond is optionally callable before maturity at a price in excess of its stated redemption price at maturity, special rules may apply with respect to the amortization of bond premium. Under certain circumstances, the U.S. Holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the U.S. Holder's original acquisition cost.

U.S. Holders of any Taxable Premium Bonds should consult their own tax advisors with respect to the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, and disposition of Taxable Premium Bonds.

U.S. Holders—Disposition of Bonds

Except as discussed above, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Bond, a U.S. Holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such U.S. Holder's adjusted tax basis in the Bond. A U.S. Holder's adjusted tax basis in a Bond generally will equal such U.S. Holder's initial investment in the Bond, increased by any OID included in the U.S. Holder's income with respect to the Bond and decreased by the amount of any payments, other than qualified stated interest payments, received and bond premium amortized with respect to such Bond. Such gain or loss generally will be long-term capital gain or loss if the Bond was held for more than one year.

U.S. Holders—Defeasance

U.S. Holders of the Bonds should be aware that, for Federal income tax purposes, the deposit of moneys or securities in escrow in such amount and manner as to cause the Bonds to be deemed to be no longer outstanding under the Bond Indenture of the Bonds (a "defeasance"), could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, for Federal income tax purposes, the character and timing of receipt of payments on the Bonds subsequent to any such defeasance could also be affected. U.S. Holders of the Bonds are advised to consult with their own tax advisors regarding the consequences of a defeasance for Federal income tax purposes, and for state and local tax purposes.

U.S. Holders—Backup Withholding and Information Reporting

In general, information reporting requirements will apply to non-corporate U.S. Holders with respect to payments of principal, payments of interest, and the accrual of OID on a Bond and the proceeds of the sale of a Bond before maturity within the United States. Backup withholding at a rate of 28% for the years 2003-2010 and at a rate of 31% for the year 2011 and thereafter, will apply to such payments and to payments of OID unless the U.S. Holder (i) is a corporation or other exempt recipient and, when required, demonstrates that fact, or (ii) provides a correct taxpayer identification number, certifies under penalties of perjury, when required, that such U.S. Holder is not subject to backup withholding and has not been notified by the Internal Revenue Service that it has failed to report all interest and dividends required to be shown on its United States Federal income tax returns.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States Federal income tax provided the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

DESCRIPTION OF RATINGS

Fitch and S&P have each assigned the Bonds a rating of "A." Such ratings express only the views of the rating agencies.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions by the rating agency. The above ratings are not a recommendation to buy, sell or hold the Bonds. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. The Underwriters have undertaken no responsibility either to bring to the attention of the Bondowners any proposed revision or withdrawal of the rating of the Bonds or to oppose any such proposed revision or withdrawal. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased for reoffering by the underwriters listed on the cover page hereof (collectively, the "Underwriters") pursuant to a Contract of Purchase (the "Purchase Contract") between the Institution and Citigroup Global Markets Inc., as Representative of the Underwriters. The Bonds will be purchased by the Underwriters at a purchase price reflecting an Underwriters' discount of $1,733,862.10. The obligations of the Underwriters are subject to certain terms and conditions contained in the Purchase Contract. The Underwriters will be obligated to purchase all of the Bonds if any of the Bonds are so purchased under the Purchase Contract. The Institution has agreed to indemnify the Underwriters against certain liabilities, including certain liabilities arising under federal and state securities laws.

The Underwriters have provided the following three paragraphs for inclusion in this Offering Memorandum.

The Underwriters have reviewed the information in this Offering Memorandum 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.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates have, from time to time, performed and may in the future perform, various financial advisory and investment banking services for the Institution, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Institution. 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.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, one of the underwriters of the Bonds, has entered into a retail distribution arrangement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC, may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

FINANCIAL ADVISOR

The Institution has retained Kaufman, Hall & Associates, LLC, Skokie, Illinois, as financial advisor, to provide certain services in connection with the issuance of the Bonds. Although Kaufman, Hall & Associates, LLC has assisted in the preparation of this Offering Memorandum, Kaufman, Hall & Associates, LLC was not and is not obligated to undertake, and has not undertaken to make, an independent verification and assumes no responsibility for the accuracy, completeness or fairness of the information contained in this Offering Memorandum.

LEGAL MATTERS

Certain legal matters will be passed on for the Institution by its special counsel, Hawkins Delafield & Wood LLP, New York, New York, and its corporate counsel, Devine, Millimet & Branch, P.A., Manchester, New Hampshire. Certain legal matters will be passed on for the Underwriters by their counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts.

LITIGATION

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which they are to be issued. See Appendix A – "CERTAIN INFORMATION REGARDING DARTMOUTH-HITCHCOCK HEALTH AND SUBSIDIARIES" with respect to any material litigation affecting the Obligated Group.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements of Dartmouth-Hitchcock Health and Subsidiaries as of June 30, 2017 and 2016 and for the years then ended, included as Appendix B-1 to this Offering Memorandum, have been audited, except as they relate to Alice Peck Day Memorial Hospital as of and for the year ended June 30, 2017 and except as they relate to The Cheshire Medical Center as of and for the year ended June 30, 2016, by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing in Appendix B-1 to this Offering Memorandum.

The audited financial statements of Alice Peck Day Memorial Hospital as of and for the year ended June 30, 2017, included as Appendix B-2 to this Offering Memorandum, have been audited by Baker Newman Noyes, independent accountants, as stated in their report appearing in Appendix B-2 to this Offering Memorandum.

The audited financial statements of The Cheshire Medical Center as of and for the year ended June 30, 2016, included as Appendix B-3 to this Offering Memorandum, have been audited by Baker Newman Noyes, independent accountants, as stated in their report appearing in Appendix B-3 to this Offering Memorandum.

MISCELLANEOUS

The references to the Bond Indenture and the Master Indenture are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to the Bond Indenture and the Master Indenture for full and complete statements of such provisions. The agreements of the Institution with the Holders of the Bonds are fully set forth in the Bond Indenture, and neither any advertisement of the Bonds nor this Offering Memorandum is to be construed as constituting an agreement with the Bondholders. So far as any statements are made in this Offering Memorandum involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the offices of the Institution and of the Trustee.

Information relating to DTC and the book entry system described herein under the heading "THE BONDS - Book Entry Only System" has been furnished by DTC and is believed to be reliable.

Attached hereto as Appendix A is certain information relating to the Institution and other members of the Obligated Group and has been prepared by or on behalf of the Obligated Group. While the information contained therein is believed to be reliable, the Underwriters make no representations or warranties whatsoever with respect to the information contained therein. Appendix B-1 – "CONSOLIDATED FINANCIAL STATEMENTS OF

DARTMOUTH-HITCHCOCK HEALTH AND SUBSIDIARIES" contains the audited consolidated financial statements of the Institution and its subsidiaries, including the other members of the Obligated Group, as of June 30, 2017 and 2016 and for the years then ended. Appendix B-2 – "FINANCIAL STATEMENTS OF ALICE PECK DAY MEMORIAL HOSPITAL" contains the audited financial statements of APD as of and for the year ended June 30, 2017. Appendix B-3 – "FINANCIAL STATEMENTS OF THE CHESHIRE MEDICAL CENTER contains the audited financial statements of Cheshire as of and for the year ended June 30, 2017.

The Underwriters have relied on the information contained in Appendix A and the financial statements contained in Appendices B-1, B-2 and B-3.

Appendix C – "CERTAIN PROVISIONS OF THE BOND INDENTURE" and Appendix D – "FORM OF SECOND AMENDED AND RESTATED MASTER TRUST INDENTURE" has been prepared by Hawkins Delafield & Wood LLP, in its capacity as special counsel to the Institution.

All appendices are incorporated as an integral part of this Offering Memorandum.

The Institution has reviewed this Offering Memorandum, has furnished Appendix A to this Offering Memorandum, and has approved all such information for use with this Offering Memorandum. At the closing for the Bonds, the Institution will certify that such Offering Memorandum, except for information relating to DTC and the book-entry system, does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such statements therein, in the light of the circumstances under which they are made, not misleading.

The execution and delivery of this Offering Memorandum has been duly authorized by the Institution.

DARTMOUTH-HITCHCOCK HEALTH

By: */s/ Daniel P. Jantzen*
Chief Financial Officer

APPENDIX A

CERTAIN INFORMATION REGARDING DARTMOUTH-HITCHCOCK HEALTH AND SUBSIDIARIES

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Dartmouth-Hitchcock Health ("D-HH"), on behalf of itself and its subsidiaries, has prepared the following information in connection with the issuance for its benefit of the New Hampshire Health and Education Facilities Authority Revenue Bonds, Dartmouth-Hitchcock Obligated Group Issue, Series 2018A (the "Series 2018A Bonds") and the issuance of its Dartmouth-Hitchcock Obligated Group Taxable Bonds, Series 2018B (the "Series 2018B Bonds" and, collectively with the Series 2018A Bonds, the "Series 2018 Bonds"). Except as otherwise indicated, financial and statistical data included in this Appendix A refer to the fiscal years ended June 30 and the source of data presented is records of D-HH or its affiliates.

INTRODUCTION AND HISTORY

Introduction

D-HH is the parent organization of a group of affiliated entities comprising a regionally distributed academic health system (collectively, the "System") serving patients primarily in New Hampshire and Vermont, as well as elsewhere in New England. (See "CORPORATE STRUCTURE OF THE SYSTEM" herein.) The System provides acute care hospital services, primary care and multispecialty ambulatory clinical services to a total population of approximately 1.9 million in its service area.

For the group consisting of all 24 non-profit New Hampshire acute care hospitals, the System's hospitals accounted for 36 percent of all inpatient surgeries, 24 percent of all inpatient admissions and 31 percent of revenue for the twelve months ended December 31, 2016, according to published reports of the New Hampshire Hospital Association. The two for profit acute care hospitals in New Hampshire, are non-reporting members of the New Hampshire Hospital Association and therefore are excluded from such statistics. These two hospitals accounted for 8.2% of total revenue for all 26 acute care hospitals for the twelve months ended September 30, 2012. However, no data is publicly available for a more recent period, so no assurance may be given that such information is still indicative.

The System is anchored by Dartmouth-Hitchcock Medical Center, an academic medical center located in Lebanon, New Hampshire that is composed of Mary Hitchcock Memorial Hospital, a 396 bed hospital and Level One Trauma Center for adult and pediatric patients ("MHMH"), and the Lebanon division of the Dartmouth-Hitchcock Clinic, a large multi-specialty physician group practice (the "Clinic"), and functions in coordination with the Geisel School of Medicine of Dartmouth ("Geisel"). While MHMH and the Clinic are separate legal entities, they operate as a single enterprise and produce a single set of financial statements and are hereafter collectively referred to as "Dartmouth-Hitchcock." The System also includes several other affiliated provider organizations, principally smaller community and critical access hospitals, of which D-HH serves as the sole corporate member.

MHMH was originally founded in 1893 and is New Hampshire's only teaching hospital. It is also a rural referral center, a federal designation for high-volume acute care rural hospitals that treat a large number of complicated cases. The Clinic, founded in 1927, is one of the largest multi-specialty group practices in New England, employing 1,216 physicians throughout New Hampshire and Vermont. In addition, the Clinic employs approximately 500 advanced practice

registered nurses and physician assistants working in locations throughout New Hampshire and Vermont.

Dartmouth-Hitchcock operates the only academic medical center in New Hampshire. MHMH, the primary teaching hospital for Geisel, offers 49 accredited residency and fellowship graduate medical education training programs. (See "RELATIONSHIP WITH DARTMOUTH COLLEGE AND THE GEISEL SCHOOL OF MEDICINE" herein.)

Since 1927, MHMH and the Clinic have closely collaborated and cooperated in efforts to provide clinical care to patients, perform medical research, teach medical students, and address the medical and related needs of the communities they serve.

Approximately 55% of the patients treated at Dartmouth-Hitchcock Medical Center live in New Hampshire and about 43% live in Vermont. Dartmouth-Hitchcock Medical Center is second in volume only to the University of Vermont Health Network in providing inpatient services to Vermont residents. In addition to the academic medical center-based division of the Clinic, the Clinic also includes five large multi-specialty physician group practice sites, located in Concord, Keene, Manchester, and Nashua, New Hampshire, and Bennington, Vermont. Physicians employed by the Clinic, together with physicians employed by the Veterans Affairs Medical Center in White River Junction, Vermont comprise a majority of the clinical faculty at Geisel. (See "RELATIONSHIP WITH DARTMOUTH COLLEGE AND THE GEISEL SCHOOL OF MEDICINE" herein.)

D-HH is a New Hampshire nonprofit corporation which is tax exempt under section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). It is the sole corporate member of (i) MHMH, (ii) the Clinic, (iii) Cheshire Medical Center ("Cheshire"), (iv) The New London Hospital Association, Inc. ("NLH"), (v) Windsor Hospital Corporation (d/b/a Mt. Ascutney Hospital and Health Center ("MAHHC")), (vi) Alice Peck Day Memorial Hospital ("APD") and (vii) the Visiting Nurse Association and Hospice of Vermont and New Hampshire, Inc. ("VNH") (each an "Affiliate" and collectively, the "Affiliates"). (For further discussion of the Affiliates, see "CORPORATE STRUCTURE OF THE SYSTEM" herein.) In addition, D-HH acts as the agent for, and is a member of the Dartmouth-Hitchcock Obligated Group (the "Obligated Group"). Each Affiliate other than APD (which is expected to become a member of the Obligated Group in calendar 2018 if certain governmental approvals are received) and the VNH also is a member of the Obligated Group. (See "CORPORATE STRUCTURE OF THE SYSTEM" herein.)

Mission and Values

D-HH's mission is to promote, advance and strengthen the delivery of healthcare through research, medical education, clinical practice and community partnerships, providing each person the best care, in the right place, at the right time, every time. Its vision is to achieve the healthiest population possible, leading the transformation of health care in its region and setting the standard for the nation.

D-HH's leadership has embraced and is guided by a set of values that include:

- honor and respect each other;
- live with integrity;
- commit to each other;
- promote transparency;
- anchor our relationships in trust;
- value teamwork;
- steward our resources; and
- commitment to our communities.

These values are codified in D-HH's Code of Ethical Conduct, with which all employees and professional staff members are required to comply.

Awards and Recognition

Dartmouth-Hitchcock

- Dartmouth-Hitchcock's quality and safety scores ranked among the leaders in New England for Large Teaching Hospitals (hospitals with 300+ inpatient beds that handle complicated patient cases).
- Becker's Hospital Review named MHMH as one of the 2016 "100 Great Hospitals in America."
- 86 Dartmouth-Hitchcock physicians representing 40 specialties were named among the best doctors in New Hampshire according to New Hampshire Magazine's 2017 "Top Doc" survey.

Cheshire Medical Center / Dartmouth-Hitchcock Keene ("Cheshire/Dartmouth-Hitchcock Keene")

- Cheshire's quality and safety scores ranked second in New England for community hospitals (hospitals with 26 to 300 inpatient beds).
- The Primary Care Department at Cheshire/Dartmouth-Hitchcock Keene continues to be recognized as a Robert Wood Johnson Exemplar Medical Home.
- Cheshire/Dartmouth-Hitchcock Keene's "Healthy Monadnock 2020" initiative won the American Hospital Association's Carolyn Boone Lewis Living the Vision award for its work to improve the health of its community through actions that go beyond traditional hospital care.

Mt. Ascutney Hospital and Health Center ("MAHHC") and New London Hospital ("NLH")

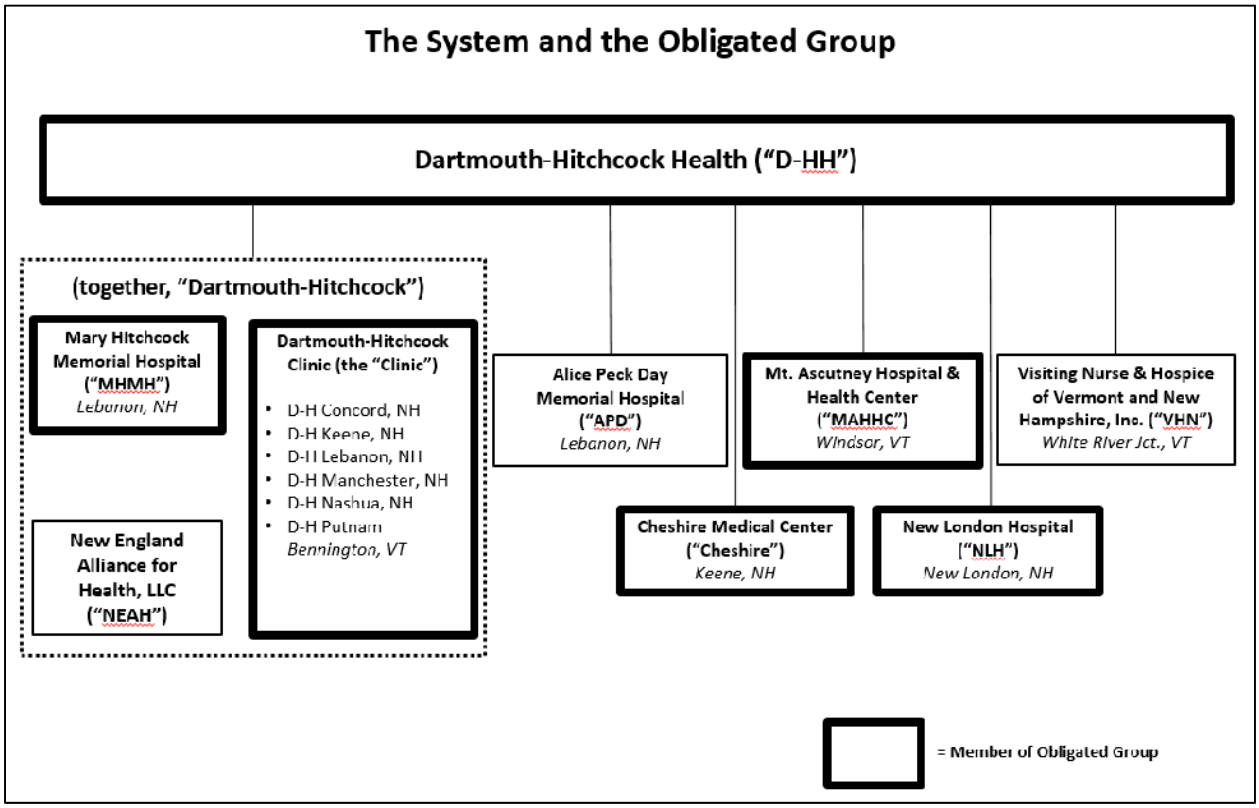
- In 2016, the American Hospital Association recognized both MAHHC and NLH as among America's "Most Wired" hospitals in recognition of their successful adoption of information technology to enhance clinical performance.

CORPORATE STRUCTURE OF THE SYSTEM

Components of the System

D-HH, the parent organization and sole corporate member of each Affiliate described below, was established in May of 2009 to serve as the controlling and coordinating organization for the System and its member organizations. As such, D-HH has reserved powers that allow it to initiate and approve certain major activities of each of the Affiliates. D-HH's purpose is to promote, advance and strengthen the delivery of healthcare through clinical practice, medical education and research across the System.

In 1983, Dartmouth-Hitchcock developed Dartmouth-Hitchcock Alliance, which included as member organizations small rural and community hospitals in New Hampshire, Vermont and western Massachusetts. The goal of Dartmouth-Hitchcock Alliance was to improve patient care and resource efficiency across the region. Dartmouth-Hitchcock Alliance was succeeded in 2009 by New England Alliance for Health, LLC ("NEAH"). NEAH is led by Dartmouth-Hitchcock as the managing member and currently includes 16 participating hospitals and the VNH, and continues to foster regional access to high-quality, cost effective care throughout its member communities. NEAH provides population based resource planning and other services to its members in support of rural healthcare.



Each of the following members of the System is a non-profit entity and exempt from federal taxation as a 501(c)(3) organization. Each is a Member of the Obligated Group except as noted.

MHMH, an acute and tertiary care teaching hospital located in Lebanon, New Hampshire, is licensed for 396 beds (excluding bassinets). MHMH provides a broad range of patient services and health-related community services, consistent with its role as a community hospital, a major teaching hospital and a tertiary care referral hospital. These include a full range of services in both acute and critical medicine, surgery, psychiatry and rehabilitation for infants, children and adults.

The Clinic is one of the largest multispecialty physician practice groups in New England and operates clinics in New Hampshire and Vermont. The Clinic provides medical services to patients, as well as medical education and research. The Clinic employs approximately 1,200 physicians, including part time and per diem physicians and approximately 500 advanced practice registered nurses and physician assistants. In addition to its six main sites (Lebanon, Keene, Manchester, Nashua, and Concord, New Hampshire and Bennington, Vermont, the Clinic has smaller practice sites at over 24 locations throughout New Hampshire and Vermont (See "Key Service Areas" herein).

Building on their shared history, MHMH and the Clinic entered into a Joint Operating Agreement in 1997 and an Affiliation Agreement in 2003. Since 2003, MHMH and the Clinic (d/b/a Dartmouth-Hitchcock) have been included in the same audited consolidated financial statements.

Cheshire is a community hospital located in Keene, New Hampshire, licensed for 169 beds. As a community hospital, Cheshire provides a broad range of patient services and health-related community services with a continuum of care spanning primary care to specialty medicine, to surgical services and acute inpatient care. The medical staff at Cheshire consists almost exclusively of physicians employed by the Clinic. Since 1998, the Clinic and Cheshire have worked together under a joint operating agreement, which was revised in 2016 to a professional services agreement under which the Clinic physicians provide services to patients at Cheshire. In March 2015, Cheshire became an Affiliate, with D-HH becoming the sole corporate member.

APD is a critical access hospital located in Lebanon, New Hampshire, licensed for 25 beds. APD provides a broad range of patient services and health-related community services, consistent with its role as a critical access hospital. In March, 2016, APD became an Affiliate, with D-HH becoming the sole corporate member. APD and Lifecare, Inc., an assisted living facility located on the APD campus in Lebanon, New Hampshire ("Lifecare"), are jointly and severally liable for $26 million of outstanding debt. APD is not currently a member of the Obligated Group. However, it is expected to become a member of the Obligated Group in calendar 2018, if it receives approval from the New Hampshire Attorney General Charitable Trusts Unit to become the sole corporate member of Lifecare. If APD receives that approval and becomes a member of the Obligated Group as expected, then the Obligated Group intends to extinguish the remaining $26 million of debt, in part with proceeds of the Series 2018 Bonds.

NLH is a critical access hospital located in New London, New Hampshire, licensed for 25 beds. NLH provides a broad range of patient services and health-related community services, consistent with its role as a critical access hospital. In 2003, pursuant to a management agreement between MHMH and NLH, a member of Dartmouth-Hitchcock's leadership team

became the Chief Executive Officer of NLH and this relationship has remained in place since then, enhancing the focus on clinical integration between the two organizations. In October 2013, NLH became an Affiliate, with D-HH becoming the sole corporate member of NLH.

MAHHC is a critical access hospital located in Windsor, Vermont, licensed for a total of 35 beds. MAHHC serves the central Vermont towns of Windsor and Woodstock and surrounding communities in Vermont and New Hampshire. MAHHC provides a broad range of patient services including subspecialty services, emergency medicine services provided by Dartmouth-Hitchcock telemedicine providers, and health-related community services consistent with its role as a critical access hospital. In addition to its inpatient and outpatient services, MAHHC operates a highly regarded Rehabilitation Center, and is the largest recipient of post-acute transfers from Dartmouth-Hitchcock in New Hampshire and Vermont, accepting over 500 patients per year. In July 2014, MAHHC became an Affiliate, with D-HH becoming the sole corporate member.

VNH is a home health and hospice agency, providing nursing, rehabilitation, hospice and personal care services to residents of more than 140 towns in southeastern Vermont and southwestern New Hampshire. VNH also provides community wellness programs to support the areas it serves. In July 2016, VNH became an Affiliate, with D-HH becoming the sole corporate member. VNH is **not** a member of the Obligated Group.

Other Subsidiaries

D-HH and certain Affiliates have other subsidiaries that assist D-HH and its Affiliates with carrying out their charitable purposes but which are immaterial to the financial results and position of the System.

Services

Dartmouth-Hitchcock provides a broad range of patient services and a number of health-related community services, consistent with its role as a community hospital, a major teaching hospital, a tertiary care referral hospital, and a multi-specialty physician group practice. These include a full range of services at Dartmouth-Hitchcock Medical Center in both acute and critical medicine, surgery, psychiatry and rehabilitation for adults, infants and children. Such services are also offered where possible through clinical outreach programs and other partnerships in communities throughout the Dartmouth-Hitchcock service area. Dartmouth-Hitchcock also recently opened a facility at Dartmouth-Hitchcock Medical Center to provide inpatient hospice and palliative care in the region.

Clinical services at Dartmouth-Hitchcock are organized into the following clinical departments: surgery; anesthesiology; pathology; obstetrics/gynecology; pediatrics; psychiatry; medicine; radiology; orthopedics; and community and family medicine. Each clinical department is further divided into a number of sections and subsections. Dartmouth-Hitchcock and Geisel jointly appoint the chair of each clinical department.

The System's comprehensive range of inpatient and outpatient services and programs for adults and children includes the following:

Anesthesiology	Internal Medicine	Podiatry
Allergy and Clinical Immunology	Interventional Radiology	Primary Care
Audiology	Maxillofacial Surgery	Psychiatry
Bariatric Surgery	Medical Intensive Care	Pulmonology
Cardiology and Cardiac Surgery	Nephrology	Radiology
Clinical Pharmacology	Neurology	Radiation Oncology
Critical Care Medicine	Neurosurgery	Rheumatology
Dermatology	Nuclear Medicine	Sleep Medicine/Disorders
Dietetics and Nutrition	Obstetrics and Gynecology	Special Care Nursery
Emergency Medicine	Occupational Medicine	Spine Center
Gastroenterology	Oncology	Sports Medicine
General Internal Medicine	Ophthalmology	Thoracic Surgery
General Surgery	Orthopaedics	Transplantation Surgery
Genetics	Otolaryngology (Ear, Nose & Throat)	Trauma and Acute Surgical Care
Geriatrics	Pain and Palliative Medicine	Urgent Care
Gynecologic Oncology	Pathology	Urogynecology
Home Care and Hospice	Pediatrics	Urology
Hospital Medicine	Physical Medicine & Rehabilitation	Vascular Surgery
Infectious Disease	Plastic Surgery	

Selected service and program highlights include:

- **The Norris Cotton Cancer Center** (the "Cancer Center"), a collaborative effort of Dartmouth-Hitchcock and Geisel, is one of the nation's premier facilities for cancer treatment and research and is one of only 49 institutions nationwide designated as a Comprehensive Cancer Center by the National Cancer Institute at the National Institutes of Health (Source: cancer.gov). The Cancer Center provides a positive environment for treatment and recovery for patients with all forms of cancer. Patients receive technologically advanced cancer treatments and access to clinical trials to test new medical approaches for treating cancer.

  The Cancer Center is a world leader in cancer prevention and control research, seeking to identify nutritional, environmental, and lifestyle factors that may cause cancer. About 250 active research projects are part of the Cancer Center's quest to prevent cancer, understand its causes, and cure cancer. These projects are led by 135 cancer research scientists supported by more than $68 million in grants each year from federal and other sources.

  The Cancer Center coordinates all cancer care treatments at Dartmouth-Hitchcock Medical Center and works closely with doctors and nurses at regional Dartmouth-Hitchcock centers in Keene, Manchester, and Nashua, New Hampshire, and in St. Johnsbury, Vermont, as well as at hospitals in northern New England to coordinate patient referral, treatment, and education.

- **The Children's Hospital at Dartmouth-Hitchcock** ("CHaD") located at MHMH, is New Hampshire's only comprehensive, full-service children's hospital and a member of the Children's Hospital Association. CHaD includes an intensive care nursery, a pediatric and adolescent inpatient unit and a pediatric intensive care unit.

  First recognized in 1992 as a "children's hospital within a hospital" by the National Association of Children's Hospitals and Related Institutions, Inc., CHaD is one of 220 children's hospitals in the United States providing care specifically for children.

  CHaD has an 18-bed pediatric/adolescent inpatient unit, a 30-bed intensive care nursery and a 10-bed pediatric intensive care unit. Outpatient services include the Ronald McDonald Comfort Corner, home of the CHaD Pain-Free Program, as well as the CHaD Outpatient Center in Lebanon, NH where more than 30 medical and surgical pediatric specialists provide comprehensive care to children.

- **The Dartmouth-Hitchcock Advanced Response Team** ("DHART") was established in 1994 and provides both air and ground specialized emergency medical transport services throughout northern New England for adults, children and neonatal patients. DHART services span the range from responding to highway traffic accidents, transferring patients between hospitals across the region, search and rescue operations in the White Mountains and on standby

trackside at the New Hampshire Motor Speedway. Initially operating one helicopter based in Lebanon, NH, DHART added a second helicopter, and service from Manchester-Boston Regional Airport. DHART plans to establish a DHART helicopter base in Vermont in 2018 with an additional helicopter to increase air ambulance service access for individuals in northwestern Vermont and northern New York. Since its inception in 1994, DHART has transported a total of more than 22,000 patients in the air and 8,500 patients on the ground.

DHART provides services with two Airbus EC-135 aircraft, each of which represents the latest in aviation technology allowing DHART to meet its mission of providing care to critically ill and injured patients anywhere in Northern New England. DHART has developed special helicopter instrument approaches and fully integrated connecting routes to 31 hospitals in New Hampshire and Vermont. This first-in-the-world project adds an additional layer of safety and enables the DHART helicopters to respond to requests for patient transport that might otherwise not be possible during inclement weather conditions.

- **The Dartmouth-Hitchcock Stroke Program** is a Joint Commission-certified program. The Stroke Program was awarded the American Heart Association/American Stroke Associations' Get With the Guidelines® Stroke Silver Quality Achievement Award. This award honors hospitals that work to improve stroke care by "promoting consistent adherence to the latest scientific treatment guidelines" according to the organization's website. In addition, the Dartmouth-Hitchcock Stroke Program is part of the American Heart Association and American Stroke Associations Target: Stroke Honor Roll.

- **Next Generation Accountable Care Organization** ("ACO") Model. D-HH was one of 45 organizations selected by the Centers for Medicare and Medicaid Services Innovation Center to participate in the Next Generation Accountable Care Organization ("ACO") Model. Prior to the Next Generation ACO Model, Dartmouth-Hitchcock participated in the Pioneer ACO Model of the Centers for Medicare and Medicaid Services ("CMS"). As its name suggests, this model involved a limited number of health care organizations who were pioneers in providing coordinated, cost effective care to patients. ACO, a term now ubiquitous in the health care reform vernacular, was first coined through the work of Dr. Elliott Fisher at The Dartmouth Institute for Health Policy & Clinical Practice.

- **The Heart and Vascular Center at Dartmouth-Hitchcock** provides expert, coordinated care for diseases of the heart and blood vessels, including 24/7 heart attack care that is among the best in the nation with less than a 4% mortality rate. The Center's team includes highly trained and experienced cardiac surgeons, cardiovascular medicine specialists, vascular surgeons, and other specialized providers who are experts in diagnosis, prevention, and treatment of heart and vascular diseases.

- **The Center for Surgical Innovation** ("CSI"), a joint endeavor of Dartmouth-Hitchcock, Geisel and the Thayer School of Engineering at Dartmouth College, is the only center of its kind in the United States. It offers a unique research environment for the full spectrum of bench-to-bedside investigations aimed at improving the efficacy and safety of surgery. The CSI contains two operating rooms and two procedure rooms and is equipped with computed tomography ("CT"), magnetic resonance imaging ("MRI"), fluoroscopy, robotics and surgical navigation.

- **Dartmouth-Hitchcock's Connected Care Center** was established in 2012 to advance an enterprise-wide **Telemedicine Program** with a population health value-driven approach to providing care. Especially in light of the large rural areas served by the System, Dartmouth-Hitchcock has embraced telemedicine as a critical tool to increase access to high quality and specialized health care throughout its region. Dartmouth-Hitchcock's telemedicine programs include Tele-Emergency, Tele-ICU, Tele-Neurology, Tele-Psychiatry, Tele-Pharmacy, and Tele-Urgent Care, as well as ambulatory telemedicine services in more than a dozen different adult and pediatric specialties. Dartmouth-Hitchcock currently provides acute care telemedicine services to 11 facilities in New Hampshire and Vermont. The past year saw substantial growth in Dartmouth-Hitchcock's provision of telemedicine services and associated revenue, with revenue exceeding $2 million in 2017, a 225% increase over the prior fiscal year. Highlights of Dartmouth-Hitchcock's telemedicine program advancements over the past year include: the commencement of Tele-ICU services to patients in Cheshire Medical Center's intensive care unit; the launching of Dartmouth-Hitchcock's Tele-Psychiatry service, for which there is substantial demand, with this service currently provided to three area hospitals and with four more scheduled to launch in the near future; and the development of Tele-Urgent Care, currently provided to two Vermont locations. In addition, Dartmouth-Hitchcock's Tele-Pharmacy, Tele-Emergency, and Tele-Neurology services all saw substantial volume increases in 2017.

CARE PROVIDERS

The Clinic Providers and Community Medical Staff

In 2017, there were 1,437 physicians in the community group practices and at the System's hospitals, a majority of whom are employed by the Clinic. All but a few members of Dartmouth-Hitchcock's physician staff located at Dartmouth-Hitchcock Medical Center (D-H Lebanon) hold an active faculty appointment in a clinical department of Geisel. The number of D-HH physicians by geographic location is as follows:

	Number of Physicians		
Location	**2015**	**2016**	**2017**
Clinic			
D-H Lebanon	711	711	725
Community Physician Practices:			
D-H Keene	115	130	131
D-H Manchester	132	133	128
D-H Nashua	82	89	81
D-H Putnam	72	74	79
D-H Concord	47	44	44
New Hampshire Hospital - Concord	N/A	N/A	28
Clinic Total	1,159	1,181	1,216
Hospital			
Alice Peck Day Memorial Hospital - Lebanon	N/A	85	81
New London Hospital - New London	111	91	89
MT. Ascutney Hospital - Windsor, VT	73	68	51
Hospital Total	184	244	221
The System	1,343	1,425	1,437

Dartmouth-Hitchcock physicians comprise 85% of the total number of System physicians. The majority of the Dartmouth-Hitchcock physicians provide care at Dartmouth-Hitchcock Medical Center (D-H Lebanon), which has an academic and tertiary care focus as reflected in its relatively high percentage of specialty care physicians. The Dartmouth-Hitchcock community physician practices, located in four major cities in New Hampshire and one in Vermont, have a higher proportion of primary care providers, reflecting community focus and greater managed care responsibilities. There is no physician tenure or other entitlement to long-term employment in the System.

The following table sets forth the number of physicians in each specialty, the number that are board-certified, the percentage that are board-certified and the average age of the active medical staff as of October 31, 2017.

Service Line	Number of Physicians	Number of Board Certified	Percent Board Certified	Average Age
Heart & Vascular Center	60	58	97%	57
Medical Specialties	344	332	97%	51
Neurology	36	35	97%	54
Obstetrics & Gynecology	69	65	94%	54
Oncology	48	48	100%	58
Orthopaedics	59	58	98%	53
Pathology	40	40	100%	46
Pediatrics	75	71	95%	51
Perioperative Services	121	120	99%	55
Primary Care	280	270	96%	52
Psychiatry	72	67	93%	54
Radiology	77	77	100%	52
Surgery	156	149	96%	53
	1,437	1,390	97%	53*

* Weighted Average

RELATIONSHIP WITH DARTMOUTH COLLEGE AND ITS GEISEL SCHOOL OF MEDICINE

Dartmouth-Hitchcock, Dartmouth College and Geisel have a long relationship. Dartmouth-Hitchcock and Geisel provide critical resources and support to each other, specifically in the areas of faculty development, research, and undergraduate and graduate medical education. Dartmouth-Hitchcock and Geisel work closely together to align their investments in many areas, including programs such as the Cancer Center and the Dartmouth Institute for Health Policy and Clinical Practice. The Dean of Geisel holds an ex-officio seat on the Board of Trustees of MHMH, the Clinic and D-HH, and the Dartmouth-Hitchcock Chief Executive Officer holds an ex-officio seat on the Geisel Board of Overseers. **Dartmouth College and Geisel are not members of the Obligated Group, are not Affiliates and are not obligated on the Series 2018 Bonds.**

Dartmouth-Hitchcock Medical Center serves as the principal clinical teaching location for Geisel, which is one of 149 accredited medical schools in the United States (Association of American Medical Colleges, 2017). All qualified members of the Dartmouth-Hitchcock professional staff as well as qualified members of Dartmouth-Hitchcock's community group practices are afforded faculty appointments with Geisel (based on meeting academic/teaching

expectations as determined by Geisel). *U.S. News & World Report* ranked Geisel the 27th best medical school for primary care (*USN&WR*, Best Graduate Schools 2018). Geisel provides undergraduate medical education to approximately 400 students through a four-year MD program, which typically admits approximately 92 students each year.

Over time, Dartmouth-Hitchcock and Geisel have transitioned from a financial support model with direct payments from Dartmouth-Hitchcock to Geisel to a shared cost model. Currently, all 13 of the Clinical Chairs at Dartmouth-Hitchcock are funded by Dartmouth-Hitchcock and maintain an active Geisel faculty appointment. The Clinical Chair leaders have responsibility for clinical, research and academic operations to ensure that all three key responsibilities are carried out effectively and efficiently for both Dartmouth-Hitchcock and Geisel.

Academic Programs

The Clinic physicians are heavily involved in continuing medical education and inter-professional education. They serve as activity directors and faculty for events held at Dartmouth-Hitchcock Medical Center and its Affiliates. Physicians serve as faculty and program directors for 49 Dartmouth-Hitchcock sponsored graduate medical education ("GME") training programs with over 400 residents and fellows. In addition, physicians serve as faculty for Geisel's medical student clinical clerkships and classroom training in the clinical sciences.

GME training programs are accredited by the Accreditation Council for Graduate Medical Education ("ACGME") and consist of 19 core residency programs and 30 fellowship programs. As of October 2017, there were over 400 trainees among these 49 programs, including approximately 325 residents and 83 fellows. Dartmouth-Hitchcock has affiliation agreements with 30 external organizations for required offsite rotations, including two Affiliates (Cheshire and NLH) and the Veterans Affairs Medical Center (VAMC) in White River Junction, Vermont. VAMC is a major training partner and the largest offsite rotation location with a resident and fellow presence (approximately 30 per year).

Core residency GME programs with an enrollment of 20 or more residents include Anesthesia, Internal Medicine, Orthopedic Surgery, Pediatrics, Psychiatry and Surgery. Each GME program is led by a physician program director who directs all clinical education (including curriculum, evaluations, milestones and clinical learning environment) to ensure that Dartmouth-Hitchcock meets the ACGME common and program specific requirements for training. The new Interventional Radiology – Integrated program, which received initial ACGME accreditation in September 2016, welcomed its first fellow in July 2017. The Plastic Surgery – Integrated program received initial accreditation in April 2017 and anticipates accepting its first fellow for the 2018-2019 academic year.

Research and Grants

Geisel and Dartmouth-Hitchcock together conduct a wide range of research in basic, clinical and translational science, and applied research projects on current problems in various medical specialties. Geisel received approximately $117 million to conduct sponsored research in FY2017.

The mission of Dartmouth-Hitchcock's Clinical Trials Office ("CTO") is to enhance research capabilities by providing a centralized infrastructure to support and promote research, ensure fiscal and regulatory compliance, and encourage clinical translation collaborations while ensuring patient safety. The CTO is a centralized office that provides pre-award services and post-award financial management services for all non-federally funded research on human subjects at Dartmouth-Hitchcock. The CTO also conducts educational programs for all levels of research staff. The CTO supports on average over 200 new protocol submissions annually with a primary focus on human subjects research that requires institutional review board ("IRB") review.

Dartmouth-Hitchcock is the clinical partner to Dartmouth College in carrying out objectives of the SYNERGY Clinical and Translational Science Institute (SYNERGY). SYNERGY is funded, in part, through a $16.1 million award to Dartmouth College in September 2013 from the clinical and translational science award program of the National Institutes of Health. The award requires an $18.5 million cost share, of which Dartmouth-Hitchcock's share is $9.3 million over five years. SYNERGY works to speed the impact of discovery and translate new knowledge into practice and improved population health. By connecting to critical resources, funding opportunities, technologies, research training, and expertise, SYNERGY helps investigators advance research and efficiently translate discoveries into improved population health.

SERVICE AREA AND COMPETITION

Service Area Overview

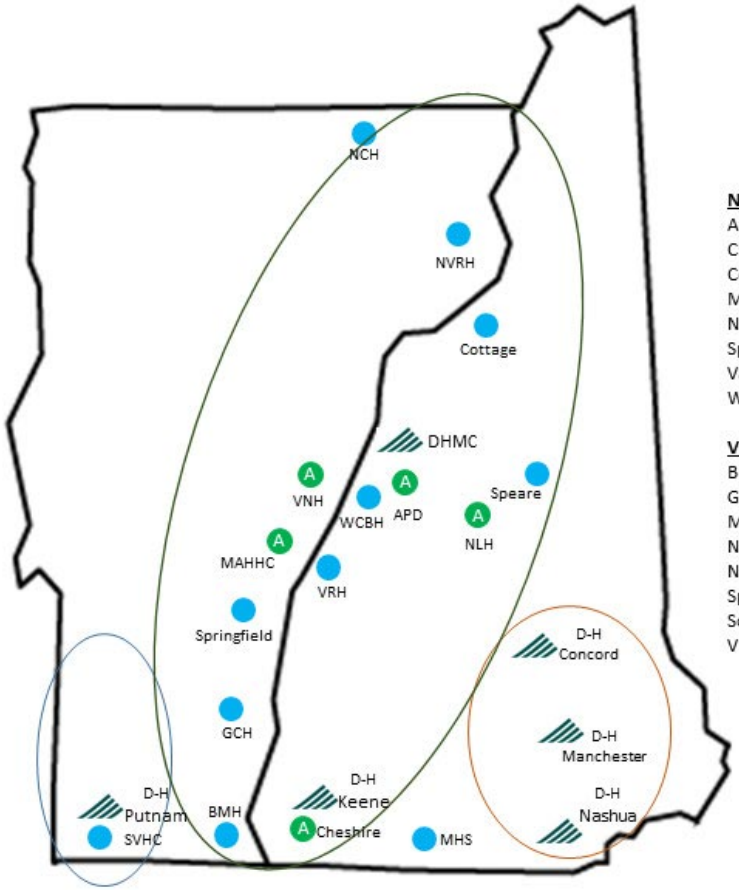
The System's Primary Service Area ("PSA") consists of cities and towns within New Hampshire, where the System occupies greater than 30 percent of the market share. The area is home to Dartmouth College, and the Dartmouth Entrepreneurial Network, an incubator for startups in the fields of Engineering, Biotechnology, and Energy Technologies. (See "RELATIONSHIP WITH DARTMOUTH COLLEGE AND THE GEISEL SCHOOL OF MEDICINE" herein.)

Due to its proximity to Vermont, Dartmouth-Hitchcock Medical Center provides care to residents of both Vermont and New Hampshire. Therefore, the Secondary Service Area ("SSA") includes the entirety of both states, accounting for a combined population of approximately two million people. The SSA encompasses the top median income levels in the nation with New Hampshire at $76,260 (1st), which is approximately 30% higher than the national average. Vermont's median income of $60,837 is also above the $59,039 national average. In 2017, New Hampshire and Vermont had unemployment rates of 2.7% (2nd lowest in the country) and 2.9%, respectively, well below the national average was 4.1%.

Key Service Areas

	Dartmouth-Hitchcock
A	Other System Affiliates
	NEAH Partners

Region	Population (Approx.)
Vermont	640,000
New Hampshire	1,330,000
Southern NH (circled, lower right)	800,000
Southwestern VT (circled, lower left)	60,000
System Primary Service Area (circled, center)	400,000



New Hampshire
Alice Peck Day Memorial Hospital (APD), Lebanon
Cheshire Medical Center (Cheshire), Keene
Cottage Hospital (Cottage), Woodsville
Monadnock Community Hospital (MHS), Peterborough
New London Hospital (NLH), New London
Speare Memorial Hospital (Speare), Plymouth
Valley Regional Hospital (VRH), Claremont
West Central Behavioral Health (WCBH), Lebanon

Vermont
Brattleboro Memorial Hospital (BMH), Brattleboro
Grace Cottage Hospital (GCH), Townshend
Mt. Ascutney Hospital and Health Center (MAHHC), Windsor
North Country Hospital (NCH), Newport
Northeastern Vermont Regional Hospital (NVRH), St. Johnsbury
Springfield Hospital (Springfield), Springfield
Southwestern Vermont Health Center (SVHC), Bennington
Visiting Nurse & Hospice of VT and NH (VNH), White River, Jct.

Dartmouth-Hitchcock Health

Competition

The System has the leading share of the New Hampshire market, representing 21.6% of all New Hampshire inpatient discharges in Calendar Year 2015 (the most recent discharge data available from the New Hampshire Hospital Association). Specifically, MHMH has consistently ranked as the #1 hospital in the state as measured by inpatient admissions, despite its rural setting.

System Market Share in State of New Hampshire

	Calendar Year 2015	
Hospital	**Discharges**	**Market Share**
Mary Hitchcock Memorial Hospital	20,861	16.59%
Cheshire Medical Center	4,061	3.23%
Alice Peck Day Memorial Hospital	1,299	1.03%
New London Hospital	998	0.79%
Total System - New Hampshire	**27,219**	**21.64%**
Total New Hampshire	**125,753**	**100.00%**

Source: New Hampshire Hospital Association

The System's Primary Service Area and Market Share

Within its PSA, the System maintains a firm position as the leading provider of medical care, with 11,669 discharges or 82.59% of the total discharges of 14,129 in the PSA in calendar year 2015. This market share has remained constant in the PSA over several years. The majority of gains in market share have taken place in the SSA.

Primary Service Area vs. Secondary Service Area

While the System is the dominant provider in its PSA, the PSA accounts for only 42.8% of the System's total discharges, with the majority of total patients (57.1%) traveling from areas throughout the SSA. The willingness of New Hampshire and Vermont residents to travel across their respective states to receive care at System hospitals speaks to the status of the System as a top tier medical provider in Northern New England. Of note, D-H was ranked as "Best Hospital" in this region by US News.

The System competes with facilities located in Manchester, New Hampshire, the state's commercial center 75 miles south of the academic medical center campus in Lebanon, as well as facilities in Concord and Nashua, New Hampshire, 60 and 90 miles south, respectively.

System vs. Major Competitors in New Hampshire

Hospital	Calendar Year 2015 Licensed Beds	Discharges	Market Share
Total System - New Hampshire *	590	27,219	21.64%
Mary Hitchcock Memorial Hospital	396	20,861	16.59%
Elliot Hospital	296	14,367	11.42%
Concord Hospital	295	14,052	11.17%
Catholic Medical Center	330	11,800	9.38%
Southern NH Medical Center	188	8,996	7.15%
Total New Hampshire		**125,753**	**100%**

* Includes Mary Hitchcock Memorial Hospital

Source: New Hampshire Hospital Association

STRATEGIC INITIATIVES

Strategic Plan

The System's core strategies are focused on improving population health and delivering increased value by enhancing quality, safety and patient experience while lowering costs. These core strategies are critical to fulfilling the System's mission and ensuring long-term financial sustainability. As an academic health system, the System benefits significantly from having strategically aligned research and educational activities that support innovation, new models of care, and the ability to attract and retain highly qualified physicians and staff.

The System serves a broad geographic area across New Hampshire and Vermont that includes both rural and urban settings; the System's strategies and the manner in which they are implemented are tailored to the distinct needs and demographics of the regions within the geographic area it serves. To execute its core strategies, the System has identified the following strategic imperatives:

1. Partnering with Health Services Providers Across New Hampshire and Vermont:

The System has developed and will continue to develop a broad range of partnerships to better coordinate services across the continuum of care, improve efficiencies, and expand the population base over which it can implement population health improvement initiatives. These partnerships take a number of forms, including organizations integrated into the System as Affiliates, and providers who work with Dartmouth-Hitchcock through joint ventures and contractual relationships. The System expects to continue to expand upon its presence in southern New Hampshire where the majority of future population growth in that state is expected to occur.

Since 2013, the System has added five Affiliates: NLH, MAHHC, Cheshire, APD and VNH. As part of the System, these new Affiliates are working together with Dartmouth-Hitchcock to address community health needs, optimize capacity in the region, and reduce costs

by integrating clinical, administrative, and information technology services in Dartmouth-Hitchcock's PSA.

Dartmouth-Hitchcock founded NEAH, a network of 16 hospitals and healthcare organizations that serve broad rural regions of New Hampshire and Vermont. The NEAH organizations share a common commitment to finding cost effective ways to meet the healthcare needs of each member's community and to improve quality. Examples include group purchasing of supplies and pharmaceuticals, integrating laboratory services, and importantly, deploying telemedicine services that enhance the ability of smaller hospitals to meet the needs of their patients in their community, thereby freeing up access at Dartmouth-Hitchcock for higher acuity patients.

Dartmouth-Hitchcock is collaborating with hospitals across the region to provide a wide range of telemedicine services including Tele-Emergency, Tele-Urgent Care, Tele-Pharmacy, Tele-ICU, Tele-Psychiatry, and Tele-Neurology/stroke care services. (Dartmouth-Hitchcock's telemedicine program is discussed in more detail in the "CORPORATE STRUCTURE OF THE SYSTEM/Services" section herein.)

2. Advancing Value Based Payment Models:

The current fee-for-service payment system is economically unsustainable at the federal and state levels, as well as for employers and patients. System management believes transitioning from fee-for-service to value-based payment models is necessary to support its core strategies of improving population health and delivering increased value.

D-HH has been an early adopter of value-based payment models. It was one of 12 health systems nationally that participated in the CMS Group Practice Demonstration Project (in calendar 2011 and 2012). D-HH currently participates in the CMS Next Generation ACO Model program, successor to the Pioneer ACO Model and Medicare Shared Savings programs. D-HH was the first in the nation to participate in the Cigna Accountable Care Model and the first in New Hampshire to participate in the Anthem Accountable Care Model.

D-HH is a co-founder of OneCare Vermont Accountable Care Organization, LLC, a Vermont based state-wide ACO participating in Medicare, Medicaid and commercial payor value based payment models. D-HH is also a founding member of Benevera Health, LLC, a provider and payer partnership with Harvard Pilgrim Health Care and three other New Hampshire hospitals. Benevera Health is a population health management company responsible for managing the quality and cost of care for approximately 100,000 Harvard Pilgrim fully-insured members.

Today, the System is responsible for approximately 200,000 "covered lives" under value based payment models.

3. Increasing Value by Improving Quality While Reducing Cost:

The System recognizes the need to be a leader in advancing the quality of care, improving the safety and experience for its patients and in driving down costs. The System

continues to methodically invest in building and deploying its capabilities to design and implement high reliability health care delivery and business operations.

The System's Value Institute has driven standardization and high reliability using system-engineering-based Lean Six Sigma methods across the System. Systematic data-driven process improvement requires robust data and analytic capabilities. The D-HH Analytics Institute was established to provide centralized analytics resources for not only clinical process improvement, but also for ACO support and research. Over the last decade, these strategic investments have led to Dartmouth-Hitchcock's quality ranking improving from median (2008) to top quartile performance using CMS comparative data (Four Star rating, December 2017, CMS Hospital Compare.)

These foundational capabilities position the System to undertake innovative work on new care delivery models that will further advance quality while lowering costs. Since 5% of the U.S. population generates approximately 50% of annual healthcare expenditures succeeding in population-based payment models requires expert management of patients with chronic diseases. Future strategic work is expected to include re-designing the chronic disease care model. This will involve designing new care team configurations based on the premise that optimal healthcare is "co-produced" by not only the care team, but also by the patient and the patient's family.

Quality

Consumer Union/Reports ratings score hospitals based upon publicly reported data to the Center for Medicare and Medicaid Services. Highly rated hospitals have better survival rates from life-threatening conditions (e.g., heart attack), have lower preventable complication rates (e.g., hospital acquired infection), have fewer patients needing to be readmitted in the 30 days after a hospitalization, do fewer inappropriate tests, and provide a superior patient experience. In July 2017, Consumer Reports reported that DHMC had a higher National Composite Quality Score than all but three New England teaching hospitals with greater than 300 beds. In October 2017, the same organization reported that Cheshire was second only to Southwestern Vermont Health Care ("SVHC") in a comparison of the National Composite Quality Score of hospitals in New Hampshire and Vermont with 26-300 beds. The Clinic employs the majority of the physicians that practice at SVHC and D-HH oversees SVHC's quality functions.

Technology

The System's Information Technology ("IT") group manages and maintains over 500 information system applications (electronic medical record and clinical, business, research and education and related applications) as well as the infrastructure. The IT group supports the creation and management of the System's integrated delivery system with essential data and support services, and works with Affiliates to help leverage the significant investment in core IT systems that D-HH has made. The IT group continually evaluates technologies to identify those most effective at enhancing the patient care experience and allowing care providers to focus on the patient.

Management believes that fully integrating IT across the System is essential for the development of an integrated delivery system in Northern New England. In order to efficiently distribute IT systems across the enterprise, the System expects to utilize a single platform for all core information, with central governance, staffing and support. Dartmouth-Hitchcock activated a fully integrated electronic health record system, i.e. "Epic," referred to internally as "eDH" in 2011, and plans to implement a single medical record across the System to foster high quality, coordinated patient care and facilitate seamless movement of patients and providers. This comprehensive longitudinal patient record will be complemented by integrating meaningful external data collected from separate information systems within the System. (See "Capital Expansion Plans" below for further discussion and funding details.)

The IT group and a dedicated privacy and security officer monitor regulatory requirements for privacy and security of patient information.

Capital Expansion Plans

The System reviews its multi-year capital plan as part of its annual budgeting process. For the five-year period ending June 30, 2022, D-HH has identified approximately $657 million of projected capital expenditures. The System's 2018 financing plan includes approximately $75 million of new money, which in part will support the capital projects described below. The proposed fiscal year 2018 to 2022 capital plan includes the following key strategic projects:

- *Implementation of the Epic (referred to internally as "eDH") electronic medical record system and associated business systems throughout the Affiliate locations (estimated cost of $71.3 million through 2022)*. This project is part of the System's IT strategy to replace the disparate, non-interoperable systems currently in place at some Affiliate sites. A shared technology platform will allow for improved efficiency, improved quality and safety, and better clinical collaboration and integration. (Dartmouth-Hitchcock has utilized the eDH system since 2011, and Cheshire recently implemented eDH).

- *Development of facilities in the southern region of New Hampshire to facilitate growth of key clinical services and capture operating efficiencies associated with co-located services (estimated cost of $56.0 million through 2022)*. This project focuses on expanding the System's southern New Hampshire footprint in population centers in Hillsborough County, enabling the System to meet increasing population needs efficiently and effectively.

- *Renovations at MHMH to allow Dartmouth-Hitchcock to increase inpatient bed capacity at its academic medical center to improve access for Dartmouth-Hitchcock patients requiring complex care, as well as support clinicians and staff (estimated cost of $44.3 million through 2022)*. These renovation projects will primarily modernize and expand existing hospital facilities to alleviate capacity constraints while accommodating future growth opportunities. Even though healthcare delivery continues to shift to lower-cost ambulatory care settings, the System expects patients who require the highest level of acute care to continue to utilize services at MHMH.

- *Operating room modernization and expansion to meet patient demand for surgical services with facilities designed to accommodate the increased presence of technology and sophisticated equipment (estimated cost of $20 million through 2022)*.

Dartmouth-Hitchcock expects to reimburse MHMH for up to $1 million for expenses incurred for the construction of the Jack Byrne Center for Palliative and Hospice Care. Most of the remainder of the five-year capital plan is comprised of routine and maintenance capital expenditures on equipment, information systems and facilities. The System expects to fund the multi-year capital plan expenditures through a combination of cash flow from operations, investment earnings, lease financing and fundraising.

GOVERNANCE AND MANAGEMENT

Governance Overview

The Board of Trustees of D-HH (the "Board") is composed of a dedicated group of individuals who volunteer their time and expertise to ensure that the System is well positioned to advance its mission. The D-HH Board is currently made up of 15 individuals. Two members serve in an *ex-officio* capacity—the Dean of Geisel and the Chief Executive Officer of Dartmouth-Hitchcock (who also serves in this capacity as the President of D-HH). A physician Board member serves as a representative of the Clinic and is eligible to serve on the Board after at least ten consecutive years of service to the Clinic. The remaining Trustees are members of the public with diverse professional experiences relevant to the governance of a complex entity, including backgrounds in health care administration, medicine, human resources, business, finance, and philanthropy. Current Trustees represent both regional and national constituencies.

Board meetings are held quarterly, with Trustees regularly traveling to Lebanon to attend Board and Committee meetings in person. A substantial majority of D-HH Trustees also serve on the Boards of Trustees of MHMH and the Clinic. Elected Trustees generally serve for a term of four years, subject to a term limit of twelve consecutive years.

As the governing body of the parent organization of the System, the Board's responsibilities include establishing the goals, objectives, and strategy for the System, ensuring Affiliate alignment with the foregoing, and overseeing the financial condition of the Affiliates. The Board has the power to appoint and remove the D-HH Chief Executive Officer, to approve admission of new Affiliates, and to approve amendments to the articles of agreement and bylaws of D-HH, among other powers. In addition, the Board holds certain reserved powers over the Affiliates, to ensure the most effective and efficient operation of the System as a whole. These reserved powers include the initiation and/or approval of: material governance, programmatic and financial decisions of MHMH, the Clinic, and the other Affiliates, such as appointment and removal of a member of the governing board of the Affiliate, Affiliate operating and capital budgets; appointment and compensation of Affiliate CEOs; certain material amendments to the articles of agreement and bylaws of Affiliates; Affiliate participation in key strategic relationships; and the elimination or addition by an Affiliate of material health care services or programs.

Standing Committees of the Board include the Governance Committee, Value Committee, Finance Committee, Audit and Compliance Committee, Research and Education Committee, and Talent Development and Compensation Committee.

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Board of Trustees

The members of the D-HH Board are:

Name	**Term Expires**	**Occupation/Affiliation**	**Board Role**
Anne-Lee Verville, *Chair*	12/31/2018	Retired senior executive, IBM	Public Trustee
Robert A. Oden, Jr., PhD, *Vice Chair*	12/31/2020	Retired President, Carleton College	Public Trustee
Charles G. Plimpton, MBA, *Treasurer*	12/31/2020	Retired investment banker	Public Trustee
Barbara J. Couch, MS, *Secretary*	12/31/2018	President, Hypertherm's HOPE Foundation	Public Trustee
Duane A. Compton, PhD	Ex-Officio	Dean, Geisel School of Medicine at Dartmouth	*Ex-Officio*
William J. Conaty	5/31/2020	Retired executive at General Electric; President, Conaty Consulting, LLC	Public Trustee
Joanne M. Conroy, MD	Ex-Officio	CEO & President, Dartmouth-Hitchcock	*Ex-Officio*
Vincent S. Conti, MHA	12/31/2018	Retired President & CEO, Maine Medical Center	Public Trustee
Denis A. Cortese, MD	12/31/2018	Retired President & CEO, Mayo Health System Foundation Professor, Arizona State University (ASU) and Director of ASU's Healthcare Delivery and Policy Program	Public Trustee
Paul P. Danos, PhD	5/31/2019	Dean Emeritus; Laurence F. Whittemore Professor of Business Administration, Tuck School of Business at Dartmouth	Public Trustee
Laura K. Landy, MBA	12/31/2018	President & CEO, Fannie E. Rippel Foundation	Public Trustee
Steven A. Paris, MD	12/31/2020	Regional Medical Director, Community Group Practices	Physician Trustee
Edward H. Stansfield, III, MA	6/30/2020	Senior VP, Resident Director for the Hanover NH Bank of America/Merrill Lynch Office	Public Trustee
Pamela A. Thompson, MS, RN	6/30/2020	CEO Emeritus of the American Organization of Nurse Executives	Public Trustee
Marc B. Wolpow, JD, MBA	6/30/2020	Co-CEO of Audax Group	Public Trustee

Executive Administration and Key Officers:

Joanne M. Conroy, MD – CEO and President (62). Dr. Conroy joined Dartmouth-Hitchcock in August 2017. Immediately prior to joining Dartmouth-Hitchcock, Dr. Conroy served as CEO of Lahey Hospital and Medical Center in Burlington, MA.

Prior to Lahey, Dr. Conroy served for more than five years as Chief Health Care Officer for the Association of American Medical Colleges ("AAMC") in Washington, DC. Dr. Conroy helped establish national health priorities and developed best practices to improve health by focusing on medical education, care delivery, research, diversity and inclusion.

She received her undergraduate degree in chemistry from Dartmouth College and was the recipient of a Robert Sloan scholarship from Singer Corporation. Dr. Conroy received her medical degree from The Medical University of South Carolina, where she completed her residency in anesthesiology, serving as chief resident for one year. Dr. Conroy was board certified with the American Board of Anesthesiologists, attained a Certificate of Added Qualifications in Pain Management, and was a Diplomate with the American Academy of Pain Management.

Daniel P. Jantzen, CPA, Chief Financial Officer (57). Mr. Jantzen has been a member of the Dartmouth-Hitchcock/D-HH management team since 1990 and has served in a variety of Dartmouth-Hitchcock leadership positions including Vice President of Finance, Chief Financial Officer and Executive Vice President for Operations and Chief Operating Officer.

Mr. Jantzen graduated from Northeastern University with a BS in Business Administration and a concentration in Accounting. He has been a Certified Public Accountant (CPA) since 1985.

George Blike, MD, Chief Quality and Value Officer (55). Dr. Blike joined the Dartmouth-Hitchcock leadership team as Chief Quality and Value Officer in July 2012. In this role, he is responsible for the quality, safety and value initiatives throughout the System. Dr. Blike is a Professor in the Departments of Anesthesiology and Community & Family Medicine. Dr. Blike is also Medical Director of the Patient Safety Training Center at Dartmouth-Hitchcock.

Dr. Blike is a graduate of Case Western Reserve University and of the University of Cincinnati Medical College. He completed a preliminary residency year in medicine at Hartford Hospital and residency in Anesthesiology at Yale New Haven Hospital.

Aimee M. Giglio, DA, Interim Chief Human Resources Officer (38). Ms. Giglio was named Interim Chief Human Resources Officer for Dartmouth-Hitchcock and D-HH in February 2017.

Prior to this role, Ms. Giglio served from 2010 to 2014 as Dartmouth-Hitchcock's Director of HR talent acquisition, business partners, shared services, workforce analytics, benefits, and compensation. In 2014, Ms. Giglio was promoted to Vice President of Total Rewards for the System.

Ms. Giglio holds a Doctorate in Organizational Health and Leadership from Franklin Pierce University, a Master's in Business Administration from Daniel Webster College, and a Bachelor's in Social Work from Trinity College.

John P. Kacavas, JD, Chief Legal Officer & General Counsel (56). Mr. Kacavas serves as the chief legal advisor to the Dartmouth-Hitchcock and D-HH senior leadership and Boards of Trustees. He has full accountability for, and oversight of, the Dartmouth-Hitchcock Office of General Counsel, Office of Government Relations, Office of Risk Management, Office of Claims Management, and the Communications and Marketing Department.

Prior to joining Dartmouth-Hitchcock in April 2015, Mr. Kacavas was the United States Attorney for the District of New Hampshire, having been appointed by President Barack Obama in August 2009.

Mr. Kacavas received a JD from Boston College Law School, an MA in international affairs from the American University School of International Service in Washington, and a BA in political science from St. Michael's College.

Stephen J. LeBlanc, Chief Strategy Officer (58). Mr. LeBlanc was appointed Chief Strategy Officer in November 2017. Mr. LeBlanc oversees D-HH's strategy development, including provider partnerships and payer relationships, and is responsible for risk-based contracting performance and driving system integration. Mr. LeBlanc joined Dartmouth-Hitchcock in 1987 and has served in various senior leadership roles including Chief Operating Officer and Chief Administrative Officer. Mr. LeBlanc also serves as Executive Director for NEAH.

Mr. LeBlanc received his Bachelor of Science degree from Boston College. He is a graduate of the United States Navy Officer Candidate School in Newport, Rhode Island, and the United States Navy Supply Corps School in Athens, Georgia.

Edward J. Merrens, MD, Chief Clinical Officer (52). In his capacity as Chief Clinical Officer, Dr. Merrens works closely with the CEO, chief officers, and D-HH's Integration team to develop, coordinate and enhance clinical operations, service lines and care across the system to deliver efficient, high-quality care.

Dr. Merrens has been at Dartmouth-Hitchcock since 1998, working initially as a general internist and serving as Director of Inpatient Medical Services. He developed the Hospitalist service at Dartmouth-Hitchcock in 2004 and established the Section of Hospital Medicine in 2005, serving as its inaugural Section Chief from 2005 to 2012, after which he served as the Dartmouth-Hitchcock Chief Medical Officer.

Dr. Merrens is a 1988 graduate of Dartmouth College, and a 1994 graduate of the Geisel School of Medicine at Dartmouth. He completed his internship and residency in Medicine at the University of Washington Medical Center in Seattle in 1997. He then served as the inpatient chief resident at the University of Washington's Harborview Medical Center in Seattle. In 2013, Dr. Merrens graduated from the Masters in Health Care Delivery Science Program at Dartmouth College.

Susan A. Reeves, EdD, RN – Chief Nursing Executive (58). In June of 2017, Ms. Reeves became the System's Chief Nursing Executive and is responsible for setting the strategic direction for nursing across the System and for creating alignment for nursing practice across all System entities.

Ms. Reeves received her Diploma in Nursing from MHMH in 1980. She earned her Bachelor of Science with a major in Nursing in 1988 from Colby-Sawyer College. She earned her Master's Degree in Nursing Administration from the University of New Hampshire in 1991 and earned her doctorate in Educational Leadership and Policy Studies from the University of Vermont in 2010.

Patrick F. Jordan, III, MBA, Chief Operating Officer (54). Mr. Jordan joined Dartmouth-Hitchcock on November 20, 2017, as the Chief Operating Officer of D-HH.

Mr. Jordan comes to Dartmouth-Hitchcock after having served as the Chief Operating Officer at Lahey Hospital and Medical Center in Burlington, Massachusetts. He joined Lahey Hospital & Medical Center in 2014.

Mr. Jordan earned an Executive MBA from Suffolk University in Boston in May 1996. Mr. Jordan is a seven-year veteran of the 82nd Airborne Division and United States Army Special Operations community. Trained as an Airborne Ranger, he was promoted to the rank of captain during the invasion of Panama and was awarded the Bronze Star during the Persian Gulf War.

Employees

The System employed 9,859 (full-time equivalents, "FTEs") non-physician staff employees as of June 30, 2017. Of the total System non-physician staff FTEs, approximately 34% engage in direct patient care, of which approximately 65% are registered nurses ("RNs") and the remaining 35% are licensed practical nurses ("LPNs"), nursing assistants and patient care technicians. Direct patient-care staff are employed both in System inpatient hospital settings, in ambulatory clinics and physician practices throughout the States of New Hampshire and Vermont. The vacancy rate for staff positions throughout the System is approximately 8%, ranging from a low of 4% to a high of 14% across Affiliates. Dartmouth-Hitchcock is the largest private employer in the State of New Hampshire with a total of 7,545 FTEs. (Source: Dartmouth-Hitchcock Records/ State of NH Website)

In areas where the labor market is more competitive, the System actively manages the recruitment and retention of employees with specific initiatives. Regionally, recruiting clinical nurses has been challenging. The System employs more than 3,380 nurses including direct caregivers, managers, and administrators. The 2017 vacancy rate for RNs was approximately 6% and the turnover rate 12%, (the national average for turnover rate for the 12 months ended December 31, 2016 was 17.2% (Source: Nursing Solutions Inc., *www.nsinursingsolutions.com*)). Dartmouth-Hitchcock regularly conducts work culture surveys that are used to enhance both the work environment and staff engagement, and improve quality.

There are no collective bargaining units at any System organization.

LICENSES, ACCREDITATION, CERTIFICATIONS AND MEMBERSHIPS

MHMH is licensed by the Division of Public Health of the State of New Hampshire Department of Health and Human Services and is currently accredited by the following organizations: The Joint Commission (Hospital Accreditation Program and Stroke Program); the College of American Pathologists; the American Academy of Sleep Medicine; the American Association of Blood Banks; the American Council of Graduate Medical Education; the American College of Radiology; the American College of Surgeons Committee on Trauma for Trauma Site Verification (Level One Trauma for Adult and Pediatric); the American Institute of Ultrasound in Medicine; Department of Health and Human Services Transplant Program; the Center of International Blood and Marrow Transplant Research; the Commission on Accreditation of Medical Transport Systems; the Community Health Accrediting Program; Food and Drug Administration (Blood Donor Program, Mammography, Pharmacy, Pharmaceutical Storage), the Foundation for Accreditation of Cell Therapy; the New Hampshire Department of Health and Human Services – Radiologic Health; the New Hampshire Board of Pharmacy; the Society for Simulation in Healthcare; the Undersea and Hyperbaric Medical Society; Accreditation Council of Continuing Medical Education; the United Network of Organ Sharing; and URAC (Outpatient Pharmacy, Specialty Pharmacy/Mail Service).

MHMH is also a member of the American Hospital Association, Council of Teaching Hospitals of the Association of American Medical Colleges, the New Hampshire Hospital Association, the Group Practice Improvement Network, and the National Association of Children's Hospitals and Related Institutions, Vizient, Inc. (performance improvement and competitive contracting) and multiple other organizations.

Cheshire is licensed by the Division of Public Health of the State of New Hampshire Department of Health and Human Services and is currently accredited by the following organizations: The Joint Commission (Hospital Accreditation Program); the College of American Pathologists; the American College of Radiology; Food and Drug Administration (Mammography); the New Hampshire Department of Health and Human Services – Radiologic Health; Inter-societal Accreditation Commission Vascular Testing – Non Invasive Vascular Lab; National Accreditation for Breast Center – American College of Surgeons; Quality Oncology Practice Initiative; Northeast Multistate Division – Approved Provider of Continuing Nursing Education; and American Nurses Credentialing Center's Commission on Accreditation – Accredited Approver.

APD is licensed by the Department of Health and Human Services of the State of New Hampshire and the NH Board of Pharmacy and is accredited by The American College of Radiology, the College of American Pathologists, New England Donor Services, and the Food and Drug Administration (Mammography). APD is certified by OSHA through its Safety & Health Achievement Recognition Program (SHARP). APD is a member of the American Hospital Association, the New Hampshire Hospital Association, the New England Alliance for Health and various other organizations

MAHHC is licensed by the Vermont State Board of Health and is currently accredited by the following organizations: the Center for Medicare and Medicaid Services; the Commission on Accreditation for Rehabilitation Facilities; College of American Pathologists; American College

of Radiology; Food and Drug Administration (Mammography); Vermont Department of Health Radiology Equipment; Vermont State Pharmacy License; Drug Enforcement Administration; and Clinical Laboratory Improvement Amendments (accredited through CMS). MAHHC is also a member of the Vermont Association of Hospitals and Health Systems, the American Hospital Association and the Vermont Mammography Registry.

NLH is licensed by the Division of Public Health of the State of New Hampshire Department of Health and Human Services. NLH is currently accredited by the Centers for Medicare and Medicaid Services through survey completed by the New Hampshire Office of Operations Support, Health Facilities Administration for certification as a Critical Access Hospital and for Newport Health Center as a Rural Health Clinic. NLH is certified by the College of American Pathologists, the New Hampshire Board of Pharmacy, Clinical Laboratory Improvement Amendments (CLIA), American College of Radiology Diagnostic Imaging Center of Excellence, and Food and Drug Administration (Mammography, Pharmacy). NLH is a member of the American Hospital Association, the New Hampshire Hospital Association, Healthcare Financial Management Association, and Rural Health Coalition.

The Visiting Nurse and Hospice for Vermont and New Hampshire (VNH) is a Certified Home Health Care and Hospice Agency. VNH is licensed by the Division of Legal and Regulatory Services of the State of New Hampshire Department of Health and Human Services. VNH is currently accredited by the Centers for Medicare and Medicaid Adult Services through survey completed by the Vermont Department of Disabilities, Aging and Independent Living Division of Licensing and Protection as a Certificate of Designation. VNH is additionally certified by the Clinical Laboratory Improvement Amendments (CLIA). VNH is also a member of New Hampshire Hospice & Palliative Care Organization (NHHPCO), the Hospice and Palliative Care Center (HPCC), the VNA Health System of Northern New England (VNAHSNNE), the Vermont Assembly of Home Health Agencies (VAHHA), and the Visiting Nurse Association of America (VNAA).

HISTORICAL SYSTEM UTILIZATION

A summary of significant statistical data reflecting System utilization for the past three years and for the four months ended October 31, 2016 and 2017 is presented in the following table:

Dartmouth-Hitchcock Health and Subsidiaries
Utilization Performance

	Year Ended June 30,			Four Months Ended October 31	
	2015	**2016**	**2017**	**2016**	**2017**
Licensed Beds	625	650	650	650	650
Staffed Beds*	581	617	591	582	591
Total Discharges	29,827	34,195	36,260	11,892	12,066
Total Patient Days	149,567	166,821	168,684	56,470	56,768
Occupancy (as a percentage of staffed beds)	70.5%	73.9%	78.2%	78.9%	78.1%
Average Length of Stay (days)	5.0	4.9	4.7	4.7	4.7
Surgical Cases	24,165	29,732	32,629	10,766	10,850
Emergency Room Visits	50,962	68,134	72,810	24,015	24,782
Total Appointments	1,598,984	1,478,010	1,555,414	509,823	509,735
Helicopter Transports	1,257	1,349	1,370	509	567
Cath Lab procedures	2,289	2,475	2,714	805	866

* Staffed beds include ICN bassinets; whereas licensed beds do not.

Notes: FY 2015 includes a full year of operations of D-HH, D-H, NLH, MAHHC and four months of operations for Cheshire. FY 2016 includes a full year of operations of D-HH, D-H, NLH, MAHHC and Cheshire and four months of operations for APD. FY 2017 includes a full year of operations of D-HH, D-H, NLH, MAHHC, Cheshire, APD and VNH.

For the fiscal years ended June 30, 2015, 2016 and 2017, MHMH's total Case Mix Index ("CMI") was 2.05, 2.10 and 2.10, respectively, and for the four months ending October 31, 2016 and 2017, its total CMI was 2.12 and 2.17, reflecting a positive upward trend from June 30, 2015 to October 31, 2017. Furthermore, MHMH's Medicare-only CMI recently placed it among the top 50 United States hospitals having more than 300 beds, according to CMS. For fiscal years ended June 30, 2015, 2016 and 2017, MHMH's length of stay ("LOS") was 5.76, 5.84 and 5.62, respectively, and for the four months ending October 31, 2016 and 2017, its LOS was 5.65 and 5.60, respectively, reflecting a positive downward trend.

FINANCIAL INFORMATION

Consolidated Balance Sheets

The following consolidated balance sheets of D-HH and its subsidiaries as of June 30, 2015, 2016 and 2017 have been derived from the audited consolidated financial statements of D-HH and its subsidiaries for those fiscal years. While the following consolidated balance sheets as of the four months ended October 31, 2016 and 2017 are unaudited, in the opinion of D-HH management, the interim consolidated balance sheets below reflect all adjustments necessary to fairly present the assets, liabilities, and net assets for the interim periods then ended. These consolidated balance sheets include results of entities that are not members of the Obligated Group.

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Dartmouth-Hitchcock Health and Subsidiaries
Consolidated Balance Sheets
($000s)

	Year Ended June 30,			Four Months Ended October 31 (unaudited)	
	2015	2016	2017	2016	2017
Assets					
Current assets					
Cash and cash equivalents	$38,909	$40,592	$68,498	$62,028	$82,863
Patient accounts receivable, net of estimated uncollectibles	204,272	260,988	237,260	261,063	234,403
Prepaid expenses and other current assets	100,586	95,820	89,203	120,225	117,513
Current portion of trustee held assets	-	-	-	-	26
Total current assets	343,767	397,400	394,961	443,316	434,805
Assets limited as to use	620,425	592,468	662,323	605,268	683,237
Other investments for restricted activities	132,016	142,036	124,529	138,562	127,835
Property, plant, and equipment, net	601,355	612,564	609,975	614,163	606,833
Other assets	88,450	87,266	97,120	97,452	98,161
Total assets	$1,786,013	$1,831,734	$1,888,908	$1,898,761	$1,950,871
Liabilities and Net Assets					
Current liabilities					
Current portion of long-term debt	$17,179	$18,307	$18,357	$18,369	$18,985
Line of credit	1,200	36,550	-	74,900	-
Current portion of liability for pension and other postretirement plan benefits	3,249	3,176	3,220	3,176	3,220
Accounts payable and accrued expenses	120,221	107,544	89,160	99,625	112,446
Accrued compensation and related benefits	94,864	103,554	114,911	100,550	108,866
Estimated third-party settlements	36,599	19,650	27,433	30,168	37,392
Total current liabilities	273,312	288,781	253,081	326,788	280,909
Long-term debt, excluding current portion	575,484	625,341	616,403	618,932	608,194
Insurance deposits and related liabilities	62,356	56,887	50,960	56,887	50,960
Interest rate swaps	24,740	28,917	20,916	26,863	19,499
Liability for pension and other postretirement plan benefits, excluding current portion	190,280	272,493	282,971	277,717	275,511
Other liabilities	56,109	69,811	90,548	58,092	91,040
Total liabilities	1,182,281	1,342,230	1,314,879	1,365,279	1,326,113
Commitments and contingencies					
Net assets					
Unrestricted	474,194	360,183	424,947	396,167	473,415
Temporarily restricted	76,457	75,731	94,917	83,565	96,625
Permanently restricted	53,081	53,590	54,165	53,750	54,718
Total net assets	603,732	489,504	574,029	533,482	624,758
Total liabilities and net assets	$1,786,013	$1,831,734	$1,888,908	$1,898,761	$1,950,871

Sources: D-HH Audited Financial Statements (for the full years ended June 30) and D-HH internal records (for the four-month periods ended October 31)

Notes: FY 2015 includes a full year of operations of D-HH, D-H, NLH, MAHHC and four months of operations for Cheshire
FY 2016 includes a full year of operations of D-HH, D-H, NLH, MAHHC and Cheshire and four months of operationsfor APD
FY 2017 includes a full year of operations of D-HH, D-H, NLH, MAHHC, Cheshire, APD and VNH

The consolidated balance sheets should be read in conjunction with the audited consolidated financial statements and supplementary schedules (unaudited) of D-HH and its subsidiaries for the fiscal years ended June 30, 2015, 2016 and 2017 and related notes to such consolidated statements included as Appendix B. The subsidiaries of D-HH that are not members of the Obligated Group (the "Non-Obligated Group") contributed 19.2%, 19.1% and 7.3% of the consolidated total assets for the System in 2015, 2016 and 2017, respectively.

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-03, Interest – Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs. This ASU required that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts, and the amortization of the debt issuance costs be reported as interest expense. D-HH adopted ASU 2015-03 in 2017 and the historical consolidated balance sheet for the year ended June 30, 2016 has been restated to conform with the June 30, 2017 presentation. Management did not restate the consolidated balance sheet for the year ended June 30, 2015, as the bond issuance costs were deemed immaterial.

Consolidated Statement of Operations and Changes in Unrestricted Net Assets

The following consolidated statements of operations and changes in unrestricted net assets of D-HH and its subsidiaries for the fiscal years ended June 30, 2015, 2016 and 2017 have been derived from the consolidated financial statements of D-HH and subsidiaries. While the following consolidated statements of operations and changes in unrestricted net assets for the four months ended October 31, 2016 and 2017 are unaudited, in the opinion of D-HH management, the interim Consolidated Statements of Operations below reflect all adjustments necessary to fairly present revenues and expenses for the interim periods then ended. These consolidated statements include results of entities that are not members of the Obligated Group.

Dartmouth-Hitchcock Health and Subsidiaries
Consolidated Statements of Operations and Changes in Unrestricted Net Assets
($000s)

	Year Ended June 30,			Four Months Ended October 31 (unaudited)	
	2015	2016	2017	2016	2017
Unrestricted revenue and other support					
Net patient service revenue, net of contractual allowances and discounts	$1,398,121	$1,689,275	$1,859,192	$614,786	$631,840
Provision for bad debts	17,562	55,121	63,645	20,876	17,923
Net patient service revenue less provision for bad debts	1,380,559	1,634,154	1,795,547	593,910	613,917
Contracted revenue	80,835	65,982	43,671	17,081	13,618
Other operating revenue	82,993	82,352	119,177	35,715	45,701
Net assets released from restrictions	15,637	9,219	11,122	2,687	3,821
Total unrestricted revenue and other support	1,560,024	1,791,707	1,969,517	649,393	677,057
Operating expenses					
Salaries	778,387	872,465	966,352	317,163	324,473
Employee benefits	214,627	234,407	244,855	77,570	71,784
Medical supplies and medications	219,967	309,814	306,080	102,128	109,292
Purchased services and other	218,704	255,141	289,805	99,850	91,985
Medicaid enhancement tax	51,996	58,565	65,069	22,271	22,863
Depreciation and amortization	67,213	80,994	84,562	28,345	28,220
Interest	18,442	19,301	19,838	6,635	6,328
Total operating expenses	1,569,336	1,830,687	1,976,561	653,962	654,945
Operating (losses) gains	(9,312)	(38,980)	(7,044)	(4,569)	22,112
Nonoperating gains (losses)					
Investment (losses) gains	(11,015)	(20,103)	51,056	14,686	26,438
Other losses	(1,241)	(3,845)	(4,153)	(825)	(1,321)
Contribution revenue from acquisition	92,499	18,083	20,215	20,715	-
Total nonoperating gains (losses), net	80,243	(5,865)	67,118	34,576	25,117
Excess (deficiency) of revenue over expenses	70,931	(44,845)	60,074	30,007	47,229
Net assets released from restrictions	2,411	3,248	1,839	2,841	284
Change in funded status of pension and other postretirement benefits	(60,892)	(66,541)	(1,587)	(321)	-
Other changes in net assets	-	-	(3,364)	2,754	58
Change in fair value of interest rate swaps	(931)	(5,873)	7,802	1,395	897
Increase (decrease) in unrestricted net assets	$11,519	$(114,011)	$64,764	$36,676	$48,468

Sources: D-HH Audited Financial Statements (for the full years ended June 30) and D-HH internal records (for the four-month periods ended October 31)

Notes: FY 2015 includes a full year of operations of D-HH, D-H, NLH, MAHHC and four months of operations for Cheshire
FY 2016 includes a full year of operations of D-HH, D-H, NLH, MAHHC and Cheshire and four months of operations for APD
FY 2017 includes a full year of operations of D-HH, D-H, NLH, MAHHC, Cheshire, APD and VNH

The consolidated statement of operations and changes in unrestricted net assets should be read in conjunction with the audited consolidated financial statements and supplementary schedules (unaudited) of D-HH and its subsidiaries for the fiscal years ended June 30, 2015,

2016 and 2017 and related notes to such consolidated statements included as Appendix B. As of June 30, 2015, 2016 and 2017, the Non-Obligated Group contributed 11.1%, 17.0% and 4.5%, respectively, of the consolidated total unrestricted revenues, gains and other support, which is shown as "Total unrestricted revenue and other support" in the table above for the System.

The following table sets forth the System financial composition including discharges, unrestricted revenue and other support and assets as of June 30, 2017.

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Dartmouth-Hitchcock Health and Subsidiaries
Financial Composition June 30, 2017
($ 000s)

	D-HH	D-H & Subsidiaries	Cheshire & Subsidiaries	NLH & Subsidiaries	MAHHC & Subsidiaries	APD	VNH & Subsidiaries	Eliminations	System Consolidated
Total Hospital Acute Discharges	n/a	27,796	4,545	1,332	1,018	1,569	n/a	n/a	36,260
% of Total		76.7%	12.5%	3.7%	2.8%	4.3%			100.0%
Total Unrestricted Revenue and Other Support	$(5,129)	$1,611,400	$204,043	$61,871	$51,327	$65,203	$22,964	$(42,162)	$1,969,517
% of Total	(0.3)%	81.8%	10.4%	3.1%	2.6%	3.3%	1.2%	(2.1)%	100.0%
Total Assets	$28,972	$1,548,149	$153,038	$84,234	$49,704	$53,281	$28,930	$(57,400)	$1,888,908
% of Total	1.5%	82.0%	8.1%	4.5%	2.6%	2.8%	1.5%	(3.0)%	100.0%

Management's Discussion and Analysis

The discussion set forth below should be read in conjunction with the audited consolidated financial statements and supplementary schedules (unaudited) of D-HH and its subsidiaries and related notes included in Appendix B. Note – All dates are "FY" in the MD&A section unless otherwise stated.

Overview

Each of the periods, 2016, 2017 and the four months ended October 31, 2017 presented D-HH leadership with both opportunities and challenges. The rapid development and implementation of improvement plans to respond to the external and internal challenges is a testament to the skill and experience of the leadership team at D-HH. Key accomplishments and challenges are described below:

2016 – Was a challenging year for the System, with the implementation of a new billing system, which due to errors in the underlying data, resulted in a negative impact on Dartmouth-Hitchcock's operating results. In addition, D-HH's initiative to develop remote medical sensing services (ImagineCare) incurred losses of $11.6 million in this fiscal year and Cheshire incurred operating losses of $6.8 million.

2017 – By the beginning of the second quarter of 2017 Dartmouth-Hitchcock had developed and implemented a Performance Improvement Plan ("PIP"), which included an accelerated freeze of the Dartmouth-Hitchcock Pension Plan, reductions in labor expense and workforce, and other expense reduction and revenue enhancement initiatives. The PIP set Dartmouth-Hitchcock on a path to end 2017 either meeting or exceeding all of the goals established by Dartmouth-Hitchcock leadership and D-HH Board of Trustees.

Dartmouth-Hitchcock agreed to transition all clinical psychiatry services from Dartmouth College to Dartmouth-Hitchcock effective July 1, 2016 and to transition clinical research to Dartmouth-Hitchcock on an agreed upon date in 2018.

D-HH's ImagineCare initiative incurred losses of $7.6 million. During 2017, ImagineCare ceased operations and D-HH entered into an Asset Transfer Agreement for certain ImagineCare assets with a Swedish company that includes a royalty stream opportunity for D-HH.

2018 – The System began 2018 with strong operating financial results, with an operating gain of $22.1 million for the four months ended October 31, 2017. Dartmouth-Hitchcock continues to experience growth in patient services without increasing expenses, which has resulted in a strong operating gain (greater than budget and prior year). However, there can be no assurances that the four month results will be sustained through 2018. In addition, Dartmouth-Hitchcock continues to work with the State of New Hampshire to develop a fair and equitable Medicaid Enhancement Tax ("MET") and Disproportionate Share Hospital ("DSH") program for the future. (See "Disproportionate Share Payments –Medicaid Enhancement Tax in New Hampshire" herein.)

Disproportionate Share Payments

Medicaid Enhancement Tax in New Hampshire

The MET is a New Hampshire state tax imposed only on the net patient service revenue of each of the 26 hospitals in the State. For the taxable period beginning July 1, 2017, the MET rate is 5.4% of net patient service revenue. Revenue raised by the MET is intended to support Medicaid services in the State of New Hampshire. It should be noted that revenue generated by Vermont residents receiving care at System hospitals in New Hampshire is included in the calculation of the MET paid to the State of New Hampshire. The System hospitals in New Hampshire do not pay a provider tax to the State of Vermont.

DSH payments are supplemental Medicaid payments made to hospitals that provide care to a disproportionate number of indigent patients. Revenue raised by the State of New Hampshire through the MET is used to obtain federal matching funds, which are then redistributed in the form of DSH payments to qualifying New Hampshire hospitals. The System hospitals in New Hampshire do not receive DSH payments from the State of Vermont.

For the roughly 20 years prior to 2011, New Hampshire would collect MET revenue from each hospital and return an equivalent amount to each hospital in the form of a DSH payment. In FY 2012 and 2013, the State collected MET revenue but failed and refused to make the required DSH payments, diverting the revenue for general fund purposes instead. Numerous administrative and judicial challenges to the diversion and the constitutionality of the MET followed.

In June of 2014, the State of New Hampshire entered into a Term Sheet with the 26 hospitals, led by Dartmouth-Hitchcock among others, to resolve the pending matters. The Agreement's stated purpose is to "[c]reate a proper, fair, and equitable provider taxation system" and "establish a 'trust'/'lockbox'/dedicated fund mechanism for the receipt and distribution of MET proceeds … including … disproportionate share hospital payments (DSH)." Thus, the hospitals agreed not to challenge the MET on constitutional grounds so long as New Hampshire utilizes MET revenue for its intended purposes, including DSH and Medicaid provider payments.

The Agreement sets forth a methodology for calculating each hospital's DSH payment based upon a proportion of its uncompensated care costs ("UCC"). For example, in FY2018 and 2019, Critical Access Hospitals ("CAHs"), like APD and NLH, will receive DSH payments equal to 75% of their UCC, while non-CAHs, like Cheshire and MHMH, will receive DSH payments equal to 55% of their UCC in those years. The table below summarizes the MET paid and the DSH payment received by Dartmouth-Hitchcock from FY2011 through FY2017, reflecting Dartmouth-Hitchcock's status as a net payor to the State of $130 million over the seven-year period.

D-H Fiscal Year	MET Paid ($ in 000s)	DSH Received ($ in 000s)	Excess (Paid) or Received
2011	$ 43,491	$ 41,693	$ (1,798)
2012	32,798	422	(32,376)
2013	38,261	413	(37,848)
2014	32,636	11,079	(21,557)
2015	45,839	8,387	(37,452)
2016	46,078	45,647	(430)
2017	50,118	51,275	1,157
Total	**$ 289,221**	**$ 158,917**	**$ (130,305)**

While the Agreement's DSH payment methodology expressly applies from 2015 through 2019, "[t]he provisions of th[e] Term Sheet are intended to survive beyond Fiscal Year 19." Whether through renewed negotiation or the necessity of litigation, System hospitals in New Hampshire will continue to vigorously pursue their right to fair Medicaid reimbursement from the State of New Hampshire so they can continue to provide care to beneficiaries of the NH Medicaid program.

Other Challenges to Reimbursement Reductions

Dartmouth-Hitchcock recently has taken a more offensive approach to challenges presented by unfair reimbursement reductions by government payors. One example is its recently concluded lawsuit against the State of Vermont. For years, the State of Vermont Medicaid program had been reimbursing Dartmouth-Hitchcock at rates significantly lower than those paid to Vermont hospitals. Despite the fact that Dartmouth-Hitchcock is the second largest volume provider of health care services to Vermont residents, the sole reason for the rate disparity was that D-H is located out-of-state.

Dartmouth-Hitchcock attempted to reach a negotiated resolution of the matter but was rebuffed. In November of 2015, Dartmouth-Hitchcock initiated a civil action in federal court to challenge the disparity on constitutional grounds. After two years of litigation, the State of Vermont agreed to resolve the dispute. According to the terms of the settlement agreement reached in December of 2017, Vermont Medicaid will reimburse Dartmouth-Hitchcock at parity with its academic peer in Vermont, the University of Vermont Medical Center, effective January 1, 2018. Dartmouth-Hitchcock expects additional revenue in the range of approximately $10 million dollars annually as a consequence of the action.

Another example of Dartmouth-Hitchcock's robust pursuit of fair and just reimbursement is its federal lawsuit challenging the U.S. Department of Health and Human Services ("DHHS") and its CMS rule altering the Medicaid Act's statutory formula for calculating uncompensated care. The CMS rule artificially depresses the total amount of uncompensated care on which Dartmouth-Hitchcock's DSH payment is based. Dartmouth-Hitchcock, together with the New Hampshire Hospital Association and three other hospitals, prevailed in a procedural challenge to the proposed rule. A substantive challenge to the DHHS Secretary's authority to promulgate the rule is now pending in federal court.

Other Notable Factors Influencing Results

Cheshire generated operating losses of $6.8 million in 2016, $5.3 million in 2017, and $2.4 million for the four months ended October 31, 2017. The losses have been driven largely by a combination of lower than expected clinic volumes, an unfavorable shift in payer mix from commercial to Medicare, increased bad debt expense related to patients with high deductible health plans, and staff recruitment challenges that resulted in increased cost for contracted staff. In addition, significant investments have been made to enhance the ability for Cheshire to expand its inpatient capacity. While medical/surgical inpatient volumes grew by approximately 15% in both 2016 and 2017, growth was lower than expected and not sufficient to offset the expense. Significantly, in November 2017, Dartmouth-Hitchcock and Cheshire implemented the Epic electronic medical record and billing system for Cheshire. The implementation was successful due to a combination of Dartmouth-Hitchcock's experience with Epic and the Cheshire team's diligence. Simultaneously, the Cheshire revenue cycle work was outsourced to Conifer Health Solutions, which has been providing revenue cycle services to Dartmouth-Hitchcock since May, 2015.

In September, D-HH and Cheshire leadership developed an improvement plan to reduce expenses for the remainder of 2018 and reverse the existing losses. The plan includes a hiring freeze of all non-essential positions, deferral of provider compensation increases and a reduction in non-salary expenses for a planned total expense reduction of $3.6 million in 2018. Cheshire leadership, in conjunction with Dartmouth-Hitchcock, is also pursuing an opportunity to maximize revenue through a coding initiative to capture all of the elements of patient complexity in provider documentation. Finally, the enhanced ICU capacity recently developed at Cheshire will be better utilized by redirecting to Cheshire appropriate referrals that previously had gone to Dartmouth-Hitchcock, adding enhanced inpatient capacity at Dartmouth-Hitchcock for more high-acuity patients.

Notably, Dartmouth-Hitchcock and its subsidiaries (MHMH and DHC) are the primary drivers of economic performance for the System, generating 81.8% of the consolidated total unrestricted revenue and representing 82.0% of the total consolidated assets in 2017. Consequently, the following financial review of 2016, 2017 and 2018 will focus primarily on the financial results of Dartmouth-Hitchcock.

Fiscal Year 2016 – Results

Fiscal Year Ended June 30, 2016 Compared with Fiscal Year Ended June 30, 2015. D-HH generated a loss from operations of $38.9 million for the twelve months ended June 30, 2016 as compared to a loss from operations of $9.3 million for the twelve months ended June 30, 2015. The $29.7 million increase in loss from operations reflected the following: D-HH's (parent) operating loss increased by $11.8 million, Dartmouth-Hitchcock's operating loss increased by $12.1 million and Cheshire's operating loss increased by $5.3 million (Cheshire was part of the System for only four months in 2015).

The 2015 provision for bad debts was lower than the historical run rate due to an overall decrease in self-pay accounts receivable as a result of the impact of implementation of the New

Hampshire Medicaid expansion program. This decreased the percentage of patients without insurance and hence lowered the accounts receivable reserve required.

D-HH - D-HH's (parent) operating losses in 2016 were driven by the loss of $11.6 million incurred by ImagineCare, a health technology and service solution company, which began operations in 2015 and was still in the development stage. ImagineCare was focused on developing remote sensing products and services to more effectively manage chronic condition patients through the collection and use of real-time health data.

Dartmouth-Hitchcock - In 2016, Dartmouth-Hitchcock implemented a new billing and collection software system. In the 4th quarter, Dartmouth-Hitchcock discovered that data from the new billing system contained errors resulting from development issues and user interfaces linked to inadequate training. Most of the errors were made during the first few months after the implementation of the new system. Dartmouth-Hitchcock, with assistance from external consultants, analyzed the data output and determined that net revenue and net accounts receivable over the last three months of 2016 were overstated due to the errors occurring during the system implementation. Dartmouth-Hitchcock made corrections to net revenue and receivables to ensure that both net revenue and net accounts receivables were appropriately stated. These billing and reserve issues drove Dartmouth-Hitchcock's operating loss of $12.3 million for 2016.

Total Dartmouth-Hitchcock 2016 unrestricted revenues were $98.1 million higher than 2015. The increase in revenues was primarily driven by volume growth. Inpatient discharges and CMI increased 4.0% and 2.7%, respectively. Surgical volumes increased by 10.2%, while appointments decreased by 9.5%.

Dartmouth-Hitchcock's total operating expenses were $1.5 billion for the fiscal year, $110.3 million higher than 2015. The largest areas of growth were salaries, medications, and medical supplies. For 2016, physician salary expense was $20.7 million above 2015 due to changes to the physician compensation program. Staff (non-physician) salary expense was $15.6 million higher than 2015 due to a combination of increases in FTEs and the use of more expensive contracted travelers to fill vacant positions.

Medication and medical supply spending in 2016 was $35.5 million (17.6%) higher than 2015. Much of the expense increase was matched by an increase in revenues as Dartmouth-Hitchcock developed its outpatient pharmacy capabilities. Pharmaceuticals costs exceeded budget by about $6 million due to CMS's "Orphan Drug" ruling that reduced Dartmouth-Hitchcock's ability to purchase certain drugs at favorable 340(b) pricing. In addition, purchased services were $36.4 million higher than 2015 due mainly to a full year of revenue cycle services from Conifer Health Solutions ("Conifer") and legacy accounts receivable services from Accretive Health. The Conifer fees were mitigated by an almost equal reduction in salaries and benefits (as staff transitioned to Conifer employment).

Responding quickly to unfavorable financial performance in 2016, Dartmouth-Hitchcock developed and implemented the PIP by the beginning of the second quarter of 2017.

Fiscal Year 2017 – Results

Fiscal Year Ended June 30, 2017 Compared with Fiscal Year Ended June 30, 2016. D-HH generated a loss from operations of $7.0 million for the twelve months ended June 30, 2017 as compared to a loss from operations of $38.9 million for the twelve months ended June 30, 2016. The significant improvement of $31.9 million over the operating loss for 2016 was driven by Dartmouth-Hitchcock's operating gain which represented a $30.8 million improvement over its 2016 operating loss. D-HH's (Parent) operating loss was $4.0 million higher than 2016 (due mainly to Benevera's operating loss of $6.2 million (no activity in 2015)) which was partially offset by a reduction in the ImagineCare loss of $3.9 million.

Dartmouth-Hitchcock - After a challenging start, Dartmouth-Hitchcock generated an operating gain of $18.5 million in 2017 and concluded the year having exceeded all of its PIP objectives, specifically:

- Dartmouth-Hitchcock produced an operating gain for 2017 that far exceeded the PIP target of break-even or better;

- Dartmouth-Hitchcock produced a fourth quarter operating gain that exceeded the PIP target of $10 million or greater; and

- Dartmouth-Hitchcock concluded the fiscal year with Days Cash on Hand that significantly exceeded the PIP target of 110 days or higher.

The PIP, developed by Dartmouth-Hitchcock leadership and implemented in the second quarter of 2017, was the catalyst behind the significantly improved operating results in 2017. The PIP included restructuring costs of $17.7 million, which were comprised of staffing reductions ($8.2 million, a reduction of 271 positions and 86 nursing travelers) and one-time costs associated with the accelerated freeze of defined benefit plan accruals. The pension freeze was implemented in January of 2017, 11 months earlier than planned, and resulted in total pension expense of $20.1 million in 2017. The $20.1 million expense was comprised of $9.5 million in benefit acceleration and six months of planned pension expense. Dartmouth-Hitchcock projected $26 million of savings in 2018 as a result of the accelerated freeze.

Dartmouth-Hitchcock's total unrestricted revenue and other support was $1.6 billion in 2017, which represented 81.8% of the System's revenue of $1.97 billion in 2017. Dartmouth-Hitchcock's revenue was 8.0% greater than 2016. The increased revenue was due to a combination of factors, including increases in surgical cases (3.8% over 2016), physician appointments (2.6% over 2016), inpatient discharges (1.6% over 2016), and CMI (0.3% over 2016).

In 2017, Dartmouth-Hitchcock's total operating expenses were $1.6 billion, $89.5 million greater than 2016. Total salary expense was $55.2 million (7.5%) above prior year, with $15.5 million of the increase related directly to the addition of Geisel physicians and staff (non-physician), $4.0 million related to restructuring costs, and the remainder due to planned pay increases.

Dartmouth-Hitchcock's employee benefits expenses were $5.0 million higher than 2016, due in large part to the addition of the Geisel physicians and staff (non-physician). During 2017, Dartmouth-Hitchcock worked closely with Dartmouth College and Geisel to transition all clinical services operated by Geisel and to begin the transition of clinical research to Dartmouth-Hitchcock. This transition included psychiatric professional services and sleep disorder program services (and associated revenues). Medication and medical supply spending was $20.2 million (8.5%) higher than 2016. Increased costs were matched by increased revenues, and the year-end markup rates were favorable to prior year experience.

ImagineCare, a subsidiary of D-HH, generated a loss from operations in 2017 of $7.6 million. For the first five months of 2017, D-HH continued to invest in product development and support of ImagineCare operations. At the end of the second quarter, the D-HH Board elected to discontinue the development effort and to cease operations. D-HH subsequently entered into an asset transfer agreement for certain ImagineCare assets with a Swedish company that includes a royalty stream opportunity for D-HH.

As a result of improved operating financial performance, reductions in accounts receivable and strong investment returns, Days Cash on Hand increased from 107 at June 30, 2016 to 126 at June 30, 2017.

Fiscal Year 2018 – Interim Results

Four Months Ended October 31, 2017 Compared with the Four Months Ended October 31, 2016. D-HH generated a consolidated operating gain of $22.1 million for the four months ended October 31, 2017 as compared to an operating loss of $4.6 million for the four months ended October 31, 2016. The significant improvement of $26.7 million over the four months ended October 31, 2016 can be attributed in large part to Dartmouth-Hitchcock's PIP implemented in the fall of calendar year 2016. (*See "Fiscal Year 2017-Results" for details of the PIP.*)

Dartmouth-Hitchcock's total unrestricted revenue and other support for the four months ended October 31, 2017 increased by 4.5% ($23.7 million) over the four months ended October 31, 2016. Dartmouth-Hitchcock's revenue was 81.6% of the D-HH revenue for the first four months of 2018 and key volume indicators of discharges, surgical volumes and appointments were all ahead of plan. Surgical case volume was 3.0% higher than the same four-month period for 2017, with the orthopedics and heart and vascular service lines showing the greatest improvement year over year. Inpatient discharges were 1.2% above prior year, supported by strong growth in orthopedics. Provider appointments increased 7.7% over prior year. The inpatient CMI for the four-month period was 2.3% over the same four months in 2017. A coding initiative to capture all of the elements of patient complexity in provider documentation was critical to Dartmouth-Hitchcock's improvement efforts under the 2017 PIP.

Dartmouth-Hitchcock's total expenses for the four months ended October 31, 2017 were lower by $1.6 million as compared to the four months ended October 31, 2016. Physician compensation was higher than 2017 by $2.4 million due mainly to planned compensation increases. Staff (non-physician) salary expense was $2.0 million less than 2017 due to the reductions in FTE's implemented in 2016. Medication and medical supply spending was $8.0

million (9.5%) higher than 2017 for the period, which was consistent with the increase in medication and supply revenues. Spending on employee benefits in the first four months of 2018 was $8.5 million (12.9%) below the same period in 2017, as a result of the December 2016 Defined Benefit pension accelerated freeze.

As a result of continued improvement in operating financial performance, further reductions in accounts receivable and strong investment returns, Days Cash on Hand increased from 126 at June 30, 2017 to 135 at October 31, 2017. (See "Liquidity" herein.) However, there can be no assurances that the four month results will be sustained through 2018.

Investments and Policy

MHMH, the Clinic, NLH, MAHHC and The Hitchcock Foundation are members of the Dartmouth-Hitchcock Master Investment Program of Pooled Investment Accounts (the "Program"), the purpose of which is to provide for the purchase, retention, sale and exchange of investment property and the establishment, management and operation of one or more investment pools to fund the mission of the partners. The Board of Trustees of D-HH has approved an investment policy that establishes oversight of Program investments. The goal of the Program is to preserve capital and provide long-term capital appreciation, net of inflation. Given the long-term nature of this component, the policy establishes a diversified structure of asset classes designed to achieve stated performance objectives. Substantially all of the investments of certain Affiliates, including MHMH, the Clinic, NLH, and MAHHC are held in the Program. An outside professional consultant advises MHMH (the General Partner of the Program) in connection with the investment of the assets held in the Program.

As of June 30, 2017, 76% of D-HH's investments were held in the Program, with the remaining amounts primarily invested in high quality, short-term fixed income securities that support shorter-term objectives of D-HH. This includes the investments of Hamden Assurance Risk Retention Group ("RRG") and Hamden Assurance Company Limited ("HAC"), captive insurance companies in which Dartmouth-Hitchcock holds the majority interest and which provide professional and general liability insurance coverage on a claims-made basis, primarily to D-HH. The investments of RRG and HAC are shown as "Program-Related" in the table below and are held subject to regulatory requirements for insurance companies. Therefore, D-HH does not consider these funds to be unrestricted and does not include them in days cash on hand calculations.

The market value of D-HH's total investments as of June 30, 2015, 2016 and 2017 and as of October 31, 2017 are presented in the following table:

Investments for 2015, 2016 and 2017 and as of October 31, 2017
($ 000s)

Year	Board Designated and Unrestricted	Temporarily and Permanently Restricted	Program-Related Investments	Total
2015	$533,479	$132,016	$86,946	$752,441
2016	$513,525	$142,036	$78,943	$734,504
2017	$591,177	$124,529	$71,146	$786,853
10/31/2017	$612,808	$127,835	$70,429	$811,072

As of October 31, 2017, the market value of D-HH's investments was $811.1 million, which includes Board Designated, Unrestricted, Temporarily and Permanently Restricted, and Program-Related investments. This estimate is unaudited and determined in accordance with internal valuation policies, which include a portion that are reported one to three months in arrears for certain assets invested in hedge funds and private equity.

As of October 31, 2017, the asset allocation of the Program was as follows:

Investment Asset Allocation
As of October 31, 2017

Asset Class	Percent of Fair Value	Allocation Target
Fixed Income	32.3%	26.0%
Equity	44.2	40.0
Real Assets	11.4	14.0
Hedge Fund	4.9	10.0
Private Equity	7.2	10.0

The asset allocation of the Program is designed to provide long-term growth but also to minimize volatility, in light of current restrictive debt covenants requiring minimum days cash on hand. The D-HH Board will evaluate the Program's allocation targets in light of D-HH's strategic and financial goals, and assessment of its risk tolerance.

Sources of Revenue

The Affiliates receive patient service revenue from a variety of third-party payor sources. These third-party payors include government-sponsored payors such as Medicare and Medicaid, private-sector commercial insurance carriers, and self-pay patients. While certain Affiliates may have entered into alternative payment arrangements, such as the CMS Next Generation ACO Model or shared risk arrangements with commercial carriers, all of these models still pay the respective participants on an underlying fee-for-service basis. To date, none of the Affiliates have entered into global budget or capitated payment arrangements with any third-party payor. Third-party payor fee-for-service payment methodologies may include Medicare Severity Diagnosis Related Group ("MS-DRG") case rates for inpatient hospital services, ambulatory surgery case rates for outpatient surgery services, discounted fixed fee schedules for hospital, ancillary, and/or professional services, percent-of-billed charges and, in the case of critical access hospitals, cost-based reimbursement from Medicare.

Management of Dartmouth-Hitchcock may seek to increase the volume of risk or performance based payor agreements, particularly in connection with anticipated shifts in payment arrangements attributable to national health reform. (See "BONDOWNERS RISKS AND MATTERS AFFECTING THE HEALTH CARE INDUSTRY" in the forepart of this document.)

The following table categorizes payors into five groups illustrating their respective percentages of D-HH's gross patient service revenue:

Dartmouth-Hitchcock Health and Subsidiaries
Payor Mix (GPSR)

	Year Ended June 30			Four Months Ended October 31 (unaudited)	
Payor	**2015**	**2016**	**2017**	**2016**	**2017**
Medicare	40%	42%	43%	43%	43%
Blue Cross	21	19	18	18	18
Commercial Insurance (other than Blue Cross)	20	22	20	21	21
Medicaid	15	14	13	13	13
Other	4	3	6	5	5
	100%	100%	100%	100%	100%

Liquidity

The following table sets forth the System consolidated cash position and unrestricted liquidity as of June 30, 2015, 2016, 2017 and the four months ended October 31, 2016 and 2017.

Dartmouth-Hitchcock Health and Subsidiaries
Summary Statement of Unrestricted Liquidity ($000s)

	Year Ended June 30			As of October 31 (unaudited)	
	2015	**2016**	**2017**	**2016**	**2017**
Cash and cash equivalents	$35,887	$929	$64,413	$(16,254)	$76,534
Assets whose use is limited by Board designation *	533,479	513,525	591,177	525,648	612,808
Total unrestricted cash and investments	$569,366	$514,454	$655,590	$509,394	$689,342
Days cash on hand	138	107	126	100	135

* Excludes current assets whose use is limited, lines of credit, assets held by trustees and captive insurance company.

The following table sets forth certain key financial health measures for the System as of 2015, 2016 and 2017 and for the four months ended October 31, 2016 and 2017.

Dartmouth-Hitchcock Health and Subsidiaries
Key Financial Health Measures

	Year Ended June 30			Four Months Ended October 31	
	2015	**2016**	**2017**	**2016**	**2017**
Operating Margin	-0.6%	-2.2%	-0.4%	-0.7%	3.3%
Total Margin	4.4%	-2.5%	2.9%	4.4%	6.7%
EBITDA	9.8%	3.3%	8.2%	9.7%	11.8%
Days Cash on Hand	138	107	126	100	135
Debt-to-Capitalization	54.8%	63.5%	59.2%	60.9%	56.2%
Days in Accounts Receivable, net	54.0	58.4	48.2	54.1	47.0

Definitions:
Operating Margin - Operating gains/(losses) divided by total unrestricted revenue and other support
Total Margin - Excess/(deficiency) of revenue over expenses divided by (total unrestricted revenue and other support + total non-operating gains/(losses), net)
EBITDA - Excess/(deficiency) of revenue over expenses + depreciation and amortization + interest divided by (total unrestricted revenue and other support + total non-operating gains/(losses), net)
Days Cash on Hand - ((cash and cash equivalents plus marketable securities) - (captive insurance cash + outstanding line of credit)) + ((investments internally designated by the Board) - (assets held by trustee + captive insurance investments)) divided by ((total operating expenses - less operating depreciation) divided by the number of days in period)
Debt-to-Capitalization - Long term debt, excluding current portion divided by (long term debt, excluding current portion + unrestricted net assets)
Days in Accounts Receivable, net - Net patient accounts receivable divided by (net patient service revenue divided by number of days in period)

The following table sets forth the outstanding long-term debt and capitalization of the System as of June 30, 2017 and shows a pro forma comparison, as of the same date, as if the Series 2018 Bonds had then been issued and the bonds refunded by the Series 2018 Bonds had been refunded.

Dartmouth-Hitchcock Health and Subsidiaries
Long Term Debt and Capitalization
as of June 30, 2017
($ 000s)

	Actual as of June 30, 2017	Pro forma as of June 30, 2017
Series 2018A Bonds	$ -	$ 83,355
Series 2018B Bonds		303,102
Series 2017A Bonds	-	122,435
Series 2017B Bonds	-	109,800
Other Long-Term Debt	634,760	97,210
Less Current Maturities	(18,357)	(18,357)
Total Long-Term Debt Less Current Maturities	616,403	697,545
Unrestricted Net Assets	424,947	424,947
Total Capitalization	$ 1,041,350	$ 1,122,492
Net Long-Term Debt as a Percentage of Total Capitalization	59.2%	62.1%

The following table sets forth the income available for debt service and maximum annual debt service for the Obligated Group as of June 30, 2015, 2016 and 2017 and pro forma maximum annual debt service of the Obligated Group as of June 30, 2017, calculated as if the Series 2018 Bonds had then been issued and the bonds refunded by the Series 2018 Bonds had been refunded.

Dartmouth-Hitchcock Obligated Group
Summary Statements of Historic Maximum Annual Debt Service
and Pro Forma Maximum Annual Debt Service
($ 000s)

	As of June 30		
	2015	**2016**	**2017**
(Deficiency) Excess of Revenue over Expenses	$ (14,900)	$ (34,402)	$ 56,853
Add: Loss on bond refinancing	753	194	381
Change in net unrealized losses on investments	17,797	19,972	-
Less: Change in net unrealized gains on investments	-	-	(26,421)
Unrealized ineffectiveness on interest rate hedge	(1,035)	(1,696)	(124)
Excluding from expenses			
Depreciation and amortization	56,764	62,576	82,495
Interest expense on long-term indebtedness - operating expense	16,781	16,821	19,338
Interest expense on long-term indebtedness - nonoperating revenue	3,403	3,201	3,138
Interest expense related to swap agreements	(3,709)	(3,484)	-
Income Available for Debt Service	$ 75,854	$ 63,182	$ 135,660
Historic Maximum Annual Debt Service	$ 31,554	$ 33,592	$ 36,351
Coverage of Maximum Annual Debt Service	2.40	1.88	3.73
Pro Forma Maximum Annual Debt Service			$ 42,380
Pro Forma Coverage of Maximum Annual Debt Service			3.20

Historical Maximum Annual Debt Service - for the most recent completed fiscal year this is the greatest debt service requirements (principal and interest) on long term indebtedness for the then current or any future year.

Coverage of Maximum Annual Debt Service - Income available for debt service divided by historical maximum annual debt service.

The following table sets forth the outstanding long-term indebtedness of the System as of June 30, 2017 and shows a pro forma comparison, as of the same date, as if the Series 2018 Bonds had then been issued and the bonds refunded by the Series 2018 Bonds had been refunded.

Dartmouth-Hitchcock Health and Subsidiaries
Outstanding Long-Term Indebtedness
and Pro Forma Long-Term Indebtedness
($ 000s)

	Actual as of June 30, 2017	Pro forma as of June 30, 2017
New Hampshire Health and Education Facilities Authority Revenue Bonds:		
Mary Hitchcock Memorial Hospital		
Series 2018A	$ -	$ 83,355
Series 2018B	-	303,102
Series 2017A	-	122,435
Series 2017B	-	109,800
Series 2016B	10,970	10,970
Series 2015A	82,975	-
Series 2014A	26,960	26,960
Series 2014B	14,530	14,530
Series 2012A	71,700	-
Series 2012B	39,340	-
Series 2010	75,000	-
Series 2009	57,540	-
Cheshire Medical Center		
Series 2012	26,735	26,735
New London Hospital		
Series 2016A	24,608	-
Alice Peck Day Memorial Hospital		
Series 2010A	15,900	-
Other:		
Revolving line of credit	49,750	-
2012 Term Loan	136,000	-
Notes payable to financial institutions	1,248	1,248
Mortgage payable U.S. Department of Agriculture	2,763	2,763
Obligations under capital leases	3,435	3,435
Total	639,454	705,333
Add: original issuance premium, net	-	11,903
Less: original issue discounts, net	(862)	(862)
Less: current portion	(18,357)	(18,357)
Less: bond issuance costs	(3,832)	(3,832)
Total Long-Term Indebtedness	$ 616,403	$ 694,185

PENSION PLAN AND RETIREMENT BENEFITS PLAN

Eligible employees of the System are covered under various defined benefit and/or defined contribution plans. Dartmouth-Hitchcock provides a variety of benefits for its employees, including the Dartmouth-Hitchcock Retirement Program, which has three components, all defined contribution in nature: an employer-sponsored 403(b) pre-tax program, an employer-sponsored 401(a) plan, and a nonqualified supplemental retirement program. Other Affiliates provide retirement benefits through separately-sponsored 403(b) pre-tax programs.

In addition to the defined contribution plans, the System sponsors three defined benefit plans, with the largest sponsored by Dartmouth-Hitchcock. All of the defined benefit plans within the System were closed to new entrants several years ago and benefit accruals are now frozen, no longer permitting benefit growth for any System employees. Approximately 3,100 employees and 3,200 former employees are currently entitled to benefits from these plans.

It is the System policy to fund the pension plans in an amount necessary to fulfill ERISA requirements to provide long-term funding for the frozen benefits previously earned by participants. As of June 30, 2017 (the pension plans' measurement date), the projected benefit obligation of Dartmouth-Hitchcock's pension plans was $1.12 billion and the pension plans' assets (at fair market value) were $878.7 million. In common with other sponsors of defined benefit plans, Dartmouth-Hitchcock has experienced volatility in its required funding levels due to the significant volatility of interest rates and investment returns over the last several years. In 2012, to address plan volatility, Dartmouth-Hitchcock developed and executed a strategy to actively manage the risks related to funding the Dartmouth-Hitchcock defined benefit plan. The strategy included borrowing $150 million to pre-fund the Dartmouth-Hitchcock defined benefit plan, implement a Liability Driven Investing ("LDI") approach to managing plan assets in order to mitigate the effects of interest rate volatility, and settle approximately $350 million of outstanding pension obligations over a reasonable period of time.

Since 2012, Dartmouth-Hitchcock has executed settlements of $160.7 million of outstanding pension obligations through a combination of bulk lump-sum offerings and purchases of annuity contracts. Since the implementation of this de-risking strategy, Dartmouth-Hitchcock's funded status has improved from 66% in 2012 to 78% at June 30, 2017. In 2016, Cheshire also implemented a strategy to settle approximately $4 million of outstanding pension obligations through bulk lump-sum offerings.

Note: The annuity purchases follow guidelines established by the Department of Labor. System leadership will continue to consider additional settlements over the next several years and options to mitigate the effects of volatility on the System; recognizing that future funding fluctuations could be material.

The funded status of the System pension plans is determined annually based upon market conditions in effect at the end of the fiscal year, and is performed in accordance with FASB ASC 715. See footnote 11 to the audited consolidated financial statements included in Appendix B.

FUNDRAISING

Philanthropy plays a key role in advancing operations, special projects and capital needs in the System. D-HH and its programs are supported through the Joint Development Office ("JDO") which also raises funds for Geisel. This joint development structure has been in place for over 30 years. Each of the Affiliates has independent fundraising programs; the development officers from each come together at least twice a year to share best practices and identify opportunities for collaboration in both direct fundraising and operations to support philanthropic efforts. In the next few years, technology and infrastructure are expected to be consolidated at D-HH while Affiliates each maintain frontline fundraisers on their premises.

In 2017, the System raised $24 million in cash for largely Lebanon-based activities through the efforts of the JDO. Over the last five years, cash contributions have more than doubled, and cumulative giving in this period exceeds $82 million. The majority of donors make charitable contributions to annual fundraising events like those sponsored by CHaD and the Cancer Center.

Many of the donations received in 2017 were capital gifts for the construction of the Jack Byrne Center for Palliative and Hospice Care (the "Jack Byrne Center") which opened to patients in December 2017. The total cost of the project was $22 million of which $17 million came from philanthropy. Dartmouth-Hitchcock funded the remaining $5 million of costs with operating cash. Over 400 donors, including 128 Dartmouth-Hitchcock employees, helped to achieve this goal prior to the opening of the Center, making it the first capital project in Dartmouth-Hitchcock's history to have completed fundraising prior to opening.

COMMUNITY BENEFITS

Community benefits are a framework for reporting and demonstrating the charitable impact of non-profit hospitals. Each System subsidiary reports annually to the State of New Hampshire and the Internal Revenue Service the value of the charitable initiatives provided for the benefit of its patients and communities. Vermont hospitals are not required by law to file a community benefit report with the state.

Community benefits include, among other things, charity care, financial assistance offered to patients unable to pay for services, and uncompensated costs of providing health care services for persons enrolled in Medicaid. Consistent with its mission, the System provides high quality, cost effective, comprehensive, and integrated healthcare to individuals, families, and the communities it serves regardless of a patient's ability to pay. For the fiscal years ended June 30, 2017 and 2016, the System provided financial assistance to patients in the amount of approximately $29,934,000 and $30,637,000, respectively, as measured by gross charges. The estimated cost of providing this care for the fiscal years ended June 30, 2017 and 2016 was approximately $12,173,000 and $12,257,000, respectively. The System received no compensation from the Medicaid program for $124.4 million of care provided to patients.

Community benefits also include the uncompensated cost of health services education, such as supervising medical residents and conducting regional healthcare workforce training; the cost of free community health education classes and workshops; health screenings, financial

support of community projects that meet identified health needs; and the investment of staff time and expertise to develop community coalitions, health campaigns, and other health promotion strategies. The System actively supports community-based healthcare and promotes the coordination of services among healthcare providers and social services organizations. With an integrated academic medical center at its core, the System provides significant support for academic and research programs.

FACILITIES

In 1991, MHMH and the Clinic moved to the new 225-acre Dartmouth-Hitchcock Medical Center in Lebanon, New Hampshire. The Lebanon facility originally consisted of approximately 1,075,000 square feet. At the time it was one of the few medical centers in the country that was designed for patient convenience and comfort and to meet the demands of modern medicine. The land is owned by Dartmouth Hitchcock Medical Center and leased to MHMH pursuant to a 40-year ground lease that began in 1988, subject to several automatic ten-year renewals. Dartmouth-Hitchcock Medical Center, the Clinic and MHMH have submitted the premises to condominium status.

The following is a summary of the growth of D-HH's facilities on the Dartmouth-Hitchcock Medical Center's campus and at Affiliate locations.

- In 1995, an approximately 115,000 square foot addition was added, providing space for hospital and clinic facilities and the Cancer Center at a cost of approximately $15.6 million.

- Between 2002 and 2006, Dartmouth-Hitchcock completed renovations and additions which included an additional 277,000 square foot physician's office and ambulatory space, a 540 space-parking garage and a helicopter (DHART) helipad and facility. The total cost of the projects was approximately $202 million.

- In 2010, an approximately 41,000 square foot outpatient surgery center a short distance from the main Dartmouth-Hitchcock Medical Center complex, at a cost of approximately $40 million.

- In 2015, Geisel and Dartmouth-Hitchcock built the 161,000 square foot Williamson Translational Research Building, to house interdisciplinary teams of bench scientists, physician researchers, health care delivery researchers and biomedical data scientists. The total cost was $116.5 million, of which Dartmouth-Hitchcock's share was $17.7 million (25,500 square feet).

- In 2016, NLH completed construction of a new approximately 29,000 square foot health center, The Newport Health Center, in Newport New Hampshire at a cost of approximately $12.4 million. The Newport Health Center provides primary care, rehabilitation and physical therapy services to residents of greater Newport.

- In December 2017, the approximately 27,600 square foot Jack Byrne Center, which was designed to support patients and families who are approaching end-of-life, at a total cost of approximately $22 million, of which $17.5 million was funded by donors.

See "MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE – Capital Expansion Plans" herein.

INSURANCE

D-HH oversees a comprehensive property and casualty program for itself and all of the subsidiaries. The insurance program includes property, flood, privacy/cyber, fiduciary, crime, directors and officers, environmental, vehicle, ambulance, aviation, general liability, employment practices and workers compensation. Professional and general liability insurance are provided to Dartmouth-Hitchcock, Cheshire, NLH, MAHHC and VNH on a claims-made basis through Hamden Assurance Risk Retention Group, Inc. (RRG), a VT captive insurance company. RRG reinsures the majority of this risk to Hamden Assurance Company Limited (HAC), a captive insurance company domiciled in Bermuda and to a variety of commercial reinsurers. APD is covered for professional and general liability insurance under a modified claims-made policy purchased through New England Alliance for Health (NEAH).

LITIGATION

D-HH is unaware of any litigation or other proceedings in which an unfavorable decision would materially adversely affect the ability of D-HH or the other members of the Obligated Group to meet their obligations with respect to the Series 2018 Bonds and the documents pursuant to which they will be issued or which would have a material adverse effect upon the financial positions or operations of D-HH or the other members of the Obligated Group.

COMPLIANCE

D-HH has established a culture of compliance across the System that promotes the prevention, detection, and resolution of practices that do not conform to federal, state, and private payer healthcare program requirements or to the ethical and business standards of D-HH and its subsidiaries and affiliates.

D-HH's compliance program is administered by and under the guidance of the D-HH/Dartmouth-Hitchcock Administrative Compliance Officer and the Medical Director of Organizational Compliance (together, the "Compliance Officers"). The Compliance Officers direct the activities of the Dartmouth-Hitchcock Compliance and Audit Services department personnel who support the program. The program is structured in accordance with the seven elements detailed in the Compliance Guidance for Hospitals and Physicians issued by the Office of Inspector General, U.S. Department of Health and Human Services, and the federal sentencing guidelines.

The Audit and Compliance Committee of the D-HH Board oversees the Dartmouth-Hitchcock compliance and internal audit programs, receives regular reports from the Compliance Officers, and approves the annual report and work plan. The Compliance Officers also serve as the compliance officers for Cheshire. In addition, Dartmouth-Hitchcock has formed a D-HH

Compliance Advisory Group to provide broad guidance and oversight for all of the Affiliates compliance programs.

The Dartmouth-Hitchcock and Affiliate compliance programs include the following components:

- Code(s) of conduct outlining fundamental principles and values, including an overview of key regulations and policies that guide D-HH, subsidiaries, and Affiliate activities centrally and locally.
- Centralized management of organizational and departmental policies and procedures to guide employees; at the local level and/or System level.
- Reporting systems, permitting staff to report compliance concerns anonymously, are in place at all System and Obligated Group locations.
- The Compliance Officers routinely provide training to staff regarding regulatory matters. Mandatory compliance training is required at orientation and no less than annually thereafter.

The Compliance Officers and the Compliance and Audit Services Department:

- Prepare and issue an annual work plan of process reviews and audits to monitor Dartmouth-Hitchcock and Cheshire activities and provide guidance and support to the other Affiliates with respect to their compliance activities.
- Assist Affiliates and Dartmouth-Hitchcock departments in developing and completing corrective actions necessary to address any deficiencies identified in the reviews; and
- Perform sanction screening to ensure Dartmouth-Hitchcock employees, staff, volunteers and vendors are eligible to participate in federal programs. (*Affiliates oversee the sanction screening process for their respective employees.*)

BONDOWNERS' RISKS

For a discussion of additional risks relating to the purchase of the Series 2018 Bonds, see "BONDOWNERS' RISKS AND MATTERS AFFECTING THE HEALTH CARE INDUSTRY" in the forepart of this document.

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APPENDIX B-1

CONSOLIDATED FINANCIAL STATEMENTS OF
DARTMOUTH-HITCHCOCK HEALTH AND AFFILIATES

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Dartmouth-Hitchcock Health and Subsidiaries

Consolidated Financial Statements
June 30, 2017 and 2016

Dartmouth-Hitchcock Health and Subsidiaries
Index
June 30, 2017 and 2016

Report of Independent Auditors

To the Board of Trustees of
Dartmouth-Hitchcock Health and Subsidiaries

We have audited the accompanying consolidated financial statements of Dartmouth-Hitchcock Health and Subsidiaries (the "Health System"), which comprise the consolidated balance sheets as of June 30, 2017 and 2016, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We did not audit the financial statements of Alice Peck Day Hospital, a subsidiary whose sole member is Dartmouth-Hitchcock Health, which statements reflect total assets of 2.8% of consolidated total assets at June 30, 2017, and total revenues of 3.3% of consolidated total revenues for the year then ended. We did not audit the consolidated financial statements of The Cheshire Medical Center, a subsidiary whose sole member is Dartmouth-Hitchcock Health, which statements reflect total assets of 8.8% of consolidated total assets at June 30, 2016, and total revenues of 9.2% of consolidated total revenues for the year then ended. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Alice Peck Day Hospital as of and for the year ended June 30, 2017 and The Cheshire Medical Center as of and for the year ended June 30, 2016, is based solely on the reports of the other auditors. 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 our 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, we consider internal control relevant to the Health System'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 Health System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the

overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Health System as of June 30, 2017 and 2016, and the results of its operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, changes in net assets and cash flows of the individual companies and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations, changes in net assets and cash flows of the individual companies.

PricewaterhouseCoopers LLP

Boston, Massachusetts
November 17, 2017

Dartmouth-Hitchcock Health and Subsidiaries
Consolidated Balance Sheets
June 30, 2017 and 2016

(in thousands of dollars)	2017	2016
Assets		
Current assets		
Cash and cash equivalents	$ 68,498	$ 40,592
Patient accounts receivable, net of estimated uncollectibles of $121,340 and $118,403 at June 30, 2017 and 2016 (Note 4)	237,260	260,988
Prepaid expenses and other current assets	89,203	95,820
Total current assets	394,961	397,400
Assets limited as to use (Notes 5 and 7)	662,323	592,468
Other investments for restricted activities (Notes 5 and 7)	124,529	142,036
Property, plant, and equipment, net (Note 6)	609,975	612,564
Other assets	97,120	87,266
Total assets	$ 1,888,908	$ 1,831,734
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt (Note 10)	$ 18,357	$ 18,307
Line of credit (Note 13)	-	36,550
Current portion of liability for pension and other postretirement plan benefits (Note 11)	3,220	3,176
Accounts payable and accrued expenses (Note 13)	89,160	107,544
Accrued compensation and related benefits	114,911	103,554
Estimated third-party settlements (Note 4)	27,433	19,650
Total current liabilities	253,081	288,781
Long-term debt, excluding current portion (Note 10)	616,403	625,341
Insurance deposits and related liabilities (Note 12)	50,960	56,887
Interest rate swaps (Notes 7 and 10)	20,916	28,917
Liability for pension and other postretirement plan benefits, excluding current portion (Note 11)	282,971	272,493
Other liabilities	90,548	69,811
Total liabilities	1,314,879	1,342,230
Commitments and contingencies (Notes 4, 6, 7, 10, and 13)		
Net assets		
Unrestricted (Note 9)	424,947	360,183
Temporarily restricted (Notes 8 and 9)	94,917	75,731
Permanently restricted (Notes 8 and 9)	54,165	53,590
Total net assets	574,029	489,504
Total liabilities and net assets	$ 1,888,908	$ 1,831,734

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

Dartmouth-Hitchcock Health and Subsidiaries
Consolidated Statements of Operations and Changes in Net Assets
Years Ended June 30, 2017 and 2016

(in thousands of dollars)	2017	2016
Unrestricted revenue and other support		
Net patient service revenue, net of contractual allowances and discounts	$ 1,859,192	$ 1,689,275
Provision for bad debts	63,645	55,121
Net patient service revenue less provision for bad debts	1,795,547	1,634,154
Contracted revenue (Note 2)	43,671	65,982
Other operating revenue (Note 2 and 5)	119,177	82,352
Net assets released from restrictions	11,122	9,219
Total unrestricted revenue and other support	1,969,517	1,791,707
Operating expenses		
Salaries	966,352	872,465
Employee benefits	244,855	234,407
Medical supplies and medications	306,080	309,814
Purchased services and other	289,805	255,141
Medicaid enhancement tax (Note 4)	65,069	58,565
Depreciation and amortization	84,562	80,994
Interest (Note 10)	19,838	19,301
Total operating expenses	1,976,561	1,830,687
Operating loss	(7,044)	(38,980)
Nonoperating gains (losses)		
Investment gains (losses) (Notes 5 and 10)	51,056	(20,103)
Other losses	(4,153)	(3,845)
Contribution revenue from acquisition (Note 3)	20,215	18,083
Total nonoperating gains (losses), net	67,118	(5,865)
Excess (deficiency) of revenue over expenses	$ 60,074	$ (44,845)

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

Dartmouth-Hitchcock Health and Subsidiaries
Consolidated Statements of Operations and Changes in Net Assets
Years Ended June 30, 2017 and 2016

(in thousands of dollars)	2017	2016
Unrestricted net assets		
Excess (deficiency) of revenue over expenses	$ 60,074	$ (44,845)
Net assets released from restrictions	1,839	3,248
Change in funded status of pension and other postretirement benefits (Note 11)	(1,587)	(66,541)
Other changes in net assets	(3,364)	-
Change in fair value of interest rate swaps (Note 10)	7,802	(5,873)
Increase (decrease) in unrestricted net assets	64,764	(114,011)
Temporarily restricted net assets		
Gifts, bequests, sponsored activities	26,592	12,227
Investment gains	1,677	518
Change in net unrealized gains on investments	3,775	(1,674)
Net assets released from restrictions	(12,961)	(12,467)
Contribution of temporarily restricted net assets from acquisition	103	670
Increase (decrease) in temporarily restricted net assets	19,186	(726)
Permanently restricted net assets		
Gifts and bequests	300	699
Investment gains (losses) in beneficial interest in trust	245	(219)
Contribution of permanently restricted net assets from acquisition	30	29
Increase in permanently restricted net assets	575	509
Change in net assets	84,525	(114,228)
Net assets		
Beginning of year	489,504	603,732
End of year	$ 574,029	$ 489,504

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

Dartmouth-Hitchcock Health and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2017 and 2016

(in thousands of dollars)	2017	2016
Cash flows from operating activities		
Change in net assets	$ 84,525	$ (114,228)
Adjustments to reconcile change in net assets to net cash (used) provided by operating and nonoperating activities		
Change in fair value of interest rate swaps	(8,001)	4,177
Provision for bad debt	63,645	55,121
Depreciation and amortization	84,711	81,138
Contribution revenue from acquisition	(20,348)	(18,782)
Change in funded status of pension and other postretirement benefits	1,587	66,541
Loss on disposal of fixed assets	1,703	2,895
Net realized (gain) losses and change in net unrealized (gain) losses on investments	(57,255)	27,573
Restricted contributions and investment earnings	(4,374)	(4,301)
Proceeds from sales of securities	809	496
Loss from debt defeasance	381	-
Changes in assets and liabilities		
Patient accounts receivable, net	(35,811)	(101,567)
Prepaid expenses and other current assets	7,386	4,767
Other assets, net	(8,934)	2,188
Accounts payable and accrued expenses	(17,820)	(23,668)
Accrued compensation and related benefits	10,349	5,343
Estimated third-party settlements	7,783	(3,652)
Insurance deposits and related liabilities	(5,927)	(14,589)
Liability for pension and other postretirement benefits	8,935	15,599
Other liabilities	11,431	2,109
Net cash provided (used) by operating and nonoperating activities	124,775	(12,840)
Cash flows from investing activities		
Purchase of property, plant, and equipment	(77,361)	(73,021)
Proceeds from sale of property, plant, and equipment	1,087	612
Purchases of investments	(259,201)	(67,117)
Proceeds from maturities and sales of investments	276,934	66,105
Cash received through acquisition	3,564	12,619
Net cash used by investing activities	(54,977)	(60,802)
Cash flows from financing activities		
Proceeds from line of credit	65,000	140,600
Payments on line of credit	(101,550)	(105,250)
Repayment of long-term debt	(48,506)	(104,343)
Proceeds from issuance of debt	39,064	140,031
Payment of debt issuance costs	(274)	(14)
Restricted contributions and investment earnings	4,374	4,301
Net cash (used) provided by financing activities	(41,892)	75,325
Increase in cash and cash equivalents	27,906	1,683
Cash and cash equivalents		
Beginning of year	40,592	38,909
End of year	$ 68,498	$ 40,592
Supplemental cash flow information		
Interest paid	$ 23,407	$ 22,298
Asset depreciation due to affiliations	-	(960)
Net assets acquired as part of acquisition, net of cash aquired	16,784	6,163
Building construction in process financed by a third party	8,426	-
Construction in progress included in accounts payable and accrued expenses	14,669	16,427
Equipment acquired through issuance of capital lease obligations	-	2,001
Donated securities	809	688

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

1. Organization and Community Benefit Commitments

Dartmouth-Hitchcock Health (D-HH) serves as the sole corporate member of Mary Hitchcock Memorial Hospital (MHMH) and Dartmouth-Hitchcock Clinic (DHC) (collectively referred to as "Dartmouth-Hitchcock" (D-H)), New London Hospital Association (NLH), Mt. Ascutney Hospital and Health Center (MAHHC), The Cheshire Medical Center (Cheshire), Alice Peck Day Memorial Hospital (APD) and Visiting Nurse & Hospice for VT and NH (VNH).

The "Health System" consists of D-HH, its affiliates and their subsidiaries.

The Health System currently operates one tertiary, one community and three acute care (critical access) hospitals in New Hampshire (NH) and Vermont (VT). One facility provides inpatient and outpatient rehabilitation medicine and long-term care. The Health System also operates multiple physician practices, a nursing home and a home health and hospice service. The Health System operates a graduate level program for health professions and is the principal teaching affiliate of the Geisel School of Medicine (Geisel), a component of Dartmouth College.

D-HH, MHMH, DHC, NLH, Cheshire, and APD are NH not-for-profit corporations exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). MAHHC and VNH are VT not-for-profit corporations exempt from federal income taxes under Section 501(c)(3) of the IRC.

Fiscal year 2017 includes a full year of operations of D-HH, D-H, NLH, MAHHC, Cheshire, APD and VNH. Fiscal year 2016 includes a full year of operations of D-HH, D-H, NLH, MAHHC and Cheshire, four months of operations of APD and no activity for VNH.

Community Benefits
The mission of the Health System is to advance health through clinical practice and community partnerships, research and education, providing each person the best care, in the right place, at the right time, every time.

Consistent with this mission, the Health System provides high quality, cost effective, comprehensive, and integrated healthcare to individuals, families, and the communities it serves regardless of a patient's ability to pay. The Health System actively supports community-based healthcare and promotes the coordination of services among healthcare providers and social services organizations. In addition, the Health System also seeks to work collaboratively with other area healthcare providers to improve the health status of the region. As a component of an integrated academic medical center, the Health System provides significant support for academic and research programs.

The Health System files annual Community Benefits Reports with the State of NH which outlines the community and charitable benefits it provides. VT hospitals are not required by law to file a state community benefit report. The categories used in the Community Benefit Reports to summarize these benefits are as follows:

- *Community health services* include activities carried out to improve community health and could include community health education (such as lectures, programs, support groups, and materials that promote wellness and prevent illness), community-based clinical services (such as free clinics and health screenings), and healthcare support services (enrollment assistance in public programs, assistance in obtaining free or reduced costs medications, telephone information services, or transportation programs to enhance access to care, etc.).

- *Subsidized health services* are services provided by the Health System, resulting in financial losses that meet the needs of the community and would not otherwise be available to participate unless the responsibility was assumed by the government.

- *Research support and other grants* represent costs in excess of awards for numerous health research and service initiatives awarded to the organizations within the Health System.

- *Community health-related initiatives* occur outside of the organization(s) through various financial contributions of cash, in-kind, and grants to local organizations.

- *Community-building activities* include cash, in-kind donations, and budgeted expenditures for the development of programs and partnerships intended to address social and economic determinants of health. Examples include physical improvements and housing, economic development, support system enhancements, environmental improvements, leadership development and training for community members, community health improvement advocacy, and workforce enhancement. Community benefit operations includes costs associated with staff dedicated to administering benefit programs, community health needs assessment costs, and other costs associated with community benefit planning and operations.

- *Charity care (financial assistance)* represents services provided to patients who cannot afford healthcare services due to inadequate financial resources which result from being uninsured or underinsured. For the years ended June 30, 2017 and 2016, the Health System provided financial assistance to patients in the amount of approximately $29,934,000 and $30,637,000, respectively, as measured by gross charges. The estimated cost of providing this care for the years ended June 30, 2017 and 2016 was approximately $12,173,000 and $12,257,000, respectively. The estimated costs of providing charity care services are determined applying a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of costs to charges is calculated using total expenses, less bad debt, divided by gross revenue.

- *Government-sponsored healthcare services* are provided to Medicaid and Medicare patients at reimbursement levels that are significantly below the cost of the care provided.

- *The uncompensated cost of care for Medicaid* patients reported in the unaudited Community Benefits Reports for 2016 was approximately $124,371,000. The 2017 Community Benefits Reports are expected to be filed in February 2018.

The following table summarizes the value of the community benefit initiatives outlined in the Health System's most recently filed Community Benefit Reports for the year ended June 30, 2016:

(Unaudited, in thousands of dollars)

Government-sponsored healthcare services	$	281,014
Health professional education		32,561
Subsidized health services		25,846
Charity care		10,769
Community health services		5,701
Research		3,417
Financial contributions		1,792
Community building activities		1,789
Community benefit operations		1,107
Total community benefit value	$	363,996

The Health System also provides a significant amount of uncompensated care to its patients that are reported as provision for bad debts, which is not included in the amounts reported above. During the years ended June 30, 2017 and 2016, the Health System reported a provision for bad debt expense of approximately $63,645,000 and $55,121,000, respectively.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, and have been prepared consistent with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 954 *Healthcare Entities* (ASC 954), which addresses the accounting for healthcare entities. In accordance with the provisions of ASC 954, net assets, revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, unrestricted net assets are amounts not subject to donor-imposed stipulations and are available for operations. Temporarily restricted net assets are those whose use 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. All significant intercompany transactions have been eliminated upon consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant areas that are affected by the use of estimates include the allowance for estimated uncollectible accounts and contractual allowances, valuation of certain investments, estimated third-party settlements, insurance reserves, and pension obligations. Actual results may differ from those estimates.

Excess (Deficiency) of Revenue over Expenses
The consolidated statements of operations and changes in net assets include the excess (deficiency) of revenue over expenses. Operating revenues consist of those items attributable to the care of patients, including contributions and investment income on unrestricted investments, which are utilized to provide charity and other operational support. Peripheral activities, including unrestricted contribution income from acquisitions, realized gains/losses on sales of investment securities and changes in unrealized gains/losses in investments are reported as nonoperating gains (losses).

Changes in unrestricted net assets which are excluded from the excess (deficiency) of revenue over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets), change in funded status of pension and other postretirement benefit plans, and the effective portion of the change in fair value of interest rate swaps.

Charity Care and Provision for Bad Debts
The Health System provides care to patients who meet certain criteria under their financial assistance policies without charge or at amounts less than their established rates. Because the Health System does not anticipate collection of amounts determined to qualify as charity care, they are not reported as revenue.

The Health System grants credit without collateral to patients. Most are local residents and are insured under third-party arrangements. Additions to the allowance for uncollectible accounts are made by means of the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance and subsequent recoveries are added. The amount of the provision for bad debts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in federal and state governmental healthcare coverage, and other collection indicators (Notes 1 and 4).

Net Patient Service Revenue
Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and bad debt expense. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as estimates change or final settlements are determined (Note 4).

Contracted Revenue
The Health System has various Professional Service Agreements (PSAs), pursuant to which certain organizations purchase services of personnel employed by the Health System and also lease space and equipment. Revenue pursuant to these PSAs and certain facility and equipment leases and other professional service contracts have been classified as contracted revenue in the accompanying consolidated statements of operations and changes in net assets.

Other Revenue
The Health System recognizes other revenue which is not related to patient medical care but is central to the day-to-day operations of the Health System. This revenue includes retail pharmacy, joint operating agreements, grant revenue, cafeteria sales, meaningful use incentive payments and other support service revenue.

Cash Equivalents
Cash equivalents include investments in highly liquid investments with maturities of three months or less when purchased, excluding amounts where use is limited by internal designation or other arrangements under trust agreements or by donors.

Investments and Investment Income
Investments in equity securities with readily determinable fair values, mutual funds and pooled/comingled funds, and all investments in debt securities are considered to be trading securities reported at fair value with changes in fair value included in the excess (deficiency) of revenues over expenses. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (Note 7).

Investments in pooled/commingled investment funds, private equity funds and hedge funds that represent investments where the Health System owns shares or units of funds rather than the underlying securities in that fund are valued using the equity method of accounting with changes in value recorded in the excess (deficiency) of revenues over expenses. All investments, whether held at fair value or under the equity method of accounting, are reported at what the Health System believes to be the amount they would expect to receive if it liquidated its investments at the balance sheet dates on a nondistressed basis.

Certain affiliates of the Health System are partners in a NH general partnership established for the purpose of operating a master investment program of pooled investment accounts. Substantially all of the Health System's board-designated and restricted assets were invested in these pooled funds by purchasing units based on the market value of the pooled funds at the end of the month prior to receipt of any new additions to the funds. Interest, dividends, and realized and unrealized gains and losses earned on pooled funds are allocated monthly based on the weighted average units outstanding at the prior month-end.

Investment income or losses (including change in unrealized and realized gains and losses on unrestricted investments, change in value of equity method investments, interest, and dividends) are included in the excess (deficiency) of revenue over expenses and classified as nonoperating gains and losses, unless the income or loss is restricted by donor or law (Note 9).

Fair Value Measurement of Financial Instruments
The Health System estimates fair value based on a valuation framework that uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy, as defined by ASC 820, *Fair Value Measurements and Disclosures*, are described below:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for assets or liabilities.

Level 2 Prices other than quoted prices in active markets that are either directly or indirectly observable as of the date of measurement.

Level 3 Prices or valuation techniques that are both significant to the fair value measurement and unobservable.

The Health System applies the accounting provisions of Accounting Standards Update (ASU) 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)* (ASU 2009-12). ASU 2009-12 allows for the estimation of fair value of investments for which the investment does not have a readily determinable fair value, to use net asset value (NAV) per share or its equivalent as a practical expedient, subject to the Health System's ability to redeem its investment.

The carrying amount of patient accounts receivable, prepaid and other current assets, accounts payable and accrued expenses approximates fair value due to the short maturity of these instruments.

Property, Plant, and Equipment

Property, plant, and equipment, and other real estate are stated at cost at the time of purchase or fair value at the time of donation, less accumulated depreciation. The Health System's policy is to capitalize expenditures for major improvements and to charge expense for maintenance and repair expenditures which do not extend the lives of the related assets. The provision for depreciation has been determined using the straight-line method at rates which are intended to amortize the cost of assets over their estimated useful lives which range from 10 to 40 years for buildings and improvements, 2 to 20 years for equipment, and the shorter of the lease term, or 5 to 12 years, for leasehold improvements. Certain software development costs are amortized using the straight-line method over a period of up to 10 years. Net 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.

The fair value of a liability for legal obligations associated with asset retirements is recognized in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made. When a liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period and the capitalized cost associated with the retirement is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the actual cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statements of operations and changes in net assets.

Gifts of capital assets such as land, buildings, or equipment are reported as unrestricted support, and excluded from the excess (deficiency) of revenue over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of capital 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 capital assets are reported as restricted support. Absent explicit donor stipulations about how long those capital assets must be maintained, expirations of donor restrictions are reported when the donated or acquired capital assets are placed in service.

Bond Issuance Costs

Bond issuance costs, classified on the consolidated balance sheets within long-term debt, are amortized over the term of the related bonds. Amortization is recorded within depreciation and amortization in the consolidated statements of operations and changes in net assets using the straight-line method which approximates the effective interest method.

Trade Names
The Health System records trade names as intangible assets within other assets on the consolidated statements of financial position. The Health System considers trade names to be indefinite-lived assets, assesses them at least annually for impairment or more frequently if certain events or circumstances warrant and recognizes impairment charges for amounts by which the carrying values exceed their fair values. The Health System has recorded $2,700,000 as intangible assets associated with its affiliations as of June 30, 2017 and 2016. There were no impairment charges recorded for the years ended June 30, 2017 and 2016.

Derivative Instruments and Hedging Activities
The Health System applies the provisions of ASC 815, *Derivatives and Hedging*, to its derivative instruments, which require that all derivative instruments be recorded at their respective fair values in the consolidated balance sheets.

On the date a derivative contract is entered into, the Health System designates the derivative as a cash-flow hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability. For all hedge relationships, the Health System formally documents the hedging relationship and its risk-management objective and strategy for undertaking the hedge, the hedging instrument, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed, and a description of the method of measuring ineffectiveness. This process includes linking cash-flow hedges to specific assets and liabilities on the consolidated balance sheets, specific firm commitments or forecasted transactions. The Health System also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in variability of cash flows of hedged items. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash-flow hedge are recorded in unrestricted net assets until earnings are affected by the variability in cash flows of the designated hedged item. The ineffective portion of the change in fair value of a cash-flow hedge is reported in excess (deficiency) of revenue over expenses in the consolidated statements of operations and changes in net assets.

The Health System discontinues hedge accounting prospectively when it is determined: (a) the derivative is no longer effective in offsetting changes in the cash flows of the hedged item; (b) the derivative expires or is sold, terminated, or exercised; (c) the derivative is undesignated as a hedging instrument because it is unlikely that a forecasted transaction will occur; (d) a hedged firm commitment no longer meets the definition of a firm commitment; and (e) management determines that designation of the derivative as a hedging instrument is no longer appropriate.

In all situations in which hedge accounting is discontinued, the Health System continues to carry the derivative at its fair value on the consolidated balance sheets and recognizes any subsequent changes in its fair value in excess (deficiency) of revenue over expenses.

Gifts and Bequests
Unrestricted gifts and bequests are recorded net of related expenses as nonoperating gains. Conditional promises to give and indications of intentions to give to the Health System are reported at fair value at the date the gift is received. Gifts are reported as either temporarily or permanently restricted 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 consolidated statements of operations and changes in net assets as net assets released from restrictions.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09 - *Revenue from Contracts with Customers* at the conclusion of a joint effort with the International Accounting Standards Board to create common revenue recognition guidance in accordance with accounting principles generally accepted in the United States of America and international accounting standards. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services, by allocating transaction price to identified performance obligations, and recognizing that revenue as performance obligations are satisfied. Qualitative and quantitative disclosures will be required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The original standard was effective for fiscal years beginning after December 15, 2016; however, in July 2015, the FASB approved a one-year deferral of this standard, with a new effective date for fiscal years beginning after December 15, 2017 or fiscal year 2019 for the Health System. The Health System is evaluating the impact this will have on the consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03 - *Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*, which requires all costs incurred to issue debt to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. The Health System implemented the new standard during the year ended June 30, 2017 and reclassified $3,933,000 as of June 30, 2016, to conform to the 2017 presentation.

In February 2016, the FASB issued ASU 2016-02 - *Leases*, which requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on its balance sheet. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The ASU is effective for fiscal years beginning after December 15, 2018, or fiscal year 2020 for the Health System. Early adoption is permitted once ASU 2014-09 has been adopted. The Health System is evaluating the impact of the new guidance on the consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01- *Recognition and Measurement of Financial Assets and Financial Liabilities*, which address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. This guidance allows an entity to choose, investment-by-investment, to report an equity investment that neither has a readily determinable fair value, nor qualifies for the practical expedient for fair value estimation using NAV, at its cost minus impairment (if any), plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issue. Impairment of such investments must be assessed qualitatively at each reporting period. Entities must disclose their financial assets and liabilities by measurement category and form of asset either on the face of the balance sheet or in the accompanying notes. The ASU is effective for annual reporting periods beginning after December 15, 2018 or fiscal year 2020 for the Health System. The provision to eliminate the requirement to disclose the fair value of financial instruments measured at cost (such as the fair value of debt) may be early adopted. The Health System implemented this aspect of the new standard during the year ended June 30, 2017.

In August 2016, the FASB issued ASU 2016-14 - *Presentation of Financial Statements for Not-for-Profit Entities*, which makes targeted changes to the not-for-profit financial reporting model. Under the new ASU, net asset reporting will be streamlined and clarified. The existing three-category classification of net assets will be replaced with a simplified model that combines temporarily

restricted and permanently restricted into a single category called "net assets with donor restrictions." The guidance for classifying deficiencies in endowment funds and on accounting for the lapsing of restrictions on gifts to acquire property, plant, and equipment have also been simplified and clarified. New disclosures will highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. Not-for-profits will continue to have flexibility to decide whether to report an operating subtotal and if so, to self-define what is included or excluded. However, transparent disclosure must be provided if the operating subtotal includes internal transfers made by the governing board. The ASU also imposes several new requirements related to reporting expenses, including providing information about expenses by their natural classification. The ASU is effective for fiscal years beginning after December 15, 2017 or fiscal year 2019 for the Health System and early adoption is permitted. The Health System is evaluating the impact of the new guidance on the consolidated financial statements.

Reclassifications
Certain amounts in the 2016 consolidated financial statements have been reclassified to conform to the 2017 presentation.

3. Acquisitions

Effective July 1, 2016, D-HH became the sole corporate member of VNH through an affiliation agreement. VNH is a not-for-profit corporation organized in VT providing home health, hospice and community based services to residents of NH and VT.

In accordance with applicable accounting guidance on not-for-profit mergers and acquisitions, The Health System recorded contribution income of approximately $20,348,000, reflecting the fair value of the contributed net assets of VNH, on the transaction date. Of this amount $20,215,000 represents unrestricted net assets and is included as a nonoperating gain in the accompanying consolidated statement of operations. Restricted contribution income of $103,000 and $30,000 was recorded within temporarily and permanently restricted net assets, respectively in the accompanying consolidated statement of changes in net assets. No consideration was exchanged for the net assets contributed and acquisition costs were expensed as incurred.

The fair value of assets, liabilities, and net assets contributed by VNH at July 1, 2016 were as follows:

(in thousands of dollars)

Assets		
Cash and cash equivalents	$	3,564
Patient accounts receivable, net		4,107
Property, plant, and equipment, net		436
Other assets		15,323
Total assets acquired	$	23,430
Liabilities		
Accounts payable and accrued expenses	$	1,194
Accrued compensation and related benefits		1,008
Other liabilities		880
Total liabilities assumed		3,082
Net Assets		
Unrestricted		20,215
Temporarily restricted		103
Permanently restricted		30
Total net assets		20,348
Total liabilities and net assets	$	23,430

A summary of the financial results of VNH included in the consolidated statement of operations and changes in net assets for the period from the date of acquisition (July 1, 2016) through June 30, 2017 is as follows:

(in thousands of dollars)

Total operating revenues	$	22,964
Total operating expenses		22,707
Operating gain		257
Nonoperating gains		2,604
Excess of revenue over expenses		2,861
Net assets transferred to affiliate		20,348
Changes in temporarily and permanently restricted net assets		(103)
Increase in net assets	$	23,106

A summary of the consolidated financial results of the Health System for the year ended June 30, 2016 as if the transaction had occurred on July 1, 2015 are as follows (unaudited):

(in thousands of dollars)

Total operating revenues	$ 1,813,935
Total operating expenses	1,852,896
Operating loss	(38,961)
Nonoperating gains	(5,953)
(Deficiency) of revenue over expenses	(44,914)
Net assets released from restriction used for capital purchases	3,248
Change in funded status of pension and other post retirement benefits	(66,541)
Other changes in net assets	-
Change in fair value on interest rate swaps	(5,873)
(Decrease) increase in unrestricted net assets	$ (114,080)

4. Patient Service Revenue and Accounts Receivable

Patient service revenue is reported net of contractual allowances and the provision for bad debts as follows for the years ended June 30, 2017 and 2016:

(in thousands of dollars)	2017	2016
Gross patient service revenue	$ 4,865,332	$ 4,426,305
Less: Contractual allowances	3,006,140	2,737,030
Provision for bad debt	63,645	55,121
Net patient service revenue	$ 1,795,547	$ 1,634,154

Accounts receivable are reduced by an allowance for estimated uncollectibles. In evaluating the collectability of accounts receivable, the Health System analyzes past collection history and identifies trends for several categories of self-pay accounts (uninsured, residual balances, pre-collection accounts and charity) to estimate the appropriate allowance percentages in establishing the allowance for bad debt expense. Management performs collection rate look-back analyses on a quarterly basis to evaluate the sufficiency of the allowance for estimated uncollectibles. Throughout the year, after all reasonable collection efforts have been exhausted, the difference between the standard rates and the amounts actually collected, including contractual adjustments and uninsured discounts, will be written off against the allowance for estimated uncollectibles. In addition to the review of the categories of revenue, management monitors the write offs against established allowances as of a point in time to determine the appropriateness of the underlying assumptions used in estimating the allowance for estimated uncollectibles.

Accounts receivable, prior to adjustment for estimated uncollectibles, are summarized as follows at June 30, 2017 and 2016:

(in thousands of dollars)	**2017**	**2016**
Receivables		
Patients	$ 90,786	$ 126,320
Third-party payors	263,240	244,716
Nonpatient	4,574	8,355
	$ 358,600	$ 379,391

The allowance for estimated uncollectibles is $121,340,000 and $118,403,000 as of June 30, 2017 and 2016.

The following table categorizes payors into five groups and their respective percentages of gross patient service revenue for the years ended June 30, 2017 and 2016:

	2017	**2016**
Medicare	43 %	42 %
Anthem/blue cross	18	19
Commercial insurance	20	22
Medicaid	13	14
Self-pay/other	6	3
	100 %	100 %

The Health System has agreements with third-party payors that provide for payments at amounts different from their established rates. A summary of the acute care payment arrangements in effect during the years ended June 30, 2017 and 2016 with major third-party payors follows:

Medicare
The Health System's inpatient acute care services provided to Medicare program beneficiaries are paid at prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on diagnostic, clinical and other factors. In addition, inpatient capital costs (depreciation and interest) are reimbursed by Medicare on the basis of a prospectively determined rate per discharge. Medicare outpatient services are paid on a prospective payment system. Under the system, outpatient services are reimbursed based on a pre-determined amount for each outpatient procedure, subject to various mandated modifications. The Health System is reimbursed during the year for services to Medicare beneficiaries based on varying interim payment methodologies. Final settlement is determined after the submission of an annual cost report and subsequent audit of this report by the Medicare fiscal intermediary.

Certain of the Health System's affiliates qualify as Critical Access Hospitals (CAH), which are reimbursed by Medicare at 101% (subject to sequestration of 2%) of reasonable costs for its inpatient acute, swing bed, and outpatient services, excluding ambulance services and inpatient hospice care. They are reimbursed at an interim rate for cost based services with a final settlement determined by the Medicare Cost Report filing. Medicare reimburses nursing home and rehabilitation services based on an acuity driven prospective payment system with no retrospective settlement.

Medicaid
The Health System's payments for inpatient services rendered to NH Medicaid beneficiaries are based on a prospective payment system, while outpatient services are reimbursed on a retrospective cost basis or fee schedules. NH Medicaid Outpatient Direct Medical Education costs are reimbursed, as a pass-through, based on the filing of the Medicare cost report. Payment for inpatient and outpatient services rendered to VT Medicaid beneficiaries are based on prospective payment systems and the skilled nursing facility is reimbursed on a prospectively determined per diem rate.

During the years ended June 30, 2017 and 2016, the Health System recorded State of NH Medicaid Enhancement Tax (MET) and State of VT Provider Tax of $65,069,000 and $58,565,000, respectively. The taxes are calculated at 5.4% for NH and 6% for VT of certain net patient revenues in accordance with instructions received from the States. The provider taxes are included in operating expenses in the consolidated statements of operations and changes in net assets.

During fiscal year 2016, Vermont state legislation passed changes to the tax base for home health providers from 19.30% of core home health care services (primarily Medicaid services) with a cap of 6% of net patient service revenue to 3.63% of net patient revenue for fiscal year 2017 and fiscal year 2018. Home health provider tax paid, which is included in other operating expenses, was $645,000 and $528,000 in 2017 and 2016, respectively.

On June 30, 2014, the NH Governor signed into law a bi-partisan legislation reflecting an agreement between the State of NH and 25 NH hospitals on the Medicaid Enhancement Tax "SB 369". As part of the agreement the parties have agreed to resolve all pending litigation related to MET and Medicaid Rates, including the Catholic Medical Center Litigation, the Northeast Rehabilitation Litigation, 2014 DRA Refund Requests, and the State Rate Litigation. As part of the Medicaid Enhancement Tax Agreement effective July 1, 2014, a "Trust / Lock Box" dedicated fund mechanism will be established for receipt and distribution of all MET proceeds with all monies used exclusively to support Medicaid services. During the years ended June 30, 2017 and 2016, the Health System received disproportionate share hospital (DSH) payments of approximately $59,473,000 and $56,718,000, respectively which is included in net patient service revenue in the consolidated statement of operations and changes in net assets.

The Health Information Technology for Economic and Clinical Health (HITECH) Act included in the American Recovery and Reinvestment Act (ARRA) provides incentives for the adoption and use of health information technology by Medicare and Medicaid providers. The Health System has recognized other revenue of $1,156,000 and $2,330,000 in meaningful use incentives for both the Medicare and VT Medicaid programs during the years ended June 30, 2017 and 2016, respectively.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with laws and regulations can be subject to future government review and interpretation as well as significant regulatory action; failure to comply with such laws and regulations can result in fines, penalties and exclusion from the Medicare and Medicaid programs.

Other
For services provided to patients with commercial insurance, the Health System receives payment for inpatient services at prospectively determined rates-per-discharge, prospectively determined per diem rates or a percentage of established charges. Outpatient services are reimbursed on a fee schedule or at a discount from established charges.

Nonacute and physician services are paid at various rates under different arrangements with governmental payors, commercial insurance carriers and health maintenance organizations. The basis for payments under these arrangements includes prospectively determined per visit rates, discounts from established charges, fee schedules, and reasonable cost subject to limitations.

The Health System has provided for its estimated final settlements with all payors based upon applicable contracts and reimbursement legislation and timing in effect for all open years (2011 - 2015). The differences between the amounts provided and the actual final settlement, if any, is recorded as an adjustment to net patient service revenue as amounts become known or as years are no longer subject to audits, reviews and investigations. During 2017 and 2016, changes in prior estimates related to the Health System's settlements with third-party payors resulted in increases (decreases) in net patient service revenue of $2,000,000 and $(859,000) respectively, in the consolidated statements of operations and changes in net assets.

5. Investments

The composition of investments at June 30, 2017 and 2016 is set forth in the following table:

(in thousands of dollars)	2017	2016
Assets limited as to use		
Internally designated by board		
Cash and short-term investments	$ 9,923	$ 12,915
U.S. government securities	44,835	33,578
Domestic corporate debt securities	100,953	65,610
Global debt securities	105,920	119,385
Domestic equities	129,548	100,009
International equities	95,167	61,768
Emerging markets equities	33,893	34,282
Real Estate Investment Trust	791	432
Private equity funds	39,699	33,209
Hedge funds	30,448	52,337
	591,177	513,525
Investments held by captive insurance companies (Note 12)		
U.S. government securities	18,814	22,484
Domestic corporate debt securities	21,681	29,123
Global debt securities	5,707	5,655
Domestic equities	9,048	7,830
International equities	13,888	11,901
	69,138	76,993
Held by trustee under indenture agreement (Note 10)		
Cash and short-term investments	2,008	1,950
Total assets limited as to use	$ 662,323	$ 592,468

(in thousands of dollars)	2017	2016
Other investments for restricted activities		
Cash and short-term investments	$ 5,467	$ 12,219
U.S. government securities	28,096	21,351
Domestic corporate debt securities	27,762	33,203
Global debt securities	14,560	20,808
Domestic equities	18,451	19,215
International equities	15,499	13,986
Emerging markets equities	3,249	4,887
Real Estate Investment Trust	790	470
Private equity funds	3,949	4,780
Hedge funds	6,676	11,087
Other	30	30
Total other investments for restricted activities	$ 124,529	$ 142,036

Investments are accounted for using either the fair value method or equity method of accounting, as appropriate on a case by case basis. The fair value method is used when debt securities or equity securities are traded on active markets and are valued at prices that are readily available in those markets. The equity method is used when investments are made in pooled/commingled investment funds that represent investments where shares or units are owned of pooled funds rather than the underlying securities in that fund. These pooled/commingled funds make underlying investments in securities from the asset classes listed above. All investments, whether the fair value or equity method of accounting is used, are reported at what the Health System believes to be the amount that the Health System would expect to receive if it liquidated its investments at the balance sheets date on a nondistressed basis.

The following tables summarize the investments by the accounting method utilized, as of June 30, 2017 and 2016. Accounting standards require disclosure of additional information for those securities accounted for using the fair value method, as shown in Note 7.

(in thousands of dollars)	2017		
	Fair Value	Equity	Total
Cash and short-term investments	$ 17,398	$ -	$ 17,398
U.S. government securities	91,745	-	91,745
Domestic corporate debt securities	121,631	28,765	150,396
Global debt securities	45,660	80,527	126,187
Domestic equities	144,618	12,429	157,047
International equities	29,910	94,644	124,554
Emerging markets equities	1,226	35,916	37,142
Real Estate Investment Trust	128	1,453	1,581
Private equity funds	-	43,648	43,648
Hedge funds	-	37,124	37,124
Other	30	-	30
	$ 452,346	$ 334,506	$ 786,852

(in thousands of dollars)	2016 Fair Value	2016 Equity	2016 Total
Cash and short-term investments	$ 27,084	$ -	$ 27,084
U.S. government securities	77,413	-	77,413
Domestic corporate debt securities	101,271	26,665	127,936
Global debt securities	40,356	105,492	145,848
Domestic equities	115,082	11,972	127,054
International equities	23,271	64,384	87,655
Emerging markets equities	331	38,838	39,169
Real estate investment trust	20	882	902
Private equity funds	-	37,989	37,989
Hedge funds	-	63,424	63,424
Other	30	-	30
	$ 384,858	$ 349,646	$ 734,504

Investment income (losses) is comprised of the following for the years ended June 30, 2017 and 2016:

(in thousands of dollars)	2017	2016
Unrestricted		
Interest and dividend income, net	$ 4,418	$ 5,088
Net realized gains (losses) on sales of securities	16,868	(1,223)
Change in net unrealized gains on investments	30,809	(22,980)
	52,095	(19,115)
Temporarily restricted		
Interest and dividend income, net	1,394	536
Net realized gains (losses) on sales of securities	283	(18)
Change in net unrealized gains on investments	3,775	(1,674)
	5,452	(1,156)
Permanently restricted		
Change in net unrealized gains (losses) on beneficial interest in trust	245	(219)
	245	(219)
	$ 57,792	$ (20,490)

For the years ended June 30, 2017 and 2016 unrestricted investment income (losses) is reflected in the accompanying consolidated statements of operations and changes in net assets as operating revenue of approximately $1,039,000 and $988,000 and as nonoperating gains (losses) of approximately $51,056,000 and ($20,103,000), respectively.

Private equity limited partnership shares are not eligible for redemption from the fund or general partner, but can be sold to third party buyers in private transactions that typically can be completed in approximately 90 days. It is the intent of the Health System to hold these investments until the fund has fully distributed all proceeds to the limited partners and the term of the partnership agreement expires. Under the terms of these agreements, the Health System has committed to contribute a specified level of capital over a defined period of time. Through June 30, 2017 and 2016, the Health System has committed to contribute approximately $119,719,000 and

$116,851,000 to such funds, of which the Health System has contributed approximately $81,982,000 and $80,019,000 and has outstanding commitments of $37,737,000 and $36,832,000, respectively.

6. Property, Plant, and Equipment

Property, plant, and equipment are summarized as follows at June 30, 2017 and 2016:

(in thousands of dollars)	2017	2016
Land	$ 38,058	$ 33,004
Land improvements	37,579	36,899
Buildings and improvements	818,831	801,840
Equipment	766,667	744,443
Equipment under capital leases	20,495	20,823
	1,681,630	1,637,009
Less: Accumulated depreciation and amortization	1,101,058	1,046,617
Total depreciable assets, net	580,572	590,392
Construction in progress	29,403	22,172
	$ 609,975	$ 612,564

As of June 30, 2017 construction in progress primarily consists of the construction of the Hospice & Palliative Care Center and APD's medical office building, both in Lebanon, NH. The estimated cost to complete these projects at June 30, 2017 is $7,335,000 and $9,381,000, respectively.

The construction in progress for the Borwell building reported as of June 30, 2016 was completed during the first quarter of fiscal year 2017 and the building addition for New London at the Newport Health Center was completed in the second quarter of fiscal year 2017.

Depreciation and amortization expense included in operating and nonoperating activities was approximately $84,711,000 and $81,138,000 for 2017 and 2016, respectively.

7. Fair Value Measurements

The following is a description of the valuation methodologies for assets and liabilities measured at fair value on a recurring basis:

Cash and Short-Term Investments
Consists of money market funds and are valued at net asset value (NAV) reported by the financial institution.

Domestic, Emerging Markets and International Equities
Consists of actively traded equity securities and mutual funds which are valued at the closing price reported on an active market on which the individual securities are traded (Level 1 measurements).

U.S. Government Securities, Domestic Corporate and Global Debt Securities
Consists of U.S. government securities, domestic corporate and global debt securities, mutual funds and pooled/commingled funds that invest in U.S. government securities, domestic corporate and global debt securities. Securities are valued based on quoted market prices or dealer quotes where available (Level 1 measurement). If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or, if necessary, matrix pricing from a third party pricing vendor to determine fair value (Level 2 measurements). Matrix prices are based on quoted prices for securities with similar coupons, ratings and maturities, rather than on specific bids and offers for a designated security. Investments in mutual funds are measured based on the quoted NAV as of the close of business in the respective active market (Level 1 measurements).

Interest Rate Swaps
The fair value of interest rate swaps, are determined using the present value of the fixed and floating legs of the swaps. Each series of cash flows are discounted by observable market interest rate curves and credit risk.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following tables set forth the consolidated financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2017 and 2016:

	2017					
(in thousands of dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Redemption or Liquidation**	**Days' Notice**
Assets						
Investments						
Cash and short term investments	$ 17,398	$ -	$ -	$ 17,398	Daily	1
U.S. government securities	91,745	-	-	91,745	Daily	1
Domestic corporate debt securities	66,238	55,393	-	121,631	Daily–Monthly	1–15
Global debt securities	28,142	17,518	-	45,660	Daily–Monthly	1–15
Domestic equities	144,618	-	-	144,618	Daily–Monthly	1–10
International equities	29,870	40	-	29,910	Daily–Monthly	1–11
Emerging market equities	1,226	-	-	1,226	Daily–Monthly	1–7
Real estate investment trust	128	-	-	128	Daily–Monthly	1–7
Other	-	30	-	30	Not applicable	Not applicable
Total investments	379,365	72,981	-	452,346		
Deferred compensation plan assets						
Cash and short-term investments	2,633	-	-	2,633		
U.S. government securities	37	-	-	37		
Domestic corporate debt securities	8,802	-	-	8,802		
Global debt securities	1,095	-	-	1,095		
Domestic equities	28,609	-	-	28,609		
International equities	9,595	-	-	9,595		
Emerging market equities	2,706	-	-	2,706		
Real estate	2,112	-	-	2,112		
Multi strategy fund	13,083	-	-	13,083		
Guaranteed contract	-	-	83	83		
Total deferred compensation plan assets	68,672	-	83	68,755	Not applicable	Not applicable
Beneficial interest in trusts	-	-	9,244	9,244	Not applicable	Not applicable
Total assets	$ 448,037	$ 72,981	$ 9,327	$ 530,345		
Liabilities						
Interest rate swaps	$ -	$ 20,916	$ -	$ 20,916	Not applicable	Not applicable
Total liabilities	$ -	$ 20,916	$ -	$ 20,916		

(in thousands of dollars)	2016 Level 1	Level 2	Level 3	Total	Redemption or Liquidation	Days' Notice
Assets						
Investments						
Cash and short term investments	$ 27,084	$ -	$ -	$ 27,084	Daily	1
U.S. government securities	77,413	-	-	77,413	Daily	1
Domestic corporate debt securities	27,626	73,645	-	101,271	Daily–Monthly	1–15
Global debt securities	23,103	17,253	-	40,356	Daily–Monthly	1–15
Domestic equities	115,082	-	-	115,082	Daily–Monthly	1–10
International equities	23,271	-	-	23,271	Daily–Monthly	1–11
Emerging market equities	331	-	-	331	Daily–Monthly	1–7
Real estate investment trust	20	-	-	20	Daily–Monthly	1–7
Other	-	30	-	30	Not applicable	Not applicable
Total investments	293,930	90,928	-	384,858		
Deferred compensation plan assets						
Cash and short-term investments	2,478	-	-	2,478		
U.S. government securities	30	-	-	30		
Domestic corporate debt securities	6,710	-	-	6,710		
Global debt securities	794	-	-	794		
Domestic equities	23,502	-	-	23,502		
International equities	8,619	-	-	8,619		
Emerging market equities	2,113	-	-	2,113		
Real estate	2,057	-	-	2,057		
Multi strategy fund	9,188	-	-	9,188		
Guaranteed contract	-	-	80	80		
Total deferred compensation plan assets	55,491	-	80	55,571	Not applicable	Not applicable
Beneficial interest in trusts	-	-	9,087	9,087	Not applicable	Not applicable
Total assets	$ 349,421	$ 90,928	$ 9,167	$ 449,516		
Liabilities						
Interest rate swaps	$ -	$ 28,917	$ -	$ 28,917	Not applicable	Not applicable
Total liabilities	$ -	$ 28,917	$ -	$ 28,917		

The following table is a rollforward of the statements of financial instruments classified by the Health System within Level 3 of the fair value hierarchy defined above.

(in thousands of dollars)	2017 Beneficial Interest in Perpetual Trust	Guaranteed Contract	Total
Balances at beginning of year	$ 9,087	$ 80	$ 9,167
Purchases	-	-	-
Sales	-	-	-
Net unrealized gains (losses)	157	3	160
Net asset transfer from affiliate	-	-	-
Balances at end of year	$ 9,244	$ 83	$ 9,327

	2016		
(in thousands of dollars)	**Beneficial Interest in Perpetual Trust**	**Guaranteed Contract**	**Total**
Balances at beginning of year	$ 9,345	$ 78	$ 9,423
Purchases	-	-	-
Sales	-	-	-
Net unrealized gains (losses)	(258)	2	(256)
Net asset transfer from affiliate	-	-	-
Balances at end of year	$ 9,087	$ 80	$ 9,167

There were no transfers into and out of Level 1 and 2 measurements due to changes in valuation methodologies during the years ended June 30, 2017 and 2016.

8. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2017 and 2016:

(in thousands of dollars)	**2017**	**2016**
Healthcare services	$ 32,583	$ 44,561
Research	25,385	16,680
Purchase of equipment	3,080	2,826
Charity care	13,814	1,543
Health education	17,489	8,518
Other	2,566	1,603
	$ 94,917	$ 75,731

Permanently restricted net assets consist of the following at June 30, 2017 and 2016:

(in thousands of dollars)	**2017**	**2016**
Healthcare services	$ 22,916	$ 32,105
Research	7,795	7,767
Purchase of equipment	6,274	5,266
Charity care	6,895	2,991
Health education	10,228	5,408
Other	57	53
	$ 54,165	$ 53,590

Income earned on permanently restricted net assets is available for these purposes.

9. Board Designated and Endowment Funds

Net assets include numerous funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees has interpreted the NH and VT Uniform Prudent Management of Institutional Funds Acts (UPMIFA or Act) for donor-restricted endowment funds as requiring the preservation of the original value of gifts, as of the gift date, to donor-restricted endowment funds, absent explicit donor stipulations to the contrary. The Health System classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if any. Collectively these amounts are referred to as the historic dollar value of the fund.

Unrestricted net assets include funds designated by the Board of Trustees to function as endowments and the income from certain donor-restricted endowment funds, and any accumulated investment return thereon, which pursuant to donor intent may be expended based on trustee or management designation. Temporarily restricted net assets include funds appropriated for expenditure pursuant to endowment and investment spending policies, certain expendable endowment gifts from donors, and any retained income and appreciation on donor-restricted endowment funds, which are restricted by the donor to a specific purpose or by law. When the temporary restrictions on these funds have been met, the funds are reclassified to unrestricted net assets.

In accordance with the Act, the Health System considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources available; and investment policies.

The Health System has endowment investment and spending policies that attempt to provide a predictable stream of funding for programs supported by its endowment while ensuring that the purchasing power does not decline over time. The Health System targets a diversified asset allocation that places emphasis on investments in domestic and international equities, fixed income, private equity, and hedge fund strategies to achieve its long-term return objectives within prudent risk constraints. The Health System's Investment Committee reviews the policy portfolio asset allocations, exposures, and risk profile on an ongoing basis.

The Health System, as a policy, may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment is established, subject to donor intent expressed in the gift instrument and the standard of prudence prescribed by the Act.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original contributed value. Such market losses were not material as of June 30, 2017 and 2016.

Endowment net asset composition by type of fund consists of the following at June 30, 2017 and 2016:

	2017			
(in thousands of dollars)	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ -	$ 29,701	$ 45,756	$ 75,457
Board-designated endowment funds	26,389	-	-	26,389
Total endowed net assets	$ 26,389	$ 29,701	$ 45,756	$ 101,846

	2016			
(in thousands of dollars)	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ -	$ 25,780	$ 45,402	$ 71,182
Board-designated endowment funds	26,205	-	-	26,205
Total endowed net assets	$ 26,205	$ 25,780	$ 45,402	$ 97,387

Changes in endowment net assets for the year ended June 30, 2017:

	2017			
(in thousands of dollars)	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Balances at beginning of year	$ 26,205	$ 25,780	$ 45,402	$ 97,387
Net investment return	283	5,285	2	5,570
Contributions	-	210	300	510
Transfers	-	(26)	22	(4)
Release of appropriated funds	(99)	(1,548)	-	(1,647)
Net asset transfer from affiliates	-	-	30	30
Balances at end of year	$ 26,389	$ 29,701	45,756	$ 101,846
Balances at end of year			45,756	
Beneficial interest in perpetual trust			8,409	
Permanently restricted net assets			$ 54,165	

Changes in endowment net assets for the year ended June 30, 2016:

	2016			
(in thousands of dollars)	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Balances at beginning of year	$ 26,405	$ 28,296	$ 44,491	$ 99,192
Net investment return	(54)	(1,477)	3	(1,528)
Contributions	-	271	699	970
Transfers	-	(216)	180	(36)
Release of appropriated funds	(146)	(1,094)	-	(1,240)
Net asset transfer from affiliates	-	-	29	29
Balances at end of year	$ 26,205	$ 25,780	45,402	$ 97,387
Balances at end of year			45,402	
Beneficial interest in perpetual trust			8,188	
Permanently restricted net assets			$ 53,590	

10. Long-Term Debt

A summary of long-term debt at June 30, 2017 and 2016 is as follows:

(in thousands of dollars)	2017	2016
Variable rate issues		
New Hampshire Health and Education Facilities Authority (NHHEFA) Revenue Bonds		
Series 2015A, principal maturing in varying annual amounts, through August 2031 (2)	$ 82,975	$ 86,710
Series 2013, principal maturing in varying annual amounts, through August 2043 (10)	-	19,230
Vermont Educational and Health Buildings Financing Agency (VEHFBA) Revenue Bonds		
Series 2010A, principal maturing in varying annual amounts, through August 2030 (11)	-	7,881
Fixed rate issues		
New Hampshire Health and Education Facilities Authority Revenue Bonds		
Series 2016A, principal maturing in varying annual amounts, through August 2046 (1)	24,608	-
Series 2016B, principal maturing in varying annual amounts, through August 2046 (1)	10,970	-
Series 2014A, principal maturing in varying annual amounts, through August 2022 (4)	26,960	26,960
Series 2014B, principal maturing in varying annual amounts, through August 2033 (4)	14,530	14,530
Series 2012A, principal maturing in varying annual amounts, through August 2031 (5)	71,700	72,720
Series 2012B, principal maturing in varying annual amounts, through August 2031 (5)	39,340	39,900
Series 2012, principal maturing in varying annual amounts, through July 2039 (9)	26,735	27,490
Series 2010, principal maturing in varying annual amounts, through August 2040 (7)	75,000	75,000
Series 2009, principal maturing in varying annual amounts, through August 2038 (8)	57,540	63,370
Total variable and fixed rate debt	430,358	433,791

A summary of long-term debt at June 30, 2017 and 2016 is as follows (continued):

(in thousands of dollars)	**2017**	**2016**
Other		
Revolving Line of Credit, principal maturing through March 2019 (3)	49,750	49,750
Series 2012, principal maturing in varying annual amounts, through July 2025 (6)	136,000	140,000
Series 2010, principal maturing in varying annual amounts, through August 2040 (12)*	15,900	16,287
Note payable to a financial institution payable in interest free monthly installments through July 2015; collateralized by associated equipment*	811	313
Note payable to a financial institution due in monthly interest only payments from October 2011 through September 2012, and monthly installments from October 2012 through 2016, including principal and interest at 3.25%; collateralized by savings account*	-	2,952
Note payable to a financial institution with entire principal due June 2029 that is collateralized by land and building. The note payable is interest free*	437	494
Mortgage note payable to the US Dept of Agriculture; monthly payments of $10,892 include interest of 2.375% through November 2046*	2,763	-
Obligations under capital leases	3,435	4,875
Total other debt	209,096	214,671
Total variable and fixed rate debt	430,358	433,791
Total long-term debt	639,454	648,462
Less		
Original issue discount, net	862	881
Bond issuance costs, net	3,832	3,933
Current portion	18,357	18,307
	$ 616,403	$ 625,341

Aggregate annual principal payments required under revenue bond agreements and capital lease obligations for the next five years ending June 30 and thereafter are as follows:

(in thousands of dollars)	**2017**
2018	$ 18,357
2019	68,279
2020	19,401
2021	19,448
2022	19,833
Thereafter	494,136
	$ 639,454

Dartmouth-Hitchcock Obligated Group (DHOG) Bonds.

MHMH established the DHOG in 1993 for the original purpose of issuing bonds financed through NHHEFA or the "Authority". The members of the obligated group consist of MHMH, DHC, Cheshire, NLH and MAHHC. D-HH is designated as the obligated group agent.

Revenue Bonds issued by members of the DHOG are administered through notes registered in the name of the Bond Trustee and in accordance with the terms of a Master Trust Indenture. The Master Trust Indenture contains provisions permitting the addition, withdrawal, or consolidation of members of the DHOG under certain conditions. The notes constitute a joint and several obligation of the members of the DHOG (and any other future members of the DHOG) and are equally and ratably collateralized by a pledge of the members' gross receipts. The DHOG is also subject to certain annual covenants under the Master Trust Indenture, the most restrictive of which are the Annual Debt Service Coverage Ratio (1.10x) and the Days Cash on Hand Ratio (> 75 days).

(1) Series 2016A and 2016B Revenue Bonds

Through the DHOG, issued NHHEFA Revenue Bonds, Series 2016A and 2016B in July 2016 through a private placement with a financial institution. The Series 2016A Revenue Bonds were primarily used to refund Series 2013A and Series 2013B and the Series 2016B Revenue Bonds were used to finance 2016 projects. The Series 2016A Revenue Bonds mature in variable amounts through 2046. Interest is equal to the sum of .70 times one month LIBOR plus .70 times the spread. The variable rate as of June 30 2017 was 1.48% The Series 2016B is fixed with an interest rate of 1.78% and matures at various dates through 2046.

(2) Series 2015A Revenue Bonds

Through the DHOG, issued NHHEFA Revenue Bonds, Series 2015A in September 2015 through a private placement with a financial institution. The Series 2015A Revenue Bonds were primarily used to refinance a portion of the Series 2011 Revenue Bonds and to cover cost of issuance. The Series 2015A Revenue Bonds accrue interest variably and mature at various dates through 2031 based on the one-month London Interbank Offered Rate (LIBOR). The variable rate as of June 30 2017 was 1.51%

(3) Revolving Line of Credit

Through the DHOG, entered into Revolving Line of Credit TD Bank, N.A. (TD Bank). Interest on the TD Bank loan accrues variably and matures at various dates through March 2019. The variable rate as of June 30 2017 was 1.63%

(4) Series 2014A and Series 2014B Revenue Bonds

Through the DHOG, issued NHHEFA Revenue Bonds, Series 2014A and Series 2014B in August 2014. The proceeds from the Series 2014A and 2014B Revenue Bonds were used to partially refund the Series 2009 Revenue Bonds and to cover cost of issuance. Interest on the 2014A Revenue Bonds is fixed with an interest rate of 2.63% and matures at various dates through 2022. Interest on the Series 2014B Revenue Bonds is fixed with an interest rate of 4.00% and matures at various dates through 2033.

(5) Series 2012A and 2012B Revenue Bonds

Through the DHOG, issued NHHEFA Revenue Bonds, Series 2012A and Series 2012B in November 2012. The proceeds from the Series 2012A and 2012B were used to advance refund the Series 2002 Revenue Bonds and to cover cost of issuance. Interest on the 2012A Revenue Bonds is fixed with an interest rate of 2.29% and matures at various dates through 2031. Interest on the Series 2012B Revenue Bonds is fixed with an interest rate of 2.33% and matures at various dates through 2031.

(6) Series 2012 Bank Loan

Through the DHOG, issued the Bank of America, N.A. Series 2012 note, in July 2012. The proceeds from the Series 2012 note were used to prefund the D-H defined benefit pension plan. Interest on the Series 2012 note accrues at a fixed rate of 2.47% and matures at various dates through 2025.

(7) Series 2010 Revenue Bonds

Through the DHOG, issued NHHEFA Revenue Bonds, Series 2010, in June 2010. The proceeds from the Series 2010 Revenue Bonds were primarily used to construct a 140,000 square foot ambulatory care facility in Nashua, NH as well as various equipment. Interest on the bonds accrue at a fixed rate of 5.00% and mature at various dates through August 2040.

(8) Series 2009 Revenue Bonds

Through the DHOG, issued NHHEFA Revenue Bonds, Series 2009, in August 2009. The proceeds from the Series 2009 Revenue Bonds were primarily used to advance refund the Series 2008 Revenue Bonds. Interest on the Series 2009 Revenue Bonds accrue at varying fixed rates between 5.00% and 6.00% and mature at various dates through August 2038.

(9) Series 2012 Revenue Bonds

Issued through the NHHEFA $29,650,000 of tax-exempt Revenue Bonds Series 2012. The proceeds of these bonds were used to refund 1998 and 2009 Series Bonds, to finance the settlement cost of the interest rate swap, and to finance the purchase of certain equipment and renovations. The bonds are collateralized by an interest in its gross receipts under the terms of the bond agreement. The bonds have fixed interest coupon rates ranging from 2.0% to 5.0% (a net interest cost of 3.96%). Principal is payable in annual installments ranging from $780,000 to $1,750,000 through July 2039.

(10) Series 2013 Revenue Bonds

Issued through the NHHEFA $15,520,000 tax exempt Revenue Bonds Series 2013A. The Series 2013A funds were used to refund Series 2007 Revenue Bonds. Additional borrowings were obtained (up to $9,480,000 Revenue Bonds, Series 2013B) for the construction of a new health center building in Newport, NH. The bonds are collateralized by the gross receipts and property. The bonds mature in variable amounts through 2043, the maturity date of the bonds, but are subject to mandatory tender in ten years. Interest is payable monthly and is equal to the sum of .72 times the Adjusted LIBOR Rate plus .72 times the credit spread rate. As part of the bond refinancing, the swap arrangement was effectively terminated for federal tax purposes with

respect to the Series 2007 Revenue Bonds but remains in effect. These bonds were paid with the proceeds of the Series 2016A Revenue Bonds.

(11) Series 2010A Revenue Bonds

Issued through the VEHBFA $9,244,000 of Revenue Bonds Series 2010A. The funds were used to refund 2004 and 2005 Series A Bonds. The bonds are collateralized by gross receipts. The bonds shall bear interest at the one-month LIBOR rate plus 3.50%, multiplied by 6% adjusting monthly. The bonds were purchased by TD Bank on March 1, 2010. Principal payments began on April 1, 2010 for a period of 20 years ranging in amounts from $228,000 in 2014 to $207,000 in 2030. These bonds were refunded in July 2016.

Outstanding joint and several indebtedness of the DHOG at June 30, 2017 and 2016 approximates $616,108,000 and $568,940,000, respectively.

Non Obligated Group Bonds

(12) Series 2010 Revenue Bonds

Issued through the Business Finance Authority (BFA) of the State of NH. Interest is based on an annual percentage rate equal to the sum of (a) 69% of the 1-Month LIBOR rate plus (b) 1.8975/5. APD may prepay certain of these bonds according to the terms of the loan and trust agreement. The bonds are redeemable at any time by APD at par value plus any accrued interest. The bonds are also subject to optional tender for purchase (as a whole) in November 2020 at par plus accrued interest.

The Health System Indenture agreements require establishment and maintenance of debt service reserves and other trustee held funds. Trustee held funds of approximately $2,008,000 and $1,950,000 at June 30, 2017 and 2016, respectively, are classified as assets limited as to use in the accompanying consolidated balance sheets.

For the years ended June 30, 2017 and 2016 interest expense on the Health System's long term debt is reflected in the accompanying consolidated statements of operations and changes in net assets as operating expense of approximately $19,838,000 and $19,301,000 and is included in other nonoperating losses of $3,135,000 and $3,201,000, respectively.

Swap Agreements

The Health System is subject to market risks such as changes in interest rates that arise from normal business operation. The Health System regularly assesses these risks and has established business strategies to provide natural offsets, supplemented by the use of derivative financial instruments to protect against the adverse effect of these and other market risks. The Health System has established clear policies, procedures, and internal controls governing the use of derivatives and does not use them for trading, investment, or other speculative purposes.

A summary of the Health System's derivative financial instruments is as follows:

- A Fixed Payor Swap designed as a cash flow hedge of the NHHEFA Series 2011 Revenue Bonds. The Swap had an initial notional amount of $91,040,000. The Swap Agreement requires the Health System to pay the counterparty a fixed rate of 4.56% in exchange for the counterparty's payment of 67% of USD-LIBOR-BBA. The Swap's term matches that of the

associated bonds. The 2011 interest rate swap was not integrated with the 2011 bonds. When the 2011 bonds were refinanced, the swap became associated with the 2015 bond.

- An Interest Rate Swap to hedge the interest rate risk associated with the NHHEFA Series 2013 Revenue Bonds. The Swap had an initial notional amount of $15,000,000. The Swap Agreement requires the Health System to pay the counterparty a fixed rate of 3.94% in exchange for the counterparty's payment at 67% of USD-LIBOR-BBA. The Swap term matches that of the associated bonds.

- An Interest Rate Swap to hedge the interest rate risk associated with the VEHFBA Series 2010A Revenue Bonds. The Swap had an initial notional amount of $7,244,000. The Swap Agreement requires the Health System to pay the counterparty a fixed rate of 2.41% in exchange for the counterparty's payment of 69% of USD-LIBOR-BBA. The swap was terminated in September 2016, while the bonds will remain outstanding until 2030.

The obligation of the Health System to make payments on its bonds with respect to interest is in no way conditional upon the Health System's receipt of payments from the interest rate swap agreement counterparty.

At June 30, 2017 and 2016 the fair value of the Health System's interest rate swaps was a liability of $20,915,000 and $28,917,000, respectively. The change in fair value during the years ended June 30, 2017 and 2016 was a (decrease) and an increase of ($8,002,000) and $4,177,000, respectively. For the years ended June 30, 2017 and 2016 the Health System recognized a nonoperating gain of $124,000 and $1,696,000 resulting from hedge ineffectiveness and amortization of frozen swaps.

11. Employee Benefits

All eligible employees of the Health System are covered under various defined benefit and/or define contribution plans. In addition, certain affiliates provide postretirement medical and life benefit plans to certain of its active and former employees who meet eligibility requirements. The postretirement medical and life plans are not funded.

All of the defined benefit plans within the Health System have been frozen or had been approved by the applicable Board of Trustees to be frozen by December 31, 2017.

In December of 2016 the Board of Trustees approved to accelerate the freeze date on the remaining pension plan from December 31, 2017 to January 31, 2017. Effective with that date, the last of the participants earning benefits in any of the Health System's defined benefit plans will no longer earn benefits under the plans.

The Health System continued to execute the settlement of obligations due to retirees in the defined benefit plans through bulk lump sum offerings or purchases of annuity contracts. The annuity purchases follow guidelines established by the Department of Labor (DOL). The Health System anticipates continued consideration and/or implementation of additional settlements over the next several years.

Defined Benefit Plans

Net periodic pension expense included in employee benefits in the consolidated statements of operations and changes in net assets is comprised of the components listed below for the years ended June 30, 2017 and 2016:

(in thousands of dollars)	**2017**	**2016**
Service cost for benefits earned during the year	$ 5,736	$ 11,084
Interest cost on projected benefit obligation	47,316	48,036
Expected return on plan assets	(64,169)	(63,479)
Net prior service cost	109	848
Net loss amortization	20,267	26,098
Special/contractural termination benefits	119	300
One-time benefit upon plan freeze acceleration	9,519	-
	$ 18,897	$ 22,887

The following assumptions were used to determine net periodic pension expense as of June 30, 2017 and 2016:

	2017	**2016**
Discount rate	4.20 % – 4.90 %	4.30 % – 4.90%
Rate of increase in compensation	Age Graded - N/A	Age Graded/0.00 % - 2.50 %
Expected long-term rate of return on plan assets	7.50 % – 7.75 %	7.50 % – 7.75 %

The following table sets forth the funded status and amounts recognized in the Health System's consolidated financial statements for the defined benefit pension plans at June 30, 2017 and 2016:

(in thousands of dollars)	2017	2016
Change in benefit obligation		
Benefit obligation at beginning of year	$ 1,096,619	$ 988,143
Service cost	5,736	11,084
Interest cost	47,316	48,108
Benefits paid	(43,276)	(39,001)
Expenses paid	(183)	(180)
Actuarial (gain) loss	6,884	99,040
Settlements	-	(13,520)
Plan change	-	2,645
Special/contractual termination benefits	-	300
One-time benefit upon plan freeze acceleration	9,519	-
Benefit obligation at end of year	1,122,615	1,096,619
Change in plan assets		
Fair value of plan assets at beginning of year	872,320	845,052
Actual return on plan assets	44,763	81,210
Benefits paid	(43,276)	(42,494)
Expenses paid	(183)	(180)
Employer contributions	5,077	2,252
Settlements	-	(13,520)
Fair value of plan assets at end of year	878,701	872,320
Funded status of the plans	(243,914)	(224,299)
Less current portion of liability for pension	(46)	(46)
Long term portion of liability for pension	(243,868)	(224,253)
Liability for pension	$ (243,914)	$ (224,299)

For the years ended June 30, 2017 and 2016 the liability for pension is included in the liability for pension and other postretirement plan benefits in the accompanying consolidated balance sheets.

Amounts not yet reflected in net periodic pension expense and included in the change in unrestricted net assets as of June 30, 2017 and 2016 are as follows:

(in thousands of dollars)	2017	2016
Net actuarial loss	$ 429,782	$ 423,640
Prior service cost	-	228
	$ 429,782	$ 423,868

The estimated amounts to be amortized from unrestricted net assets into net periodic pension expense in 2018 for net actuarial losses is $10,966,000.

The accumulated benefit obligation for the defined benefit pension plans was approximately $1,123,010,000 and $1,082,818,000 at June 30, 2016 and 2017, respectively.

The following table sets forth the assumptions used to determine the benefit obligation at June 30, 2017 and 2016:

	2017	2016
Discount rate	4.00 % – 4.30 %	4.20 % – 4.30 %
Rate of increase in compensation	N/A - 0.00 %	Age Graded/0.00 % - 2.50 %

The primary investment objective for the Plan's assets is to support the Pension liabilities of the Pension Plans for Employees of the Health System, by providing long-term capital appreciation and by also using a Liability Driven Investing ("LDI") strategy to partially hedge the impact fluctuating interest rates have on the value of the Plan's liabilities. As of June 30, 2017 and 2016, it is expected that the LDI strategy will hedge approximately 55% and 65%, respectively, of the interest rate risk associated with pension liabilities. To achieve the appreciation and hedging objectives, the Plans utilize a diversified structure of asset classes designed to achieve stated performance objectives measured on a total return basis, which includes income plus realized and unrealized gains and losses.

The range of target allocation percentages and the target allocations for the various investments are as follows:

	Range of Target Allocations	Target Allocations
Cash and short-term investments	0–5%	3%
U.S. government securities	0–5	5
Domestic debt securities	20–58	38
Global debt securities	6–26	8
Domestic equities	5–35	19
International equities	5–15	11
Emerging market equities	3–13	5
Real estate investment trust funds	0–5	0
Private equity funds	0–5	0
Hedge funds	5–18	11

To the extent an asset class falls outside of its target range on a quarterly basis, the Health System shall determine appropriate steps, as it deems necessary, to rebalance the asset class.

The Boards of Trustees of the Health System, as Plan Sponsors, oversee the design, structure, and prudent professional management of the Health System's Plans' assets, in accordance with Board approved investment policies, roles, responsibilities and authorities and more specifically the following:

- Establishing and modifying asset class targets with Board approved policy ranges,
- Approving the asset class rebalancing procedures,

- Hiring and terminating investment managers, and
- Monitoring performance of the investment managers, custodians and investment consultants.

The hierarchy and inputs to valuation techniques to measure fair value of the Plans' assets are the same as outlined in Note 7. In addition, the estimation of fair value of investments in private equity and hedge funds for which the underlying securities do not have a readily determinable value is made using the NAV per share or its equivalent as a practical expedient. The Health System's Plans own interests in these funds rather than in securities underlying each fund and, therefore, are generally required to consider such investments as Level 2 or 3, even though the underlying securities may not be difficult to value or may be readily marketable.

The following table sets forth the Health System's Plans' investments and deferred compensation plan assets that were accounted for at fair value as of June 30, 2017 and 2016:

	2017					
(in thousands of dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Redemption or Liquidation**	**Days' Notice**
Investments						
Cash and short-term investments	$ 23	$ 29,792	$ -	$ 29,815	Daily	1
U.S. government securities	7,875	-	-	7,875	Daily–Monthly	1–15
Domestic debt securities	140,498	243,427	-	383,925	Daily–Monthly	1–15
Global debt securities	426	90,389	-	90,815	Daily–Monthly	1–15
Domestic equities	154,597	16,938	-	171,535	Daily–Monthly	1–10
International equities	9,837	93,950	-	103,787	Daily–Monthly	1–11
Emerging market equities	2,141	45,351	-	47,492	Daily–Monthly	1–17
REIT funds	362	2,492	-	2,854	Daily–Monthly	1–17
Private equity funds	-	-	96	96	See Note 7	See Note 7
Hedge funds	-	-	40,507	40,507	Quarterly–Annual	60–96
Total investments	$ 315,759	$ 522,339	$ 40,603	$ 878,701		

	2016					
(in thousands of dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Redemption or Liquidation**	**Days' Notice**
Investments						
Cash and short-term investments	$ 5,463	$ 10,879	$ -	$ 16,342	Daily	1
U.S. government securities	4,177	-	-	4,177	Daily–Monthly	1–15
Domestic debt securities	95,130	296,362	-	391,492	Daily–Monthly	1–15
Global debt securities	409	88,589	-	88,998	Daily–Monthly	1–15
Domestic equities	148,998	15,896	-	164,894	Daily–Monthly	1–10
International equities	12,849	77,299	-	90,148	Daily–Monthly	1–11
Emerging market equities	352	37,848	-	38,200	Daily–Monthly	1–17
REIT funds	356	1,465	-	1,821	Daily–Monthly	1–17
Private equity funds	-	-	255	255	See Note 7	See Note 7
Hedge funds	-	37,005	38,988	75,993	Quarterly–Annual	60–96
Total investments	$ 267,734	$ 565,343	$ 39,243	$ 872,320		

The following table presents additional information about the changes in Level 3 assets measured at fair value for the years ended June 30, 2017 and 2016:

	2017		
(in thousands of dollars)	**Hedge Funds**	**Private Equity Funds**	**Total**
Balances at beginning of year	$ 38,988	$ 255	$ 39,243
Transfers	-	-	-
Purchases	-	-	-
Sales	(880)	(132)	(1,012)
Net realized (losses) gains	33	36	69
Net unrealized gains	2,366	(63)	2,303
Balances at end of year	$ 40,507	$ 96	$ 40,603

	2016		
(in thousands of dollars)	**Hedge Funds**	**Private Equity Funds**	**Total**
Balances at beginning of year	$ 42,076	$ 437	$ 42,513
Transfers	-	-	-
Purchases	-	-	-
Sales	(468)	(142)	(610)
Net realized (losses) gains	(55)	155	100
Net unrealized gains	(2,565)	(195)	(2,760)
Balances at end of year	$ 38,988	$ 255	$ 39,243

The total aggregate net unrealized gains (losses) included in the fair value of the Level 3 investments as of June 30, 2017 and 2016 were approximately $7,965,000 and $8,808,000, respectively. There were no transfers into and out of Level 3 measurements during the years ended June 30, 2017 and 2016.

There were no transfers into and out of Level 1 and 2 measurements due to changes in valuation methodologies during the years ended June 30, 2017 and 2016.

The weighted average asset allocation for the Health System's Plans at June 30, 2017 and 2016 by asset category is as follows:

	2017	2016
Cash and short-term investments	3 %	2 %
U.S. government securities	1	1
Domestic debt securities	44	45
Global debt securities	10	10
Domestic equities	20	19
International equities	12	10
Emerging market equities	5	4
Hedge funds	5	9
	100 %	100 %

The expected long-term rate of return on plan assets is reviewed annually, taking into consideration the asset allocation, historical returns on the types of assets held, and the current economic environment. Based on these factors, it is expected that the pension assets will earn an average of 7.50% per annum.

The Health System is expected to contribute approximately $5,047,000 to the Plans in 2018 however actual contributions may vary from expected amounts.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid for the years ending June 30 and thereafter:

(in thousands of dollars)	
2018	$ 46,313
2019	48,689
2020	51,465
2021	54,375
2022	57,085
2023 – 2027	323,288

Defined Contribution Plans

The Health System has an employer-sponsored 401(a) plan for certain of its affiliates, under which the employer makes base, transition and discretionary match contributions based on specified percentages of compensation and employee deferral amounts. Total employer contributions to the plan of approximately $33,375,000 and $29,416,000 in 2017 and 2016, respectively, are included in employee benefits in the accompanying consolidated statements of operations and changes in net assets.

Various 403(b) and tax- sheltered annuity plans are available to employees of the Health System. Plan specifications vary by affiliate and plan. No employer contributions were made to any of these plans in 2017 and 2016 respectively.

Postretirement Medical and Life Benefits

The Health System has postretirement medical and life benefit plans covering certain of its active and former employees. The plans generally provide medical or medical and life insurance benefits to certain retired employees who meet eligibility requirements. The plans are not funded.

Net periodic postretirement medical and life benefit (income) cost is comprised of the components listed below for the years ended June 30, 2017 and 2016:

(in thousands of dollars)	2017	2016
Service cost	$ 448	$ 544
Interest cost	2,041	2,295
Net prior service income	(5,974)	(5,974)
Net loss amortization	689	610
	$ (2,796)	$ (2,525)

The following table sets forth the accumulated postretirement medical and life benefit obligation and amounts recognized in the Health System's consolidated financial statements at June 30, 2017 and 2016:

(in thousands of dollars)	2017	2016
Change in benefit obligation		
Benefit obligation at beginning of year	$ 51,370	$ 50,438
Service cost	448	544
Interest cost	2,041	2,295
Benefits paid	(3,211)	(3,277)
Actuarial (gain) loss	(8,337)	1,404
Employer contributions	(34)	(34)
Benefit obligation at end of year	42,277	51,370
Funded status of the plans	(42,277)	(51,370)
Current portion of liability for postretirement medical and life benefits	(3,174)	(3,130)
Long term portion of liability for postretirement medical and life benefits	(39,103)	(48,240)
Liability for postretirement medical and life benefits	$ (42,277)	$ (51,370)

For the years ended June 30, 2017 and 2016 the liability for postretirement medical and life benefits is included in the liability for pension and other postretirement plan benefits in the accompanying consolidated balance sheets.

Amounts not yet reflected in net periodic postretirement medical and life benefit income and included in the change in unrestricted net assets are as follows:

(in thousands of dollars)	2017	2016
Net prior service income	$ (21,504)	$ (27,478)
Net actuarial loss	2,054	11,080
	$ (19,450)	$ (16,398)

The estimated amounts that will be amortized from unrestricted net assets into net periodic postretirement income in 2018 for net prior service cost is $5,974,000.

The following future benefit payments, which reflect expected future service, as appropriate, are expected to be paid for the year ending June 30, 2017 and thereafter:

(in thousands of dollars)	
2018	$ 3,174
2019	3,149
2020	3,142
2021	3,117
2022	3,113
2023-2027	14,623

In determining the accumulated postretirement medical and life benefit obligation, the Health System used a discount rate of 4.20% in 2017 and an assumed healthcare cost trend rate of 6.75%, trending down to 4.75% in 2021 and thereafter. Increasing the assumed healthcare cost trend rates by one percentage point in each year would increase the accumulated postretirement medical benefit obligation as of June 30, 2017 and 2016 by $1,067,000 and $4,685,000 and the net periodic postretirement medical benefit cost for the years then ended by $110,000 and $284,000, respectively. Decreasing the assumed healthcare cost trend rates by one percentage point in each year would decrease the accumulated postretirement medical benefit obligation as of June 30, 2017 and 2016 by $974,000 and $3,884,000 and the net periodic postretirement medical benefit cost for the years then ended by $96,000 and $234,000, respectively.

12. Professional and General Liability Insurance Coverage

D-H, along with Dartmouth College, Cheshire, NLH and MAHHC are provided professional and general liability insurance on a claims-made basis through Hamden Assurance Risk Retention Group, Inc. (RRG), a VT captive insurance company. RRG reinsures the majority of this risk to Hamden Assurance Company Limited (HAC), a captive insurance company domiciled in Bermuda and to a variety of commercial reinsurers. D-H and Dartmouth College have ownership interests in both HAC and RRG. The insurance program provides coverage to the covered institutions and named insureds on a modified claims-made basis which means coverage is triggered when claims are made. Premiums and related insurance deposits are actuarially determined based on asserted liability claims adjusted for future development. The reserves for outstanding losses are recorded on an undiscounted basis.

APD is covered for malpractice claims under a modified claims-made policy purchased through New England Alliance for Health (NEAH). While APD remains in the current insurance program under this policy, the coverage year is based on the date the claim is filed; subject to a medical incident arising after the retroactive date (includes prior acts). The policy provides modified claims-made coverage for former insured providers for claims that relate to the employee's period of

employment at APD and for services that were provided within the scope of the employee's duties. Therefore, when the employee leaves the corporation, tail coverage is not required.

Selected financial data of HAC and RRG, taken from the latest available audited and unaudited financial statements, respectively at June 30, 2017 and 2016 are summarized as follows:

	2017		
	HAC	**RRG**	**Total**
(in thousands of dollars)	*(audited)*	*(unaudited)*	
Assets	$ 76,185	$ 2,055	$ 78,240
Shareholders' equity	13,620	801	14,421
Net income	-	(5)	(5)

	2016		
	HAC	**RRG**	**Total**
(in thousands of dollars)	*(audited)*	*(unaudited)*	
Assets	$ 86,101	$ 2,237	$ 88,338
Shareholders' equity	13,620	806	14,426
Net income	-	50	50

13. Commitments and Contingencies

Litigation
The Health System is involved in various malpractice claims and legal proceedings of a nature considered normal to its business. The claims are in various stages and some may ultimately be brought to trial. While it is not feasible to predict or determine the outcome of any of these claims, it is the opinion of management that the final outcome of these claims will not have a material effect on the consolidated financial position of the Health System.

Operating Leases and Other Commitments
The Health System leases certain facilities and equipment under operating leases with varying expiration dates. The Health System's rental expense totaled approximately $15,802,000 and $10,571,000 for the years ended June 30, 2017 and 2016, respectively. Minimum future lease payments under noncancelable operating leases at June 30, 2017 were as follows:

(in thousands of dollars)	
2018	$ 8,370
2019	6,226
2020	3,928
2021	3,105
2022	1,518
Thereafter	367
	$ 23,514

Lines of Credit

The Health System has entered into Loan Agreements with financial institutions establishing access to revolving loans ranging from $2,000,000 up to $85,000,000. Interest is variable and determined using LIBOR or the Wall Street Journal Prime Rate. The Loan Agreements are due to expire March 1, 2018. There was no outstanding balance under the lines of credit at June 30, 2017. The Health System had outstanding balances under the lines of credits in the amount of $36,550,000 at June 30, 2016. Interest expense was approximately $915,000 and $551,000, respectively, and is included in the consolidated statements of operations and changes in net assets.

14. Functional Expenses

Operating expenses of the Health System by function are as follows for the years ended June 30, 2017 and 2016:

(in thousands of dollars)	**2017**	**2016**
Program services	$ 1,662,413	$ 1,553,377
Management and general	311,820	271,409
Fundraising	2,328	5,901
	$ 1,976,561	$ 1,830,687

15. Subsequent Events

The Health System has assessed the impact of subsequent events through November 17, 2017, the date the audited consolidated financial statements were issued, and has concluded that there were no such events that require adjustment to the audited consolidated financial statements or disclosure in the notes to the audited consolidated financial statements other than as noted below.

Consolidating Supplemental Information - Unaudited

Dartmouth-Hitchcock Health and Subsidiaries
Consolidating Balance Sheets
June 30, 2017

(in thousands of dollars)	Dartmouth-Hitchcock	Cheshire Medical Center	New London Hospital Association	Mt. Ascutney Hospital and Health Center	Eliminations	DH Obligated Group Subtotal	All Other Non-Oblig Group Affiliates	Eliminations	Health System Consolidated
Assets									
Current assets									
Cash and cash equivalents	$ 27,328	$ 10,645	$ 7,797	$ 6,662	$ -	$ 52,432	$ 16,066	$ -	$ 68,498
Patient accounts receivable, net	193,733	17,723	8,539	4,659	-	224,654	12,606	-	237,260
Prepaid expenses and other current assets	93,816	6,945	3,650	1,351	(16,585)	89,177	8,034	(8,008)	89,203
Total current assets	314,877	35,313	19,986	12,672	(16,585)	366,263	36,706	(8,008)	394,961
Assets limited as to use	580,254	19,104	11,784	9,058	-	620,200	42,123	-	662,323
Other investments for restricted activities	86,398	4,764	2,833	6,079	-	100,074	24,455	-	124,529
Property, plant, and equipment, net	448,743	64,933	43,264	17,167	-	574,107	35,868	-	609,975
Other assets	89,650	2,543	5,965	4,095	(11,520)	90,733	27,674	(21,287)	97,120
Total assets	$ 1,519,922	$ 126,657	$ 83,832	$ 49,071	$ (28,105)	$ 1,751,377	$ 166,826	$ (29,295)	$ 1,888,908
Liabilities and Net Assets									
Current liabilities									
Current portion of long-term debt	$ 16,034	$ 780	$ 737	$ 80	$ -	$ 17,631	$ 726	$ -	$ 18,357
Line of credit	-	-	-	550	(550)	-	-	-	-
Current portion of liability for pension and other postretirement plan benefits	3,220	-	-	-	-	3,220	-	-	3,220
Accounts payable and accrued expenses	72,362	19,715	5,356	2,854	(16,585)	83,702	13,466	(8,008)	89,160
Accrued compensation and related benefits	99,638	5,428	2,335	3,448	-	110,849	4,062	-	114,911
Estimated third-party settlements	11,322	-	7,265	1,915	-	20,502	6,931	-	27,433
Total current liabilities	202,576	25,923	15,693	8,847	(17,135)	235,904	25,185	(8,008)	253,081
Long-term debt, excluding current portion	545,100	26,185	26,402	10,976	(10,970)	597,693	18,710	-	616,403
Insurance deposits and related liabilities	50,960	-	-	-	-	50,960	-	-	50,960
Interest rate swaps	17,606	-	3,310	-	-	20,916	-	-	20,916
Liability for pension and other postretirement plan benefits, excluding current portion	267,409	8,761	-	6,801	-	282,971	-	-	282,971
Other liabilities	77,622	2,636	1,426	-	-	81,684	8,864	-	90,548
Total liabilities	1,161,273	63,505	46,831	26,624	(28,105)	1,270,128	52,759	(8,008)	1,314,879
Commitments and contingencies									
Net assets									
Unrestricted	258,887	58,250	32,504	15,247	-	364,888	81,344	(21,285)	424,947
Temporarily restricted	68,473	4,902	345	1,363	-	75,083	19,836	(2)	94,917
Permanently restricted	31,289	-	4,152	5,837	-	41,278	12,887	-	54,165
Total net assets	358,649	63,152	37,001	22,447	-	481,249	114,067	(21,287)	574,029
Total liabilities and net assets	$ 1,519,922	$ 126,657	$ 83,832	$ 49,071	$ (28,105)	$ 1,751,377	$ 166,826	$ (29,295)	$ 1,888,908

Dartmouth-Hitchcock Health and Subsidiaries
Consolidating Balance Sheets
June 30, 2017

(in thousands of dollars)	D-HH (Parent)	D-H and Subsidiaries	Cheshire and Subsidiaries	NLH and Subsidiaries	MAHHC and Subsidiaries	APD	VNH and Subsidiaries	Eliminations	Health System Consolidated
Assets									
Current assets									
Cash and cash equivalents	$ 1,166	$ 27,760	$ 11,601	$ 8,280	$ 6,968	$ 8,129	$ 4,594	$ -	$ 68,498
Patient accounts receivable, net	-	193,733	17,723	8,539	4,681	8,878	3,706	-	237,260
Prepaid expenses and other current assets	3,884	94,305	5,899	3,671	1,340	4,179	518	(24,593)	89,203
Total current assets	5,050	315,798	35,223	20,490	12,989	21,186	8,818	(24,593)	394,961
Assets limited as to use	-	596,904	19,104	11,782	9,889	8,168	16,476	-	662,323
Other investments for restricted activities	6	94,210	21,204	2,833	6,079	197	-	-	124,529
Property, plant, and equipment, net	50	451,418	68,921	43,751	18,935	23,447	3,453	-	609,975
Other assets	23,866	89,819	8,586	5,378	1,812	283	183	(32,807)	97,120
Total assets	$ 28,972	$ 1,548,149	$ 153,038	$ 84,234	$ 49,704	$ 53,281	$ 28,930	$ (57,400)	$ 1,888,908
Liabilities and Net Assets									
Current liabilities									
Current portion of long-term debt	$ -	$ 16,034	$ 780	$ 737	$ 137	$ 603	$ 66	$ -	$ 18,357
Line of credit	-	-	-	-	550	-	-	(550)	-
Current portion of liability for pension and other postretirement plan benefits	-	3,220	-	-	-	-	-	-	3,220
Accounts payable and accrued expenses	5,996	72,806	19,718	5,365	2,946	5,048	1,874	(24,593)	89,160
Accrued compensation and related benefits	-	99,638	5,428	2,335	3,480	2,998	1,032	-	114,911
Estimated third-party settlements	6,165	11,322	-	7,265	1,915	766	-	-	27,433
Total current liabilities	12,161	203,020	25,926	15,702	9,028	9,415	2,972	(25,143)	253,081
Long-term debt, excluding current portion	-	545,100	26,185	26,402	11,356	15,633	2,697	(10,970)	616,403
Insurance deposits and related liabilities	-	50,960	-	-	-	-	-	-	50,960
Interest rate swaps	-	17,606	-	3,310	-	-	-	-	20,916
Liability for pension and other postretirement plan benefits, excluding current portion	-	267,409	8,761	-	6,801	-	-	-	282,971
Other liabilities	-	77,622	2,531	1,426	-	8,969	-	-	90,548
Total liabilities	12,161	1,161,717	63,403	46,840	27,185	34,017	5,669	(36,113)	1,314,879
Commitments and contingencies									
Net assets									
Unrestricted	16,367	278,695	60,758	32,897	15,319	18,965	23,231	(21,285)	424,947
Temporarily restricted	444	74,304	18,198	345	1,363	265	-	(2)	94,917
Permanently restricted	-	33,433	10,679	4,152	5,837	34	30	-	54,165
Total net assets	16,811	386,432	89,635	37,394	22,519	19,264	23,261	(21,287)	574,029
Total liabilities and net assets	$ 28,972	$ 1,548,149	$ 153,038	$ 84,234	$ 49,704	$ 53,281	$ 28,930	$ (57,400)	$ 1,888,908

Dartmouth-Hitchcock Health and Subsidiaries
Consolidating Balance Sheets
June 30, 2016

(in thousands of dollars)	Dartmouth-Hitchcock	DH Obligated Group Subtotal	All Other Non-Oblig Group Affiliates	Eliminations	Health System Consolidated
Assets					
Current assets					
Cash and cash equivalents	$ 1,535	$ 1,535	$ 39,057	$ -	$ 40,592
Patient accounts receivable, net	220,173	220,173	40,815	-	260,988
Prepaid expenses and other current assets	95,158	95,158	23,595	(22,933)	95,820
Total current assets	316,866	316,866	103,467	(22,933)	397,400
Assets limited as to use	551,724	551,724	40,744	-	592,468
Other investments for restricted activities	91,879	91,879	50,157	-	142,036
Property, plant, and equipment, net	454,894	454,894	157,670	-	612,564
Other assets	65,613	65,613	36,582	(14,929)	87,266
Total assets	$ 1,480,976	$ 1,480,976	$ 388,620	$ (37,862)	$ 1,831,734
Liabilities and Net Assets					
Current liabilities					
Current portion of long-term debt	$ 15,638	$ 15,638	$ 2,669	$ -	$ 18,307
Line of Credit	35,000	35,000	1,550	-	36,550
Current portion of liability for pension and other postretirement plan benefits	3,176	3,176	-	-	3,176
Accounts payable and accrued expenses	87,373	87,373	43,104	(22,933)	107,544
Accrued compensation and related benefits	86,997	86,997	16,557	-	103,554
Estimated third-party settlements	21,434	21,434	(1,784)	-	19,650
Total current liabilities	249,618	249,618	62,096	(22,933)	288,781
Long-term debt, excluding current portion	550,090	550,090	75,251	-	625,341
Insurance deposits and related liabilities	56,887	56,887	-	-	56,887
Interest rate swaps	24,148	24,148	4,769	-	28,917
Liability for pension and other postretirement plan benefits, excluding current portion	246,816	246,816	25,677	-	272,493
Other liabilities	54,218	54,218	15,593	-	69,811
Total liabilities	1,181,777	1,181,777	183,386	(22,933)	1,342,230
Commitments and contingencies					
Net assets					
Unrestricted	217,033	217,033	158,079	(14,929)	360,183
Temporarily restricted	51,173	51,173	24,558	-	75,731
Permanently restricted	30,993	30,993	22,597	-	53,590
Total net assets	299,199	299,199	205,234	(14,929)	489,504
Total liabilities and net assets	$ 1,480,976	$ 1,480,976	$ 388,620	$ (37,862)	$ 1,831,734

Dartmouth-Hitchcock Health and Subsidiaries
Consolidating Balance Sheets
June 30, 2016

(in thousands of dollars)	D-HH (Parent)	D-H and Subsidiaries	Cheshire and Subsidiaries	NLH and Subsidiaries	MAHHC and Subsidiaries	APD	Eliminations	Health System Consolidated
Assets								
Current assets								
Cash and cash equivalents	$ 607	$ 2,066	$ 16,640	$ 6,699	$ 5,388	$ 9,192	$ -	$ 40,592
Patient accounts receivable, net	-	220,173	17,836	7,377	5,347	10,255	-	260,988
Prepaid expenses and other current assets	7,463	95,738	5,458	3,209	2,022	4,863	(22,933)	95,820
Total current assets	8,070	317,977	39,934	17,285	12,757	24,310	(22,933)	397,400
Assets limited as to use	-	551,724	17,525	10,345	8,260	4,614	-	592,468
Other investments for restricted activities	217	114,719	18,486	2,843	5,742	29	-	142,036
Property, plant, and equipment, net	76	457,570	75,591	43,204	19,659	16,464	-	612,564
Other assets	17,950	65,782	9,496	5,028	3,929	10	(14,929)	87,266
Total assets	$ 26,313	$ 1,507,772	$ 161,032	$ 78,705	$ 50,347	$ 45,427	$ (37,862)	$ 1,831,734
Liabilities and Net Assets								
Current liabilities								
Current portion of long-term debt	$ -	$ 15,638	$ 755	$ 941	$ 466	$ 507	$ -	$ 18,307
Line of credit	-	35,000	-	-	1,550	-	-	36,550
Current portion of liability for pension and other postretirement plan benefits	-	3,176	-	-	-	-	-	3,176
Accounts payable and accrued expenses	9,857	88,557	15,866	6,791	4,589	4,817	(22,933)	107,544
Accrued compensation and related benefits	-	86,997	7,728	2,052	3,128	3,649	-	103,554
Estimated third-party settlements	-	10,534	1,569	5,206	917	1,424	-	19,650
Total current liabilities	9,857	239,902	25,918	14,990	10,650	10,397	(22,933)	288,781
Long-term debt, excluding current portion	-	550,090	26,985	20,767	11,145	16,354	-	625,341
Insurance deposits and related liabilities	-	56,887	-	-	-	-	-	56,887
Interest rate swaps	-	24,148	-	4,646	123	-	-	28,917
Liability for pension and other postretirement plan benefits, excluding current portion	-	246,816	18,662	-	7,015	-	-	272,493
Other liabilities	-	65,118	3,522	1,135	-	36	-	69,811
Total liabilities	9,857	1,182,961	75,087	41,538	28,933	26,787	(22,933)	1,342,230
Commitments and contingencies								
Net assets								
Unrestricted	16,456	234,609	58,978	32,706	14,099	18,264	(14,929)	360,183
Temporarily restricted	-	57,091	16,454	345	1,496	345	-	75,731
Permanently restricted	-	33,111	10,513	4,116	5,819	31	-	53,590
Total net assets	16,456	324,811	85,945	37,167	21,414	18,640	(14,929)	489,504
Total liabilities and net assets	$ 26,313	$ 1,507,772	$ 161,032	$ 78,705	$ 50,347	$ 45,427	$ (37,862)	$ 1,831,734

Dartmouth-Hitchcock Health and Subsidiaries
Consolidating Statements of Operations and Changes in Unrestricted Net Assets
Year Ended June 30, 2017

(in thousands of dollars)	Dartmouth-Hitchcock	Cheshire Medical Center	New London Hospital Association	Mt. Ascutney Hospital and Health Center	Eliminations	DH Obligated Group Subtotal	All Other Non-Oblig Group Affiliates	Eliminations	Health System Consolidated
Unrestricted revenue and other support									
Net patient service revenue, net of contractual allowances and discounts	$ 1,447,961	$ 214,265	$ 59,928	$ 48,072	$ (19)	$ 1,770,207	$ 88,985	$ -	$ 1,859,192
Provisions for bad debts	42,963	14,125	2,010	1,705	-	60,803	2,842	-	63,645
Net patient service revenue less provisions for bad debts	1,404,998	200,140	57,918	46,367	(19)	1,709,404	86,143	-	1,795,547
Contracted revenue	88,620	-	-	1,861	(41,771)	48,710	(4,995)	(44)	43,671
Other operating revenue	104,611	3,045	3,839	1,592	(1,148)	111,939	6,418	820	119,177
Net assets released from restrictions	9,550	639	116	61	-	10,366	756	-	11,122
Total unrestricted revenue and other support	1,607,779	203,824	61,873	49,881	(42,938)	1,880,419	88,322	776	1,969,517
Operating expenses									
Salaries	787,644	102,769	30,311	23,549	(21,784)	922,489	42,327	1,536	966,352
Employee benefits	202,178	26,632	7,071	5,523	(5,322)	236,082	8,392	381	244,855
Medical supplies and medications	257,100	30,692	6,143	2,905	(273)	296,567	9,513	-	306,080
Purchased services and other	208,671	28,068	12,795	13,224	(17,325)	245,433	45,331	(959)	289,805
Medicaid enhancement tax	50,118	7,800	2,923	1,620	-	62,461	2,608	-	65,069
Depreciation and amortization	66,067	10,238	3,881	2,138	-	82,324	2,238	-	84,562
Interest	17,352	1,127	819	249	(209)	19,338	500	-	19,838
Total operating expenses	1,589,130	207,326	63,943	49,208	(44,913)	1,864,694	110,909	958	1,976,561
Operating margin (loss)	18,649	(3,502)	(2,070)	673	1,975	15,725	(22,587)	(182)	(7,044)
Nonoperating gains (losses)									
Investment gains (losses)	42,484	1,378	1,570	984	(209)	46,207	4,849	-	51,056
Other, net	(3,003)	-	(879)	570	(1,767)	(5,079)	740	186	(4,153)
Contribution revenue from acquisition	-	-	-	-	-	-	20,215	-	20,215
Total nonoperating gains, net	39,481	1,378	691	1,554	(1,976)	41,128	25,804	186	67,118
Excess (deficiency) of revenue over expenses	58,130	(2,124)	(1,379)	2,227	(1)	56,853	3,217	4	60,074
Unrestricted net assets									
Net assets released from restrictions (Note 8)	983	-	9	442	-	1,434	405	-	1,839
Change in funded status of pension and other postretirement benefits	(5,297)	4,031	-	(321)	-	(1,587)	-	-	(1,587)
Net assets transferred (from) to affiliates	(18,380)	900	143	986	-	(16,351)	16,351	-	-
Other changes in net assets	-	-	-	(2,286)	-	(2,286)	5,281	(6,359)	(3,364)
Change in fair value on interest rate swaps	6,418	-	1,337	47	-	7,802	-	-	7,802
Increase (decrease) in unrestricted net assets	$ 41,854	$ 2,807	$ 110	$ 1,095	$ (1)	$ 45,865	$ 25,254	$ (6,355)	$ 64,764

Dartmouth-Hitchcock Health and Subsidiaries
Consolidating Statements of Operations and Changes in Unrestricted Net Assets
Year Ended June 30, 2017

(in thousands of dollars)	D-HH (Parent)	D-H and Subsidiaries	Cheshire and Subsidiaries	NLH and Subsidiaries	MAHHC and Subsidiaries	APD	VNH and Subsidiaries	Eliminations	Health System Consolidated
Unrestricted revenue and other support									
Net patient service revenue, net of contractual allowances and discounts	$ -	$ 1,447,961	$ 214,265	$ 59,928	$ 48,072	$ 65,835	$ 23,150	$ (19)	$ 1,859,192
Provisions for bad debts	-	42,963	14,125	2,010	1,705	2,275	567	-	63,645
Net patient service revenue less provisions for bad debts	-	1,404,998	200,140	57,918	46,367	63,560	22,583	(19)	1,795,547
Contracted revenue	(5,802)	89,427	-	-	1,861	-	-	(41,815)	43,671
Other operating revenue	673	106,775	3,264	3,837	3,038	1,537	381	(328)	119,177
Net assets released from restrictions	-	10,200	639	116	61	106	-	-	11,122
Total unrestricted revenue and other support	(5,129)	1,611,400	204,043	61,871	51,327	65,203	22,964	(42,162)	1,969,517
Operating expenses									
Salaries	1,009	787,644	102,769	30,311	24,273	29,397	11,197	(20,248)	966,352
Employee benefits	293	202,178	26,632	7,071	5,686	5,532	2,404	(4,941)	244,855
Medical supplies and medications	-	257,100	30,692	6,143	2,905	7,760	1,753	(273)	306,080
Purchased services and other	16,021	212,414	29,902	12,653	13,626	16,564	6,907	(18,282)	289,805
Medicaid enhancement tax	-	50,118	7,800	2,923	1,620	2,608	-	-	65,069
Depreciation and amortization	26	66,067	10,396	3,886	2,242	1,532	413	-	84,562
Interest	-	17,352	1,127	819	249	467	33	(209)	19,838
Total operating expenses	17,349	1,592,873	209,318	63,806	50,601	63,860	22,707	(43,953)	1,976,561
Operating (loss) margin	(22,478)	18,527	(5,275)	(1,935)	726	1,343	257	1,791	(7,044)
Nonoperating gains (losses)									
Investment (losses) gains	(321)	44,746	2,124	1,516	1,045	439	1,716	(209)	51,056
Other, net	-	(3,003)	-	(879)	581	(161)	888	(1,579)	(4,153)
Contribution revenue from acquisition	20,215	-	-	-	-	-	-	-	20,215
Total nonoperating gains, net	19,894	41,743	2,124	637	1,626	278	2,604	(1,788)	67,118
(Deficiency) excess of revenue over expenses	(2,584)	60,270	(3,151)	(1,298)	2,352	1,621	2,861	3	60,074
Unrestricted net assets									
Net assets released from restrictions (Note 8)	-	1,075	-	9	442	158	155	-	1,839
Change in funded status of pension and other postretirement benefits	-	(5,297)	4,031	-	(321)	-	-	-	(1,587)
Net assets transferred (from) to affiliates	(3,864)	(18,380)	900	143	986	-	20,215	-	-
Additional paid in capital		-		-	-	-	-		-
Other changes in net assets	6,359	-	-	-	(2,286)	(1,078)	-	(6,359)	(3,364)
Change in fair value on interest rate swaps	-	6,418	-	1,337	47	-	-	-	7,802
(Decrease) increase in unrestricted net assets	$ (89)	$ 44,086	$ 1,780	$ 191	$ 1,220	$ 701	$ 23,231	$ (6,356)	$ 64,764

Dartmouth-Hitchcock Health and Subsidiaries
Consolidating Statements of Operations and Changes in Unrestricted Net Assets
Year Ended June 30, 2016

(in thousands of dollars)	Dartmouth-Hitchcock	DH Obligated Group Subtotal	All Other Non-Oblig Group Affiliates	Eliminations	Health System Consolidated
Unrestricted revenue and other support					
Net patient service revenue, net of contractual allowances and discounts	$ 1,387,677	$ 1,387,677	$ 302,159	$ (561)	$ 1,689,275
Provisions for bad debts	41,072	41,072	14,049	-	55,121
Net patient service revenue less provisions for bad debts	$ 1,346,605	$ 1,346,605	$ 288,110	$ (561)	$ 1,634,154
Contracted revenue	63,188	63,188	2,794	-	65,982
Other operating revenue	69,902	69,902	16,994	(4,544)	82,352
Net assets released from restrictions	7,928	7,928	1,291	-	9,219
Total unrestricted revenue and other support	1,487,623	1,487,623	309,189	(5,105)	1,791,707
Operating expenses					
Salaries	731,721	731,721	126,108	14,636	872,465
Employee benefits	197,050	197,050	34,824	2,533	234,407
Medical supplies and medications	236,918	236,918	72,896	-	309,814
Purchased services and other	208,763	208,763	68,582	(22,204)	255,141
Medicaid enhancement tax	46,078	46,078	12,487	-	58,565
Depreciation and amortization	62,348	62,348	18,646	-	80,994
Interest	16,821	16,821	2,480	-	19,301
Total operating expenses	1,499,699	1,499,699	336,023	(5,035)	1,830,687
Operating (loss) margin	(12,076)	(12,076)	(26,834)	(70)	(38,980)
Nonoperating (losses) gains					
Investment losses	(18,537)	(18,537)	(1,566)	-	(20,103)
Other, net	(3,789)	(3,789)	(56)	-	(3,845)
Contribution revenue from acquisition	-	-	18,014	69	18,083
Total nonoperating (losses) gains, net	(22,326)	(22,326)	16,392	69	(5,865)
Deficiency of revenue over expenses	(34,402)	(34,402)	(10,442)	(1)	(44,845)
Unrestricted net assets					
Net assets released from restrictions (Note 8)	1,994	1,994	1,254	-	3,248
Change in funded status of pension and other postretirement benefits	(52,262)	(52,262)	(14,279)	-	(66,541)
Net assets transferred (from) to affiliates	(22,558)	(22,558)	22,558	-	-
Additional paid in capital	-	-	12,793	(12,793)	-
Change in fair value on interest rate swaps	(4,907)	(4,907)	(966)	-	(5,873)
(Decrease) increase in unrestricted net assets	$ (112,135)	$ (112,135)	$ 10,918	$ (12,794)	$ (114,011)

Dartmouth-Hitchcock Health and Subsidiaries
Consolidating Statements of Operations and Changes in Unrestricted Net Assets
Year Ended June 30, 2016

(in thousands of dollars)	D-HH (Parent)	D-H and Subsidiaries	Cheshire and Subsidiaries	NLH and Subsidiaries	MAHHC and Subsidiaries	APD	Eliminations	Health System Consolidated
Unrestricted revenue and other support								
Net patient service revenue, net of contractual allowances and discounts	$ -	$ 1,387,677	$ 171,620	$ 61,740	$ 47,680	$ 21,119	$ (561)	$ 1,689,275
Provisions for bad debts	-	41,072	9,833	1,951	1,249	1,016	-	55,121
Net patient service revenue less provisions for bad debts	-	1,346,605	161,787	59,789	46,431	20,103	(561)	1,634,154
Contracted revenue	1,696	64,286	-	-	-	-	-	65,982
Other operating revenue	3,300	71,475	3,187	3,509	4,555	870	(4,544)	82,352
Net assets released from restrictions	-	8,713	322	65	119	-	-	9,219
Total unrestricted revenue and other support	4,996	1,491,079	165,296	63,363	51,105	20,973	(5,105)	1,791,707
Operating expenses								
Salaries	730	732,393	60,406	29,873	24,019	10,408	14,636	872,465
Employee benefits	219	197,165	19,276	6,824	6,260	2,130	2,533	234,407
Medical supplies and medications	-	236,918	59,121	6,597	4,246	2,932	-	309,814
Purchased services and other	22,506	211,611	14,020	12,876	11,955	4,377	(22,204)	255,141
Medicaid enhancement tax	-	46,078	7,132	2,808	1,707	840	-	58,565
Depreciation and amortization	15	62,348	11,069	4,674	2,345	543	-	80,994
Interest	-	16,821	1,046	823	467	144	-	19,301
Total operating expenses	23,470	1,503,334	172,070	64,475	50,999	21,374	(5,035)	1,830,687
Operating (loss) margin	(18,474)	(12,255)	(6,774)	(1,112)	106	(401)	(70)	(38,980)
Nonoperating gains (losses)								
Investment (losses) gains	(1,027)	(18,848)	(1,075)	627	(15)	235	-	(20,103)
Other, net	(529)	(3,647)	-	57	205	-	69	(3,845)
Contribution revenue from acquisition	18,083	-	-	-	-	-	-	18,083
Total nonoperating (losses) gains, net	16,527	(22,495)	(1,075)	684	190	235	69	(5,865)
(Deficiency) excess of revenue over expenses	(1,947)	(34,750)	(7,849)	(428)	296	(166)	(1)	(44,845)
Unrestricted net assets								
Net assets released from restrictions (Note 8)	-	2,185	107	23	586	347	-	3,248
Change in funded status of pension and other postretirement benefits	-	(52,262)	(12,982)	-	(1,297)	-	-	(66,541)
Net assets transferred to (from) affiliates	4,475	(22,558)	-	-	-	18,083	-	-
Additional paid in capital	12,793	-	-	-	-	-	(12,793)	-
Change in fair value on interest rate swaps	-	(4,907)	-	(1,115)	149	-	-	(5,873)
Increase (decrease) in unrestricted net assets	$ 15,321	$ (112,292)	$ (20,724)	$ (1,520)	$ (266)	$ 18,264	$ (12,794)	$ (114,011)

Dartmouth-Hitchcock Health and Subsidiaries
Notes to Supplemental Consolidating Information
June 30, 2017 and 2016

1. Basis of Presentation

The accompanying supplemental consolidating information includes the consolidating balance sheet and the consolidating statement of operations and changes in unrestricted net assets of D-HH and subsidiaries. All intercompany accounts and transactions between D-HH and subsidiaries have been eliminated. The consolidating information presented is prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America consistent with the consolidated financial statements. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements and is not required as part of the basic financial statements.

APPENDIX B-2

FINANCIAL STATEMENTS OF
ALICE PECK DAY MEMORIAL HOSPITAL

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BAKER NEWMAN NOYES

Alice Peck Day Memorial Hospital

Audited Financial Statements

For the Year Ended June 30, 2017
With Independent Auditors' Report

Baker Newman & Noyes LLC
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ALICE PECK DAY MEMORIAL HOSPITAL

Audited Financial Statements

For the Year Ended June 30, 2017

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BAKER NEWMAN NOYES

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Alice Peck Day Memorial Hospital

We have audited the accompanying financial statements of Alice Peck Day Memorial Hospital, which comprise the balance sheet as of June 30, 2017, and the related statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alice Peck Day Memorial Hospital as of June 30, 2017, and the results of its operations and changes in net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Newman & Noyes LLC

Manchester, New Hampshire
October 16, 2017

ALICE PECK DAY MEMORIAL HOSPITAL

BALANCE SHEET

June 30, 2017

ASSETS

Current assets:	
Cash and cash equivalents	$ 8,129,128
Short-term investments	5,075,840
Accounts receivable, less allowance for bad debts and contractual allowances of $10,153,208	8,878,043
Due from affiliates	1,855,363
Current portion of pledges receivable, net	67,463
Supplies	1,214,330
Prepaid expenses and other current assets	1,041,417
Total current assets	26,261,584
Assets whose use is limited or restricted	3,257,782
Property and equipment, net	23,445,990
Long-term investments	31,221
Other assets	282,833
Total assets	$53,279,410

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	$ 4,160,229
Accrued salaries and related amounts	2,997,963
Due to affiliates	869,813
Estimated third-party payor settlements	765,546
Current portion of deferred annuities	17,645
Current portion of capital lease obligation	199,072
Current portion of long-term debt	403,468
Total current liabilities	9,413,736
Long-term debt, net of current portion	15,401,941
Accrued construction costs for building under development	8,426,000
Capital lease obligation, net of current portion	231,498
Other liabilities	542,626
Total liabilities	34,015,801
Net assets:	
Unrestricted	18,965,454
Temporarily restricted	264,615
Permanently restricted	33,540
Total net assets	19,263,609
Total liabilities and net assets	$53,279,410

See accompanying notes.

ALICE PECK DAY MEMORIAL HOSPITAL

STATEMENT OF OPERATIONS

For the Year Ended June 30, 2017

Net patient service revenues, net of contractual allowances and discounts	$65,834,373
Provision for bad debts	(2,274,631)
Net patient service revenues less provision for bad debts	63,559,742
Other revenue	1,537,312
Net assets released from restrictions used for operations	105,560
Total unrestricted revenues, gains and other support	65,202,614
Expenses:	
Salaries and benefits	34,928,841
Provider fees	3,592,007
Supplies and other	22,266,765
Insurance	1,072,144
Depreciation and amortization	1,531,618
Interest	466,853
Total expenses	63,858,228
Income from operations	1,344,386
Loss on disposal of equipment	(162,020)
Excess of revenues, gains and other support over expenses	1,182,366
Change in net unrealized gains on investments	438,806
Net assets released from restrictions used for purchases of property and equipment	157,595
Increase in unrestricted net assets	$ 1,778,767

See accompanying notes.

ALICE PECK DAY MEMORIAL HOSPITAL

STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balances at June 30, 2016	$17,186,687	$ 345,120	$31,051	$17,562,858
Excess of revenues, gains and other support over expenses	1,182,366	–	–	1,182,366
Change in net unrealized gains on investments	438,806	–	2,489	441,295
Restricted contributions	–	182,650	–	182,650
Net assets released from restrictions used for purchase of property and equipment	157,595	(157,595)	–	–
Net assets released from restrictions used for operations	–	(105,560)	–	(105,560)
	1,778,767	(80,505)	2,489	1,700,751
Balances at June 30, 2017	$18,965,454	$ 264,615	$33,540	$19,263,609

See accompanying notes.

ALICE PECK DAY MEMORIAL HOSPITAL

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2017

Cash flows from operating activities:	
Increase in net assets	$ 1,700,751
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Amortization of deferred financing costs	6,032
Depreciation and amortization	1,531,618
Provision for bad debts, net of recoveries	2,274,631
Net realized and unrealized gains on investments	(498,121)
Loss on disposal of equipment	162,020
Restricted contributions	(182,650)
Changes in operating assets and liabilities:	
Accounts receivable	(1,896,274)
Supplies	(78,068)
Prepaid expenses, other current assets, and other assets	(384,902)
Due to (from) affiliates	776,538
Accounts payable and accrued expenses	(1,048,027)
Accrued salaries and related amounts	(461,227)
Estimated third-party payor settlements	712,682
Other liabilities	113,692
Net cash provided by operating activities	2,728,695
Cash flows from investing activities:	
Purchases of property and equipment	(1,269,300)
Proceeds from sale of property and equipment	1,057,377
Proceeds from sales of investments	434,488
Purchases of investments	(549,185)
Increase in assets whose use is limited, net	(108,134)
Net cash used by investing activities	(434,754)
Cash flows from financing activities:	
Payments on long-term debt	(386,747)
Payments on capital lease obligations	(245,140)
Proceeds from restricted contributions	282,663
Net cash used by financing activities	(349,224)
Net increase in cash and cash equivalents	1,944,717
Cash and cash equivalents at beginning of year	6,184,411
Cash and cash equivalents at end of year	$ 8,129,128
Supplemental information:	
Interest paid	$ 456,525
Noncash investing and financing activities:	
Building construction in process financed by a third party	$ 8,426,000

See accompanying notes.

1. Organization

Alice Peck Day Memorial Hospital (the Hospital) is a not-for-profit entity established to provide acute and specialty care services to residents of the greater Lebanon, New Hampshire area. In 2014, the Board of the Hospital, accompanied by the Board of Dartmouth-Hitchcock Health (D-HH), approved an affiliation agreement between the Hospital and D-HH. This affiliation became effective on March 2, 2016. As a result, the sole corporate member of the Hospital is D-HH.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with the reporting requirements set forth in the Mortgage, Loan, and Security Agreement requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant areas which are affected by the use of estimates include the allowance for bad debts and contractual adjustments, estimated third-party payor settlements, insurance-related reserves and recoverables, fair value of the Hospital's assets at date of affiliation, and self-insured health care costs.

Concentrations of Credit Risk

Financial instruments which subject the Hospital to credit risk consist primarily of cash equivalents, accounts receivable, amounts receivable under irrevocable trusts, and investments. The risk with respect to cash equivalents is minimized by the Hospital's policy of investing in financial instruments with short-term maturities issued by highly rated financial institutions. The Hospital's accounts receivable are primarily due from third-party payors and amounts are presented net of expected contractual allowances and uncollectible amounts (see also note 13). Amounts due under irrevocable trusts are evaluated for collectibility and presented net of any required allowances. The Hospital's investment portfolio consists of diversified investments, which are subject to market risk. At June 30, 2017, five mutual funds comprised 28% of total investments.

Cash and Cash Equivalents

Cash and cash equivalents include money market funds and secured repurchase agreements with original maturities of three months or less, excluding assets whose use is limited or restricted.

The Hospital maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Hospital has not experienced any losses on such accounts.

2. Summary of Significant Accounting Policies (Continued)

Investments and Investment Income

Investments are carried at fair value in the accompanying balance sheet. Investment income (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues, gains and other support over expenses unless the income is restricted by donor or law. Gains and losses on investments are computed on a specific identification basis. Unrealized gains and losses on investments are excluded from the excess of revenues, gains and other support over expenses unless the investments are classified as trading securities or losses are considered other-than-temporary. Periodically, management reviews investments for which the market value has fallen significantly below cost and recognizes impairment losses where they believe the declines are other-than-temporary.

Investments are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying balance sheet and statement of operations.

Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted include assets designated by the Board of the Hospital for construction costs, agency funds, and donor-restricted funds.

Accounts Receivable and the Allowance for Bad Debts

Accounts receivable are reduced by an allowance for bad debts. In evaluating the collectibility of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for bad debts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for bad debts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for bad debts and a provision for bad debts, if necessary (for example, 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 self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a 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 bad debts.

Supplies

Supplies are carried at the lower of cost (determined by the first-in, first-out method) or net realizable value.

2. Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment is stated at cost or, if contributed, at fair market value determined at the date of donation, less accumulated depreciation. Property and equipment under capital leases is amortized over the estimated useful lives of the assets or lease term, whichever is shorter. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method.

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.

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. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Deferred Financing Costs

The costs incurred to obtain long-term financing are being amortized by the straight-line method over the period during which the debt is outstanding.

Employee Fringe Benefits

The Hospital has an "earned time" plan which provides benefits to employees for paid leave hours. Under this plan, each employee earns paid leave for each period worked. These hours of paid leave may be used for vacations, holidays, or illnesses. Hours earned, but not used, are vested with the employee, limited to three hundred hours carryover at year end. The Hospital accrues a liability for such paid leave as it is earned.

Retirement Plan

The Hospital's employees participate in a tax-sheltered annuity retirement plan. There is no minimum age or service requirement to participate in the employee deferral contributing portion of the plan. Discretionary contributions consisting of 50% of the employees' contribution up to 2% of eligible compensation are made by the Hospital on behalf of all participants who had completed one year of service and attained age 21. Effective October 1, 2014, the Plan was amended and restated to remove automatic rollovers to an individual retirement account and to no longer subject the plan to the qualified joint survivor rules. The plan expense recorded was approximately $460,200 for the year ended June 30, 2017.

2. Summary of Significant Accounting Policies (Continued)

Temporarily and Permanently Restricted Net Assets

Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of donated assets. Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported as either net assets released from restrictions (for noncapital related items) or as net assets released from restrictions used for capital purchases (capital related items). Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

Excess of Revenues, Gains and Other Support Over Expenses

The statement of operations includes excess of revenues, gains and other support over expenses. Changes in unrestricted net assets which are excluded from this performance indicator, consistent with industry practice, include the change in net unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Health Insurance

The Hospital is partially self-insured with respect to health care coverage. This coverage provides medical health benefits to eligible employees and their eligible dependents. The Hospital estimates an accrual for claims incurred but not reported which is included in accrued salaries and related amounts in the accompanying balance sheet. Health insurance expense approximated $2,552,300 for the year ended June 30, 2017.

Net Patient Service Revenues

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, per diem payments and fee schedules. Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive 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 final settlements are determined. Changes in these estimates are reflected in the financial statements in the year in which they occur. Net patient service revenues in the accompanying statement of operations decreased approximately $800,000 for the year ended June 30, 2017.

2. Summary of Significant Accounting Policies (Continued)

The Hospital recognizes patient service revenues 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, the Hospital provides a discount approximately equal to that of its largest private insurance payors. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Medicaid Enhancement Tax, Medicaid Disproportionate Share, and Certain Contingencies

Under the State of New Hampshire's tax code, the State imposes a Medicaid enhancement tax (MET) equal to approximately 5.5% of Hospital net patient service revenues, with certain exclusions. The amount of tax incurred by the Hospital was $2,607,700 for the year ended June 30, 2017.

In the fall of 2010, in order to remain in compliance with stated federal regulations, the State of New Hampshire adopted a new approach related to Medicaid disproportionate share funding retroactive to July 1, 2010. Unlike the former funding method, the State's approach led to a payment that was not directly based on, and did not equate to, the level of tax imposed. As a result, the legislation created some level of losses at certain New Hampshire hospitals, while other hospitals realized gains. For the year ended June 30, 2017, the Hospital recognized disproportionate share funding (net of related reserves and changes in estimates) totaling $1,910,417. Currently the State makes disproportionate share hospital payments to support up to 75% of the actual uncompensated care costs for New Hampshire's hospitals with critical access designation.

The Centers for Medicare and Medicaid Services (CMS) has completed audits of the State's program and the disproportionate share payments made by the State in 2011 and 2012, the first years that those payments reflected the amount of uncompensated care provided by New Hampshire hospitals. It is possible that subsequent years will also be audited by CMS. The Hospital records changes in accounting estimates relative to established reserves in the period additional information such as indications of adjustments, are received.

A contingency currently exists relative to the treatment of provider taxes in New Hampshire for Hospital fiscal years 2011 through 2015. Although the Medicare Administrative Contractor has issued the 2011 Notice of Program Reimbursement with the New Hampshire tax included as a reimbursable expense, a concurrent Reopening Notice was issued in the event CMS changes its policy on the reimbursement of provider taxes. Management estimates a maximum potential negative impact of $5,572,000 as a result of the treatment of provider taxes in New Hampshire for fiscal years 2011 through 2017. As of the date of these financial statements, management has not provided a specific reserve for the potential reopening of 2011 or final settlement of 2012 through 2016. An unfavorable outcome or likelihood cannot be currently assessed.

2. Summary of Significant Accounting Policies (Continued)

Charity Care

The Hospital has a formal charity care policy under which patient care is provided without charge or at amounts less than its established rates to patients who meet certain criteria. The Hospital does not pursue collection of amounts determined to qualify as charity care and, therefore, they are not reported as revenue. See note 4 with respect to costs of charity care.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Hospital are reported at fair value at the date the promise is received. Conditional promises to give and intentions to give are reported at fair value at the date the condition is met. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of donated assets.

Donor-restricted endowment gifts are reported as long-term investments.

Any future annuity payments resulting from contributions received which are life income gifts or annuity gifts are determined actuarially and through present value techniques. The future liability for these payments is reflected as a deferred annuity in the balance sheet. As of June 30, 2017, the liability for these gift annuities was $70,271. The long-term portion of these deferred annuities is included in other liabilities in the accompanying balance sheet.

Income Taxes

The Hospital is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code. Management evaluated the Hospital's tax positions and concluded the Hospital has maintained its tax-exempt status, does not have any significant unrelated business income, and had taken no uncertain tax positions that require adjustment to the financial statements, other than the contingency discussed in the Medicaid Enhancement Tax, Medicaid Disproportionate Share, and Certain Contingencies section above.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was approximately $55,700 for the year ended June 30, 2017.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Hospital expects to be entitled in exchange for those goods and services. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. ASU 2014-09 is effective for the Hospital on July 1, 2018. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. The Hospital is evaluating the impact that ASU 2014-09 will have on its financial statements and related disclosures.

2. Summary of Significant Accounting Policies (Continued)

In April 2015, the FASB issued ASU No. 2015-03, *Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). ASU 2015-03 simplifies the presentation of deferred financing costs and requires that the deferred financing costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for the Hospital's fiscal year ending June 30, 2017. The Hospital has implemented ASU 2015-03 in its 2017 financial statements which is allowed under the pronouncement. The adoption of this pronouncement did not materially affect the financial statements. See note 9.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02). Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. ASU 2016-02 is effective for the Hospital on July 1, 2020, with early adoption permitted. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. The Hospital is currently evaluating the impact of the pending adoption of ASU 2016-02 on the Hospital's financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities (Topic 958)* (ASU 2016-14). Under ASU 2016-14, the existing three-category classification of net assets (i.e., unrestricted, temporarily restricted and permanently restricted) will be replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions". ASU 2016-14 also enhances certain disclosures regarding board designations, donor restrictions and qualitative information regarding management of liquid resources. In addition to reporting expenses by functional classifications, ASU 2016-14 will also require the financial statements to provide information about expenses by their nature, along with enhanced disclosures about the methods used to allocate costs among program and support functions. ASU 2016-14 is effective for the Hospital's fiscal year ending June 30, 2019, with early adoption permitted. The Hospital is currently evaluating the impact of the pending adoption of ASU 2016-14 on the Hospital's financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)* (ASU 2016-18), which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be effective for the Hospital beginning on July 1, 2019. ASU 2016-18 must be applied using a retrospective transition method with early adoption permitted. The Hospital is currently evaluating the impact of the adoption of this guidance on its financial statements.

Subsequent Events

Events occurring after the balance sheet date are evaluated by management to determine whether such events should be recognized or disclosed in the financial statements. Management has evaluated subsequent events through October 16, 2017 which is the date the financial statements were available to be issued.

3. Net Patient Service Revenues

Patient service revenues and contractual and other allowances consisted of the following for the year ended June 30, 2017:

Patient services:	
Routine services	$ 5,480,676
Ancillary services	105,358,053
Gross patient service revenues	110,838,729
Provision for contractual allowances	(44,500,983)
Provision for charity care	(503,373)
	(45,004,356)
Net patient service revenues, net of contractual allowances and discounts	65,834,373
Provision for bad debts	(2,274,631)
Net patient service revenues less provision for bad debts	$ 63,559,742

An estimated breakdown of patient service revenues, net of contractual allowances, discounts and provision for bad debts recognized from major payor sources, is as follows at June 30, 2017:

	Gross Patient Service Revenues	Contractual Allowances and Discounts	Provision for Bad Debts	Net Patient Service Revenues Less Provision for Bad Debts
Private payors (includes coinsurance and deductibles)	$ 52,228,865	$ 15,713,415	$1,611,446	$34,904,004
Medicaid	9,135,574	6,881,711	19,242	2,234,621
Medicare	47,869,586	22,937,314	82,688	24,849,584
Self-pay	1,604,704	1,382,333	561,255	(338,884)
Disproportionate share funding	–	(1,910,417)	–	1,910,417
	$110,838,729	$ 45,004,356	$2,274,631	$63,559,742

Revenues from the Medicare and Medicaid programs, respectively, accounted for approximately 39% and 4% of the Hospital's net patient service revenue for the year ended June 30, 2017. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

3. Net Patient Service Revenues (Continued)

The Hospital has agreements with third-party payors that provide for payments at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

The Hospital is a Critical Access Hospital (CAH). As a result of this designation, the Hospital is entitled to cost-based reimbursement from Medicare for services provided to Medicare beneficiaries. Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid under a cost reimbursement methodology The Hospital is reimbursed at tentative interim rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediary. The Hospital's cost reports have been audited by the fiscal intermediary through 2016 with settlements processed through 2011 (see note 2).

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per day of hospitalization. The prospectively determined per-diem rates are not subject to retroactive adjustment. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a fee schedule methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the fiscal intermediary through 2011 with settlements processed through 2011 (see note 2).

Anthem Blue Cross

Inpatient and outpatient services rendered to Anthem Blue Cross subscribers are reimbursed at submitted charges less a negotiated discount. The amounts paid to the Hospital are not subject to any retroactive adjustments.

4. Charity Care (Unaudited)

The Hospital provided charity care to eligible patients. Estimated costs incurred to provide charity care were approximately $320,045 for the year ended June 30, 2017. The Hospital determines the costs associated with providing charity care by calculating a ratio of cost to gross charges, and then multiplying that ratio by the gross uncompensated charges associated with providing care to patients eligible for free care. The Hospital also provides other community benefit services as follows:

Estimated costs incurred in excess of payment for inpatient and outpatient services	$500,000
Estimated cost of community health improvement sources, community benefit operations, health professions education and cash and in-kind contributions to community groups	206,389
	$706,389

5. Investments

The composition of assets whose use is limited or restricted and short and long-term investments as of June 30, 2017 is set forth in the following table:

	Cost 2017	Fair Value 2017
Cash and cash equivalents	$3,257,782	$3,257,782
Marketable equity securities	1,546	1,831
Mutual funds	4,417,195	5,105,230
Total assets	$7,676,523	$8,364,843

Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted consist of the following as of June 30, 2017:

Donor restricted:	
Cash and cash equivalents	$ 197,246
Board designated for Hospital renovation:	
Cash and cash equivalents	3,060,536
	$3,257,782

Short and Long-Term Investments

Short and long-term investments, stated at fair value, include the following as of June 30, 2017:

Marketable equity securities	$ 1,831
Mutual funds	5,105,230
	5,107,061
Less long-term investments	(31,221)
	$5,075,840

5. Investments (Continued)

Investment income, net realized gains and losses from assets whose use is limited, cash equivalents, and short and long-term investments are included in other revenue and are comprised of the following:

Income:	
Interest and dividend income	$129,454
Realized gains on sales of securities, net	56,826
	$186,280
Other changes in net assets:	
Net unrealized gains:	
Unrestricted	$438,806
Permanently restricted	2,489
	$441,295

The Hospital's long-term investment objective is to preserve and enhance the real value of the investment assets over time, in order to provide a sufficient rate of return for fulfilling the philanthropic purposes of the members of the Hospital.

6. Fair Value Measurements

Fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Hospital uses various methods including market, income and cost approaches. Based on these approaches, the Hospital often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Hospital utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Hospital is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

6. Fair Value Measurements (Continued)

In determining the appropriate levels, the Hospital performs a detailed analysis of the assets and liabilities that are subject to fair value measurements. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

As of June 30, 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent.

	Level 1	Level 2	Level 3	Total
Assets:				
Assets whose use is limited or restricted:				
Cash and cash equivalents	$3,257,782	$ –	$ –	$3,257,782
Investments:				
Marketable equity securities:				
Commodities	1,831	–	–	1,831
Mutual funds:				
Domestic equity	2,164,053	–	–	2,164,053
Foreign equity	2,077,869	–	–	2,077,869
Fixed income	863,308	–	–	863,308
Total assets	$8,364,843	$ –	$ –	$8,364,843

7. Property and Equipment

Property and equipment, including amounts recorded under capital leases, consists of the following as of June 30, 2017:

Land and land improvements	$ 4,810,000
Buildings and improvements	5,138,459
Fixed equipment	1,707,336
Major movable equipment	4,395,553
	16,051,348
Less accumulated depreciation and amortization	(1,986,099)
	14,065,249
Construction in progress	9,380,741
	$23,445,990

The carrying amount of assets under capital lease was $348,953 at June 30, 2017, and is included in fixed equipment above. See also note 14.

Depreciation expense amounted to $1,493,618 for the year ended June 30, 2017.

8. Pledges Receivable

Gross pledges receivable from donors as of June 30, 2017 were $76,636. Pledges are due as follows at June 30, 2017:

2018	$76,636
Less allowance for uncollectible pledges	(9,173)
	$67,463

9. Long-Term Debt

Long-term debt consists of the following as of June 30, 2017:

Variable rate bonds, collateralized by a mortgage note, issued under Business Finance Authority of the State of New Hampshire Revenue Bonds, Series 2010, variable daily interest rate, 2.62% as of June 30, 2017, payable in monthly amounts of principal and interest through November 2030, with a balloon payment of approximately $14.5 million due on or before December 1, 2030	$15,899,912
Less current portion	(403,468)
Less unamortized deferred financing costs	(94,503)
	$15,401,941

On November 30, 2010, the Hospital refinanced its Series 2007 and 2008 outstanding bonds with $30,000,000 Series 2010 Revenue Bonds issued through the Business Finance Authority (BFA) of the State of New Hampshire. Interest is based on an annual percentage rate equal to the sum of (a) 69% of the 1-Month LIBOR rate plus (b) 1.8975%. The Hospital may prepay certain of these bonds according to the terms of the loan and trust agreement. The bonds are redeemable at any time by the Hospital at par value plus any accrued interest. The bonds are also subject to optional tender for purchase (as a whole) in November 2020 at par plus accrued interest. The bonds are collateralized by substantially all assets and gross receipts of the Hospital and were issued to advance refund existing bonds.

The Series 2010 Revenue Bonds contain various restrictive covenants, which include compliance with certain financial ratios and a detail of events constituting defaults. The Hospital is in compliance with these requirements at June 30, 2017.

Scheduled principal repayments on long-term debt for the next five years are as follows:

2018	$ 403,468
2019	420,911
2020	439,109
2021	458,093
2022	477,898
Thereafter	13,700,433
	$15,899,912

10. Lines of Credit

In March 2017, the Hospital renewed an unsecured line of credit with a bank totaling $1,000,000. Interest on borrowings is charged at the Wall Street Journal prime rate, adjusted daily, with a LIBOR option or floor rate. There was no outstanding balance under this agreement at June 30, 2017. The line of credit expires February 28, 2018.

In May 2017, the Hospital renewed an unsecured line of credit with a bank totaling $1,000,000. Interest on borrowings is charged at the Wall Street Journal prime rate, adjusted daily. There was no outstanding balance under this agreement at June 30, 2017. The line of credit expires September 29, 2018.

11. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30, 2017:

Health care services, community welfare and construction projects	$264,615

Permanently restricted net assets are attributed to the following as of June 30, 2017:

Investments to be held in perpetuity, the income from which is expendable to support health care services (reported as operating income)	$33,540

12. Related Party Transactions

The Hospital participates in the D-HH's group health, group dental, group life, and group long-term disability insurance programs. Charges for these programs in 2017 were approximately $883,300. The Hospital owed D-HH $869,813 at June 30, 2017.

The Hospital also has a note receivable from Alice Peck Day Life Center (Lifecare) payable through 2026, which bears interest at a rate of 3.3% per annum. The amount due at June 30, 2017 on this note was $1,775,918. In addition, the Hospital provides other administrative services to Lifecare. At June 30, 2017, Lifecare owes the Hospital $50,677 for these services. The Hospital has shared employees with Alice Peck Day Health Systems. At June 30, 2017, the System owes the Hospital $28,768.

13. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows as of June 30, 2017:

Medicare	23%
Medicaid	10
Anthem Blue Cross	9
Other third-party payors	21
Patients	37
	100%

14. Commitments and Contingencies

Operating Leases

The Hospital has various operating leases relative to its office and offsite locations. Future annual minimum lease payments under these noncancellable leases as of June 30, 2017 are as follows for the years ending June 30, 2017:

2018	$215,420
2019	46,575

Rent expense was $797,700 for the year ended June 30, 2017.

Construction Costs For Building Under Development

At June 30, 2017, the Hospital has recorded an $8,426,000 asset in property and equipment, net and corresponding long-term liability for construction costs incurred by a third party for a building under development on land owned by the Hospital. Upon completion of the project, a lease agreement between the third party and the Hospital will result in the building being reported as a capital lease in the Hospital's financial statements. The lease will have an option to purchase clause at the option of the Hospital.

Capital Lease

The Hospital entered into a capital lease during fiscal 2013 for certain information technology assets. The expected capitalizable portion of monthly payments is $11,136 through September 30, 2017. In January 2015, the Hospital entered into a new capital lease for certain information technology assets. The expected capitalizable portion of monthly payments is $9,734 through December 31, 2019.

14. Commitments and Contingencies (Continued)

Future minimum lease payments are as follows for the years ending June 30:

2018	$ 201,339
2019	167,931
2020	90,067
Total minimum lease payments	459,337
Less amount representing interest	(28,767)
	430,570
Less current portion	(199,072)
Capital lease obligation, net of current portion	$ 231,498

Insurance

The Hospital, along with other New England Alliance for Health entities, purchases comprehensive general and professional liability coverage on a claims-made basis from a commercial insurance carrier. The policy is made up of primary and excess coverage subject to shared policy aggregate limits and covers all employees of the Hospital. The policy includes an endorsement that covers the Hospital for claims made retroactive to January 1995 (and retroactive to September 1985 for the Hospital). This policy has been renewed through September 30, 2017. As of June 30, 2017, there were no known malpractice claims outstanding which, in the opinion of management, will be settled for amounts in excess of insurance coverage, and there are no unasserted claims or incidents which require loss accrual.

The possibility exists, as a normal risk of doing business, that malpractice claims in excess of insurance coverage may be asserted against the Hospital. In the event a loss contingency should occur, the Hospital would give it appropriate recognition in its financial statements in conformity with applicable accounting principles.

Environmental Liability

FASB ASC 410 requires entities to record asset retirement obligations at fair value if they can be reasonably estimated. The State of New Hampshire requires special disposal procedures relating to building materials containing asbestos. The Hospital owns facilities which may contain some asbestos, but a liability has not been recorded since it has an indeterminate settlement date and its fair value cannot be reasonably estimated. Although an accurate estimate has not been made, the overall potential liability is not considered to be material to the financial statements.

15. Functional Expenses

The Hospital provides general health care services to residents within its geographic location including inpatient and outpatient surgery, assisted and independent living services, and promotion of health care and health education. Expenses related to providing these services were as follows at June 30, 2017:

Health care services	$59,613,373
General and administrative	4,057,129
Fundraising expenses	187,726
	$63,858,228

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APPENDIX B-3

FINANCIAL STATEMENTS OF
THE CHESHIRE MEDICAL CENTER

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BAKER NEWMAN NOYES

The Cheshire Medical Center

Audited Consolidated Financial Statements and Other Financial Information

As of June 30, 2016 and 2015 and for the Year Ended June 30, 2016 (Successor Period) and Periods March 1, 2015 to June 30, 2015 (Successor Period), and July 1, 2014 to February 28, 2015 (Predecessor Period) With Independent Auditors' Report

Baker Newman & Noyes, LLC
MAINE | MASSACHUSETTS | NEW HAMPSHIRE
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THE CHESHIRE MEDICAL CENTER

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

As of June 30, 2016 and 2015 and for the
Year Ended June 30, 2016 (Successor Period) and
Periods March 1, 2015 to June 30, 2015 (Successor Period),
and July 1, 2014 to February 28, 2015 (Predecessor Period)

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Cheshire Medical Center

We have audited the accompanying consolidated balance sheets of The Cheshire Medical Center as of June 30, 2016 and 2015, and the related consolidated statements of operations, changes in net assets and cash flows for the year ended June 30, 2016 (successor period), the period March 1, 2015 to June 30, 2015 (successor period) and the period July 1, 2014 to February 28, 2015 (predecessor period), and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Trustees
The Cheshire Medical Center

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Cheshire Medical Center as of June 30, 2016 and 2015, and the results of its operations and its cash flows for the year ended June 30, 2016 (successor period), the period March 1, 2015 to June 30, 2015 (successor period) and the period July 1, 2014 to February 28, 2015 (predecessor period) in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As discussed in Note 1, effective March 1, 2015, The Cheshire Medical Center had a change in controlling ownership. As a result of this change in control, the financial information after this date is presented on a different cost basis than that for the period before the change in control and, therefore, is not comparable.

Baker Newman & Noyes

Manchester, New Hampshire
November 1, 2016

THE CHESHIRE MEDICAL CENTER

CONSOLIDATED BALANCE SHEETS

June 30, 2016 and 2015

ASSETS

	2016	2015
Current assets:		
Cash and cash equivalents	$ 16,639,844	$ 16,633,362
Accounts receivable, less allowance for doubtful accounts of $7,564,000 in 2016 and $5,984,000 in 2015	17,835,657	14,053,314
Inventories	2,895,599	2,859,734
Prepaid expenses and other current assets	2,563,482	4,207,994
Amounts receivable from third-party payors	–	853,531
Current portion of funds held by trustee under debt agreements	1,286,218	1,277,237
Total current assets	41,220,800	39,885,172
Investments, including certain assets whose use is limited or restricted	34,724,661	40,814,767
Other assets whose use is limited, net of current portion:		
Beneficial interest in trusts	5,674,383	5,760,823
Employee benefit plans	1,202,345	1,320,601
Total other assets whose use is limited, net of current portion	6,876,728	7,081,424
Property, plant and equipment, net	75,591,472	82,792,187
Other assets	2,917,005	3,048,910
Total assets	$161,330,666	$173,622,460

LIABILITIES AND NET ASSETS

	2016	2015
Current liabilities:		
Accounts payable and accrued expenses	$ 4,018,894	$ 7,488,709
Accrued salaries and related expenses	7,727,583	5,789,548
Amounts payable to third-party payors	1,569,406	–
Due to Dartmouth-Hitchcock, net	11,847,692	11,681,711
Current portion of capital lease obligation	–	217,360
Current portion of long-term debt	755,000	735,000
Total current liabilities	25,918,575	25,912,328
Other liabilities	22,184,015	12,044,795
Long-term debt, less current portion	27,282,718	28,082,631
Commitments and contingencies		
Net assets:		
Unrestricted	58,978,487	79,700,551
Temporarily restricted	16,454,216	17,329,424
Permanently restricted	10,512,655	10,552,731
Total net assets	85,945,358	107,582,706
Total liabilities and net assets	$161,330,666	$173,622,460

See accompanying notes.

THE CHESHIRE MEDICAL CENTER

CONSOLIDATED STATEMENTS OF OPERATIONS

Year Ended June 30, 2016 (Successor Period) and
Periods March 1, 2015 to June 30, 2015 (Successor Period)
and July 1, 2014 to February 28, 2015 (Predecessor Period)

	Successor		Predecessor
	Year Ended June 30, 2016	March 1, 2015 to June 30, 2015 (4 Months)	July 1, 2014 to February 28, 2015 (8 Months)
Net patient services revenues, net of contractual allowances and discounts	$171,762,512	$ 54,289,048	$102,737,236
Provision for doubtful accounts	(9,975,515)	(1,753,292)	(6,575,028)
Net patient services revenues less provision for doubtful accounts	161,786,997	52,535,756	96,162,208
Other revenue	2,779,450	1,198,617	2,064,320
Net assets released from restrictions used for operations	322,184	212,305	–
Contributions, legacies and bequests	407,867	120,312	1,166,961
Total revenues and other support	165,296,498	54,066,990	99,393,489
Expenses:			
Salaries and wages	60,406,247	19,090,065	36,568,703
Employee benefits	19,275,854	5,717,783	11,478,551
Physicians fees	5,721,740	1,872,714	3,653,044
Supplies and other	59,120,558	18,067,672	34,959,738
New Hampshire Medicaid enhancement tax	7,131,651	2,363,388	4,426,632
Interest	1,045,893	356,911	714,022
Depreciation and amortization	11,068,700	3,435,462	6,478,995
Expense relating to joint provision of medical services	8,298,000	4,132,000	3,508,000
Total expenses	172,068,643	55,035,995	101,787,685
Loss from operations	(6,772,145)	(969,005)	(2,394,196)
Nonoperating gains (losses):			
Investment income	196,822	58,142	142,403
Net realized (losses) gains on investments	(14,776)	133,274	498,124
Total nonoperating gains	182,046	191,416	640,527
Deficiency of revenues and nonoperating gains over expenses	(6,590,099)	(777,589)	(1,753,669)
Application of push-down accounting (note 1)	–	11,264,287	–
Changes in net unrealized losses on investments and beneficial interest in trusts	(1,256,775)	(35,715)	(773,349)
Net assets released from restrictions used for capital purchases	106,560	1,009,862	–
Pension liability adjustments (note 6)	(12,981,750)	2,875,253	(4,235,963)
(Decrease) increase in unrestricted net assets	(20,722,064)	14,336,098	(6,762,981)
Unrestricted net assets at beginning of period	79,700,551	65,364,453	72,127,434
Unrestricted net assets at end of period	$ 58,978,487	$ 79,700,551	$ 65,364,453

See accompanying notes.

THE CHESHIRE MEDICAL CENTER

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Year Ended June 30, 2016 (Successor Period) and
Periods March 1, 2015 to June 30, 2015 (Successor Period)
and July 1, 2014 to February 28, 2015 (Predecessor Period)

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
Balances at June 30, 2014 (Predecessor)	$72,127,434	$17,400,384	$10,767,685	$100,295,503
Deficiency of revenues and nonoperating losses over expenses	(1,753,669)	–	–	(1,753,669)
Restricted contributions	–	881,455	5,164	886,619
Restricted realized gains, net	–	413,080	–	413,080
Restricted investment income	–	319,222	2,420	321,642
Changes in net unrealized loss on investments and beneficial interest in trusts, net	(773,349)	(727,773)	(155,362)	(1,656,484)
Pension liability adjustments	(4,235,963)	–	–	(4,235,963)
	(6,762,981)	885,984	(147,778)	(6,024,775)
Balances at February 28, 2015 (Predecessor)	65,364,453	18,286,368	10,619,907	94,270,728
Application of push-down accounting (note 1)	11,264,287	–	–	11,264,287
Deficiency of revenues and nonoperating losses over expenses	(777,589)	–	–	(777,589)
Restricted contributions	–	91,638	–	91,638
Restricted realized gains, net	–	156,990	–	156,990
Restricted investment income	–	65,755	744	66,499
Net assets released from restrictions used for capital purchases	1,009,862	(1,009,862)	–	–
Net assets released from restrictions used for operations	–	(212,305)	–	(212,305)
Changes in net unrealized loss on investments and beneficial interest in trusts	(35,715)	(49,160)	(67,920)	(152,795)
Pension liability adjustments	2,875,253	–	–	2,875,253
	14,336,098	(956,944)	(67,176)	13,311,978
Balances at June 30, 2015 (Successor)	79,700,551	17,329,424	10,552,731	107,582,706

THE CHESHIRE MEDICAL CENTER

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (CONTINUED)

Year Ended June 30, 2016 (Successor Period) and
Periods March 1, 2015 to June 30, 2015 (Successor Period)
and July 1, 2014 to February 28, 2015 (Predecessor Period)

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
Balances at June 30, 2015 (Successor)	$ 79,700,551	$17,329,424	$10,552,731	$107,582,706
Deficiency of revenues and nonoperating losses over expenses	(6,590,099)	–	–	(6,590,099)
Restricted contributions	–	264,489	–	264,489
Restricted realized losses, net	–	(4,624)	–	(4,624)
Restricted investment income	–	400,596	2,996	403,592
Net assets released from restrictions used for capital purchases	106,560	(106,560)	–	–
Net assets released from restrictions used for operations	–	(322,184)	–	(322,184)
Changes in net unrealized loss on investments and beneficial interest in trusts	(1,256,775)	(1,106,925)	(43,072)	(2,406,772)
Pension liability adjustments	(12,981,750)	–	–	(12,981,750)
	(20,722,064)	(875,208)	(40,076)	(21,637,348)
Balances at June 30, 2016	$ 58,978,487	$16,454,216	$10,512,655	$ 85,945,358

See accompanying notes.

THE CHESHIRE MEDICAL CENTER

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended June 30, 2016 (Successor Period) and
Periods March 1, 2015 to June 30, 2015 (Successor Period)
and July 1, 2014 to February 28, 2015 (Predecessor Period)

	Successor		Predecessor
	Year Ended June 30, 2016	March 1, 2015 to June 30, 2015 (4 Months)	July 1, 2014 to February 28, 2015 (8 Months)
Operating activities:			
Change in net assets	$(21,637,348)	$ 13,311,978	$ (6,024,775)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
Application of push-down accounting	–	(11,264,287)	–
Depreciation and amortization	11,068,700	3,435,462	6,478,995
Change in net unrealized losses on investments and beneficial interest in trusts	2,406,772	152,795	1,656,484
Restricted contributions and investment income	(668,081)	(158,137)	(1,208,261)
Changes in operating assets and liabilities:			
Accounts receivable, net	(3,782,343)	(1,039,764)	(1,529,650)
Inventories, prepaid expenses and other assets	1,858,808	(110,913)	(1,429,603)
Due to (from) Dartmouth-Hitchcock	165,981	(1,718,194)	4,293,886
Accounts payable, accrued expenses and other liabilities	6,669,405	(6,587,740)	5,991,398
Accrued salaries and related expenses	1,938,035	(106,520)	(16,207)
Accounts receivable from/payable to third-party payors	2,422,937	(149,403)	(734,128)
Net cash provided (used) by operating activities	442,866	(4,234,723)	7,478,139
Investing activities:			
Purchase of property, plant and equipment, net of disposals	(3,867,985)	(4,277,425)	(7,656,752)
Net purchases of investments, including certain assets whose use is limited or restricted	3,760,793	(809,038)	(743,439)
Net cash used by investing activities	(107,192)	(5,086,463)	(8,400,191)
Financing activities:			
Payment of long-term debt and capital lease	(997,273)	(16,819)	(954,778)
Restricted contributions and investment income	668,081	325,257	941,749
Net cash (used) provided by financing activities	(329,192)	308,438	(13,029)
Increase (decrease) in cash and cash equivalents	6,482	(9,012,748)	(935,081)
Cash and cash equivalents at beginning of period	16,633,362	25,646,110	26,581,191
Cash and cash equivalents at end of period	$ 16,639,844	$ 16,633,362	$ 25,646,110

See accompanying notes.

1. Organization

The Cheshire Medical Center is a not-for-profit acute care hospital serving residents of southwestern New Hampshire and the Connecticut River Valley. In 2015, The Cheshire Medical Center became the sole member of The Cheshire Health Foundation (the Foundation), a not-for-profit corporation, that carries on fundraising activities and manages related investments. Prior to 2015, the Foundation functioned as the parent company to the Cheshire Medical Center. This reorganization of entities constituted a change in reporting entity in 2015. As such, these consolidated financial statements reflect the financial position, results of operations and cash flows as if The Cheshire Medical Center was the sole member of the Foundation for all of 2016 and 2015. The Foundation is the sole stockholder of Keene Health Services, Inc. and Subsidiaries (KHS), a for-profit subsidiary that leases and maintains property for the Foundation. The Cheshire Medical Center in 2015 also became the sole member of a new entity, Cheshire Health Services, which is located in Keene, New Hampshire and provides walk-in care services. The Cheshire Medical Center and its controlled entities are collectively referred to herein as the Medical Center.

Effective October 1, 1998, the Medical Center entered into a Partnership Agreement (the Agreement) with Dartmouth-Hitchcock Medical Center, which combined the operations of Dartmouth-Hitchcock's Keene Division and the Medical Center. By creating a Joint Operating Board and a unified management team to manage the clinical, administrative and financial operations of the combined entities, the Agreement recognizes the value of health care organizations working together to better meet patient and community needs. Both entities are pursuing opportunities to improve the quality and efficiency of health care delivery through the Agreement. The Agreement also provides for the financial sharing between the entities of combined operating results. As of June 30, 2016 and 2015, the Medical Center owed $15,378,766 and $20,807,704, respectively, under the Agreement. As of June 30, 2016 and 2015, Dartmouth-Hitchcock owed the Medical Center $3,531,074 and $9,125,993, respectively, for amounts incurred by the Medical Center on behalf of Dartmouth-Hitchcock for capital and operating activities. The Medical Center made payments of $13,670,023 and $4,823,953 under this Agreement to Dartmouth-Hitchcock's Keene Division during the 2016 successor period and 2015 successor period, respectively. Under this Agreement, expenses relating to joint provision of medical services recorded for the year ended June 30, 2016 (successor period), period March 1, 2015 to June 30, 2015 (successor) and period July 1, 2014 to February 28, 2015 (predecessor) were $8,298,000, $4,132,000 and $3,508,000, respectively.

1. Organization (Continued)

In 2014, the Board of the Medical Center, accompanied by the Board of Dartmouth-Hitchcock, approved an affiliation agreement between the Medical Centers. This affiliation became effective on March 2, 2015 and for financial reporting purposes was deemed effective on March 1, 2015. This agreement is intended to improve, integrate, and streamline patient care between the Medical Centers, as well as other efficiencies that may be achieved through the affiliation. For financial reporting, the affiliation was accounted for as an acquisition and "push down" accounting was required to be applied, with the result that acquisition accounting adjustments were reflected in the Medical Center's financial statements. The application of "push down" accounting resulted in a new basis of accounting for property, plant and equipment based on the assets' fair value at the date of affiliation, as well as approximately $430,000 for trade name intangible assets. These two items resulted in an increase in unrestricted net assets at the affiliation date of $11,264,287 as a result of applying push-down accounting. In addition, certain unrecognized prior service cost, gains or losses, and transition amounts related to the plan, including amounts previously recognized in unrestricted net assets, were eliminated for financial reporting purposes. Management determined the fair value of all other assets approximated book carrying value at the affiliation date. Accordingly, these financial statements refer to the Medical Center in the period prior to the affiliation as "Predecessor" and in the period subsequent to the affiliation as "Successor". The 2015 predecessor period represents the eight month period ending February 28, 2015 prior to push-down accounting adjustments, and the 2015 successor period represents the four month period ending June 30, 2015 subsequent to push-down accounting adjustments.

Effective July 1, 2016, the Medical Center joined the Dartmouth-Hitchcock Obligated Group as defined under a master trust indenture.

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for the allowance for doubtful accounts, long-lived assets, insurance costs, employee benefit plans, contractual allowances, third-party payor settlements and contingencies. It is reasonably possible that actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements of the Medical Center include the accounts of The Cheshire Medical Center and its controlled entities. Significant intercompany accounts and transactions have been eliminated in consolidation.

2. Significant Accounting Policies (Continued)

Net Patient Service Revenue

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, per diem payments and fee schedules. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive 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 final settlements are determined. Changes in these estimates are reflected in the financial statements in the year in which they occur.

The Medical Center 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, the Medical Center provides a discount approximately equal to that of its largest private insurance payors. On the basis of historical experience, a significant portion of the Medical Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Medical Center records a significant provision for doubtful accounts related to uninsured patients in the period the services are provided.

Charity Care

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The cost is estimated by utilizing a ratio of cost to gross charges applied to the gross uncompensated charges associated with providing charity care.

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments which have a maturity of three months or less when purchased.

The Medical Center maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Medical Center has not experienced any losses on such accounts.

2. Significant Accounting Policies (Continued)

Accounts Receivable and the Allowance for Doubtful Accounts

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the Medical Center analyzes 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 doubtful accounts. 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, the Medical Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for doubtful accounts, if necessary (for example, 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 self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Medical Center records a provision for doubtful accounts 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.

The total provision for the allowance for doubtful accounts was $9,975,515, $1,753,292 and $6,575,028 for fiscal 2016, the 2015 successor period, and the 2015 predecessor period, respectively. The Medical Center's bad debt write-offs decreased from $7,225,028 during the 2015 predecessor period to $2,003,292 during the 2015 successor period and increased to $8,395,515 during fiscal 2016. The change in the year-end allowance and bad debt write-offs was a result of collection trends, payor mix and the overall balance in self-pay accounts receivable.

Inventories

Inventories of supplies and drugs are stated at the lower of cost or market, determined on a weighted-average basis.

Bond Issuance Costs/Original Issue Discount or Premium

Bond issuance costs incurred to obtain financing for construction and renovation projects and the original issue discount or premium are being amortized by the straight-line method, which approximates the effective interest method, over the life of the respective bonds. The bond issuance costs are presented as a component of other assets and the original issue discount or premium is presented as a component of long-term debt. Bond issuance costs, net of accumulated amortization, of $88,464 and $64,060 at June 30, 2016 and 2015, respectively, is included in other assets in the accompanying consolidated balance sheets.

2. Significant Accounting Policies (Continued)

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheets. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the (deficiency) excess of revenues and nonoperating gains (losses) over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the (deficiency) excess of revenues and nonoperating losses over expenses. Periodically, the Medical Center reviews investments where the market value is below cost and, in cases where the decline is considered to be other than temporary, an adjustment is recorded to realize the loss.

Alternative investments consist primarily of limited partnership interests which are reported at fair value. The Medical Center recognizes its share of the increase or decrease in the limited partnerships' fair value in changes in (deficiency) excess of revenues over expenses or restricted net assets, as applicable.

Certain of the limited partnerships may hold some securities without readily determinable fair values and, consequently, the general partner may estimate fair value for such securities. These estimates may differ significantly from the values that would have been used had a ready market existed, and may also differ significantly from the values at which such investments may be sold, and the differences could be material.

Investment Policies

The Medical Center's endowment consists of several individual funds established by donors for a variety of purposes. The original value of these gifts must be maintained by the Medical Center in perpetuity. The Medical Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Medical Center in a manner consistent with the standard of prudence prescribed by the *New Hampshire Uniform Prudent Management of Investment Funds Act* (UPMIFA). In accordance with UPMIFA, the Medical Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the Medical Center and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Medical Center, and (7) the investment policies of the Medical Center.

The Medical Center's investment objective is to further the long-term preservation of the purchasing power of the endowment principal by exceeding the long-term rate of inflation by 5%, as measured against its investment policy's blended benchmark, and to provide a satisfactory level of income while minimizing risk and volatility via a well-diversified portfolio.

2. Significant Accounting Policies (Continued)

Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted include certain assets set aside by the Board of Trustees to provide for the future replacement of property, plant and equipment and certain donor-restricted funds. These assets are reported as board-designated and donor-restricted funds and are included in long-term investments. Also, under certain debt agreements, the Medical Center is required to maintain assets which have been segregated as externally designated trustee funds. In addition, certain assets under employee deferred compensation plans are also included. Donor-restricted investments include amounts donated for endowments, other special purpose funds and certain internal designations of the Medical Center.

Beneficial Interest in Trusts

Nonperpetual trusts are trusts where donors have established and funded trusts under which specified distributions are to be made to a designated beneficiary or beneficiaries over the trust's term. Nonperpetual trusts are recorded at their estimated fair value based on the present value of the Medical Center's estimated future cash receipts from the trusts. As of June 30, 2016 and 2015, based on then-current financial market conditions, the Medical Center estimated the present value of nonperpetual trusts using an investment return (net of trustee fees and other expenses) of 5.0% and a discount rate of 5.0% for both years. The carrying value of the initial gift of the nonperpetual trusts is recognized as temporarily restricted contributions. Any subsequent adjustments to the nonperpetual trusts are recorded as a change in beneficial interest in trusts in temporarily restricted net assets.

Beneficial interest in perpetual trusts consists of the Medical Center's proportionate share of the fair value of assets held by a trustee in trust for the benefit of the Medical Center in perpetuity, the income from which is available for distribution to the Medical Center. The assets held in trust consist primarily of equities and bond and equity mutual funds, which are stated at fair value and are included in permanently restricted net assets in the consolidated balance sheets. Any subsequent adjustments to the perpetual trusts are recorded as a change in beneficial interest in trusts in permanently restricted net assets.

Property, Plant and Equipment

Property, plant and equipment is stated at cost at time of purchase, or at fair value at time of donation for assets contributed, less accumulated depreciation. The Medical Center's policy is to capitalize expenditures for major improvements and charge maintenance and repairs currently for expenditures which do not extend the lives of the related assets. Depreciation is computed using the straight-line method in a manner intended to amortize the cost of the related assets over their estimated useful lives. For the 2016 successor year end, 2015 successor period and 2015 predecessor period, depreciation expense was $11,068,700, $3,435,462 and $6,478,995, respectively.

2. Significant Accounting Policies (Continued)

Classification of Restricted Net Assets

Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of donated assets.

Temporarily restricted net assets are those whose use by the Medical Center has been limited by donors to a specific time period or purpose. 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 consolidated statements of operations and changes in net assets as either net assets released from restrictions (for non-capital-related items) or as net assets released from restrictions used for purchase of fixed assets (capital-related items). Contributions whose restrictions lapse, expire, or are otherwise met in the same reporting period as the contribution was received are recorded as unrestricted support in that year. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

Professional Liability Loss Contingencies

The Medical Center is insured for professional liability through a claims-made insurance policy. The possibility exists, as a normal risk of doing business, that professional liability claims in excess of insurance coverage may be asserted against the Medical Center. The Medical Center presents anticipated insurance recoveries and estimated liabilities for medical malpractice claims separately on the balance sheets. At June 30, 2016 and 2015, the Medical Center recorded $2,339,929 related to the undiscounted estimated professional liability losses. These amounts have been recorded in other liabilities in the accompanying consolidated balance sheets. At June 30, 2016 and 2015, the Medical Center also recorded in other assets $1,875,000 related to estimated loss recoveries under its insurance coverage.

Operating Indicator

The Medical Center has deemed all activities as ongoing, major or central to the provision of health care services and, accordingly, they are reported as operating revenue and expenses.

The statements of operations also include (deficiency) excess of revenues and nonoperating gains (losses) over expenses. Changes in unrestricted net assets which are excluded from (deficiency) excess of revenues and nonoperating gains (losses) over expenses, consistent with industry practice, include the impact of applying push-down accounting; changes in net unrealized gains and losses on investments and beneficial interests in trusts, other than losses considered other than temporary; and pension liability adjustments.

2. Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. Financial instruments consist of cash and cash equivalents, accounts receivable, assets whose use is limited or restricted, accounts payable, estimated third-party payor settlements and long-term debt.

The fair value of all financial instruments other than long-term debt approximates their relative book value as these financial instruments have short-term maturities or are recorded at fair value. See Note 7. The fair value of the Medical Center's long-term debt is estimated using discounted cash flow analyses, based on the Medical Center's current incremental borrowing rates for similar types of borrowing arrangements, was deemed by management immaterial to revalue as part of the 2015 "push-down" accounting, and is disclosed in Note 7 to the consolidated financial statements.

Retirement and Deferred Compensation Plans

The Medical Center closed its noncontributory defined benefit pension plan to new participants on March 31, 2008. Benefits had been based on years of service and the employee's average compensation in the last five consecutive plan years out of the latest ten years immediately preceding termination of employment, which produces the highest average. The plan has frozen existing participants' years of service. The Medical Center's funding policy is to contribute at a minimum the amount recommended by the Medical Center's actuary to fulfill *Employee Retirement Income Security Act of 1974* requirements.

The Medical Center established a qualified defined contribution pension plan under Section 403(b) of the Internal Revenue Code (the Code), covering all eligible employees, effective as of July 1, 2008. Annual contributions to the pension plan are determined by applying the specified plan rates to the employees' gross salaries. The benefit expense recorded under the pension plan was $2,445,654, $854,442 and $1,553,092 for fiscal 2016, the 2015 successor period, and 2015 predecessor period, respectively.

The Medical Center sponsors deferred compensation plans for certain qualifying employees. The amounts ultimately due to the employees are to be paid upon the employees attaining certain criteria, including age. At June 30, 2016 and 2015, $1,202,345 and $1,320,601, respectively, is reflected in both assets whose use is limited and in other long-term liabilities related to such agreements.

Employee Fringe Benefits

The Medical Center has an earned time plan under which each employee earns paid leave for each pay period worked. These hours of paid leave may be used for vacations, holidays or illnesses. Hours earned but not used are vested with the employee. The Medical Center accrues a liability for such paid leave as it is earned.

2. Significant Accounting Policies (Continued)

Income Taxes

The Medical Center and its controlled affiliates are not-for-profit corporations as described in Section 501(c)(3) of the Code, and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Management evaluated its tax positions and concluded that the Medical Center and its controlled affiliates have maintained tax-exempt status, do not have any significant unrelated business income and have taken no uncertain tax positions that require adjustment to or disclosure in the accompanying financial statements.

KHS is a for-profit organization and, in accordance with federal and state laws, files a return separate from that of the Foundation. KHS files a consolidated federal income tax return and a state income tax return in New Hampshire. In 2016 and 2015, no federal income taxes were charged to operations due to KHS incurring an operating loss on a consolidated basis. See Note 18.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Medical Center expects to be entitled in exchange for those goods and services. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. ASU 2014-09 is effective for the Medical Center on July 1, 2018. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. The Medical Center is evaluating the impact that ASU 2014-09 will have on its financial statements and related disclosures.

In April 2015, FASB issued ASU No. 2015-03, *Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). ASU 2015-03 simplifies the presentation of debt issuance costs and requires that the debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for the Medical Center's fiscal year ending June 30, 2017 with early adoption permitted. The Medical Center is currently evaluating the impact of the pending adoption of ASU 2015-03 on the Medical Center's financial statements

2. Significant Accounting Policies (Continued)

In May 2015, the FASB issued ASU No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures 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 include investments in the fair value hierarchy for which fair value is measured using the net asset value per share practical expedient under ASC 820. ASU 2015-07 is effective for the Medical Center's fiscal year ending June 30, 2017 with early adoption permitted. The Medical Center has elected to implement ASU 2015-07 in its 2016 financial statements (with retroactive application to 2015 disclosures) which is allowed under the pronouncement. The adoption of this pronouncement did not materially affect the financial statements. See note 7.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842),* which requires that lease arrangements longer than twelve months result in an entity recognizing an asset and liability. The pronouncement is effective for the Medical Center beginning July 1, 2020, with early adoption permitted. The guidance may be adopted retrospectively. Management is currently evaluating the impact this guidance will have on the Medical Center's financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). Under ASU 2016-14, there is a change in presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in net asset classes, investment return, expenses, liquidity and availability of resources and presentation of operating cash flows. ASU 2016-14 is effective for the Medical Center on July 1, 2018, with early adoption permitted. The Medical Center is currently evaluating the impact of the pending adoption of ASU 2016-14 on its financial statements.

Subsequent Events

Events occurring after the date of the consolidated balance sheet are evaluated by management to determine whether such events should be recognized or disclosed in the consolidated financial statements. Management has evaluated subsequent events through November 1, 2016 which is the date the consolidated financial statements were available to be issued.

3. Patient Service and Other Revenues

An estimated breakdown of patient service revenue, net of contractual allowances, discounts and the provision for doubtful accounts recognized from major payor sources is as follows for the 2016 successor year end, 2015 successor period and 2015 predecessor period:

	Gross Patient Service Revenues	Contractual Allowances and Discounts	Provision for Doubtful Accounts	Net Patient Service Revenues Less Provision for Doubtful Accounts
Year Ended June 30, 2016				
Private payors (includes coinsurance and deductibles)	$177,178,875	$ 93,137,581	$3,032,556	$ 81,008,738
Medicaid	44,923,932	26,637,092	837,943	17,448,897
Medicare	220,576,423	157,603,388	768,115	62,204,920
Self-pay	13,327,123	6,865,780	5,336,901	1,124,442
	$456,006,353	$284,243,841	$9,975,515	$161,786,997
March 1, 2015 to June 30, 2015 (4 months)				
Private payors (includes coinsurance and deductibles)	$ 53,950,305	$ 26,320,505	$ 675,415	$ 26,954,385
Medicaid	12,949,882	10,061,564	284,694	2,603,624
Medicare	63,860,880	42,309,439	35,896	21,515,545
Self-pay	4,299,078	2,079,589	757,287	1,462,202
	$135,060,145	$ 80,771,097	$1,753,292	$ 52,535,756
July 1, 2014 to February 28, 2015 (8 months)				
Private payors (includes coinsurance and deductibles)	$103,811,039	$ 49,613,527	$1,998,809	$ 52,198,703
Medicaid	23,089,757	17,858,606	552,302	4,678,849
Medicare	122,181,298	82,559,265	506,277	39,115,756
Self-pay	8,373,297	4,686,757	3,517,640	168,900
	$257,455,391	$154,718,155	$6,575,028	$ 96,162,208

3. Patient Service and Other Revenues (Continued)

The Medical Center maintains contracts with the Social Security Administration (Medicare) and the State of New Hampshire Division of Health and Human Services (Medicaid). The Medical Center is paid a prospectively determined fixed price for Medicare and Medicaid inpatient acute care services depending on the type of illness, or the patient's diagnostic-related group classification. Outpatient services are based upon a prospective standard rate for procedures performed or services rendered. Capital costs and certain Medicaid outpatient services are also reimbursed on a prospectively determined fixed price. The Medical Center receives payment for other Medicare and Medicaid inpatient and outpatient services on a reasonable cost basis, which is settled with retroactive adjustments upon completion and audit of related cost-finding reports.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Medical Center believes that it is in compliance with all laws and regulations, and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs. Differences between amounts previously estimated and amounts subsequently determined to be recoverable or payable are included in net patient service revenues in the year that such amounts become known. There is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. For fiscal 2016, net patient service revenues in the accompanying statements of operations decreased by $1,806,503, and for the 2015 successor period and 2015 predecessor period, net patient service revenues in the accompanying statements of operations increased by $642,638 and $913,497, respectively, due to actual settlements and changes in assumptions underlying estimated future third-party settlements. Revenues from the Medicare and Medicaid programs accounted for approximately 38% and 11%, 40% and 5%, and 39% and 5% of the Medical Center's net patient service revenue for fiscal 2016, the 2015 successor period, and the 2015 predecessor period.

The Medical Center also maintains contracts with Blue Cross and various other payors, which pay the Medical Center for services based on charges with varying discounts or fee schedules.

Electronic Health Records Incentive Payments

The CMS Electronic Health Records (EHR) incentive programs provide a financial incentive for the "meaningful use" of certified EHR technology to achieve health and efficiency goals. To qualify for incentive payments, eligible organizations must successfully demonstrate meaningful use of certified EHR technology through various stages defined by CMS. The Medical Center filed its Stage I meaningful use attestations with CMS. Revenue totaling approximately $413,000, $253,000 and $514,000 associated with these meaningful use attestations was recorded as other revenue for fiscal 2016, the 2015 successor period, and the 2015 predecessor period, respectively.

4. Endowment

The following represents the net asset classes of the Medical Center's endowment funds, as well as the changes in endowments for fiscal 2016, the 2015 successor period, and the 2015 predecessor period:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2014 (predecessor)	$16,601,887	$5,538,565	$22,140,452
Investment income	279,836	2,420	282,256
Contributions	881,455	5,164	886,619
Realized gains on investments, net	452,466	–	452,466
Unrealized losses on investments, net	(695,126)	–	(695,126)
Endowment net assets at February 28, 2015 (predecessor)	17,520,518	5,546,149	23,066,667
Investment income	168,958	744	169,702
Contributions	91,638	–	91,638
Released from restrictions	(1,222,167)	–	(1,222,167)
Realized gains on investments, net	121,057	–	121,057
Unrealized losses on investments, net	(46,410)	–	(46,410)
Endowment net assets at June 30, 2015 (successor)	16,633,594	5,546,893	22,180,487
Investment income	298,396	2,996	301,392
Contributions	264,489	–	264,489
Released from restrictions	(428,744)	–	(428,744)
Realized losses on investments, net	(9,125)	–	(9,125)
Unrealized losses on investments, net	(960,302)	–	(960,302)
Endowment net assets at June 30, 2016 (successor)	$15,798,308	$5,549,889	$21,348,197

5. Investments and Assets Whose Use is Limited or Restricted

Investments are carried at fair value, and include amounts held on behalf of the Medical Center and in common trust funds consisting of short-term fixed income securities. At June 30, 2016 and 2015, components of investments were as follows:

	2016	2015
Cash and cash equivalents	$ 944,847	$ 944,847
Money market mutual funds	–	498,460
Domestic equity mutual funds	7,527,202	9,423,153
International equity mutual funds	9,582,985	11,747,569
Global equity mutual funds	771,865	789,999
U.S. Government fixed income mutual funds	2,411,973	2,522,803
Domestic bond fixed income mutual funds	3,307,069	3,912,060
Alternative investments:		
Combined REIT fund	882,394	1,153,958
Global fixed income commingled fund	1,654,645	1,534,190
Multi-strategy hedge fund	7,641,681	8,287,728
	$34,724,661	$40,814,767

Investments and assets whose use is limited are recorded at fair value. At June 30, 2016 and 2015, they are reported in the accompanying consolidated balance sheets as follows:

	2016	2015
Investments	$16,238,771	$21,916,049
Board-designated funds and donor-restricted assets	24,160,273	24,659,541
Funds held by trustee under revenue bond agreements	1,286,218	1,277,237
Employee benefit plans	1,202,345	1,320,601
	$42,887,607	$49,173,428

Management continually reviews its investment portfolio, and evaluates whether declines in the fair value of securities should be considered other than temporary. Factored into this evaluation are the general market conditions, management's intent and ability to hold the securities, the issuer's financial condition and near-term prospects, conditions in the issuer's industry, the recommendation of advisors, and the length of time and extent to which the market value has been less than cost. There were no other-than-temporary declines in fair value of investments for fiscal 2016, the 2015 successor period, or the 2015 predecessor period. Gross unrealized losses in investments for fiscal 2016, the 2015 successor period, and the 2015 predecessor period, were $485,316, $23,613 and $236,696, respectively. At June 30, 2016, there were four investments that had been in an unrealized loss position over one year, which are attributed to normal market fluctuations. At June 30, 2015, there were no investments that had been in an unrealized loss position over one year.

5. Investments and Assets Whose Use is Limited or Restricted (Continued)

Investment income, net realized (losses) gains and net unrealized (losses) gains on assets whose use is limited or restricted, cash and cash equivalents, and other investments are as follows for fiscal 2016, the 2015 successor period, and the 2015 predecessor period:

	Successor		Predecessor
	Year Ended June 30, 2016	March 1, 2015 to June 30, 2015 (4 Months)	July 1, 2014 to February 28, 2015 (8 Months)
Unrestricted:			
Interest and dividends	$ 196,822	$ 58,142	$ 142,403
Net realized (losses) gains on sales of investments	(14,776)	133,274	498,124
	$ 182,046	$ 191,416	$ 640,527
Temporarily restricted:			
Interest and dividends	$ 400,596	$ 65,755	$ 319,222
Net realized (losses) gains on sales of investments	(4,624)	156,990	413,080
	$ 395,972	$ 222,745	$ 732,302
Permanently restricted:			
Interest and dividends	$ 2,996	$ 744	$ 2,420
Other changes in net assets:			
Net unrealized losses on investments:			
Unrestricted	$ (1,256,775)	$ (35,715)	$ (773,349)
Temporarily restricted	(1,106,925)	(49,160)	(727,773)
Permanently restricted	(43,072)	(67,920)	(155,362)
	$ (2,406,772)	$ (152,795)	$ (1,656,484)

6. Pension Plan

Reconciliation of Funded Status and Accumulated Benefit Obligation

A reconciliation of the changes in the pension plan's projected benefit obligation and the fair value of assets, and the accumulated benefit obligation of the plan is as follows:

	Successor		Predecessor
	Year Ended June 30, 2016	March 1, 2015 to June 30, 2015 (4 Months)	July 1, 2014 to February 28, 2015 (8 Months)
Change in benefit obligation:			
Projected benefit obligation at beginning of period	$ (71,810,188)	$(76,437,974)	$(74,328,406)
Interest cost	(3,513,696)	(1,101,714)	(1,992,059)
Benefits, expenses and settlements paid	6,334,065	812,978	1,604,767
Change in assumptions	(6,195,470)	4,916,522	(1,509,326)
Actuarial gain (loss)	102,114	–	(212,950)
Projected benefit obligation at end of period	(75,083,175)	(71,810,188)	(76,437,974)
Changes in plan assets:			
Fair value of plan assets at beginning of period	63,436,592	63,829,397	63,664,877
Actual return on plan assets	(2,613,681)	(201,577)	(289,464)
Contributions by plan sponsor	1,875,000	625,000	2,000,000
Benefits, expenses and settlements paid	(6,276,675)	(816,228)	(1,546,016)
Fair value of plan assets at end of period	56,421,236	63,436,592	63,829,397
Funded status of the plan	$ (18,661,939)	$ (8,373,596)	$(12,608,577)
Accumulated benefit obligation	$ (75,083,175)	$(71,239,062)	$(75,827,108)

The underfunded status of the plan of $18,661,939 and $8,373,596 at June 30, 2016 and 2015, respectively, is reported in the accompanying balance sheets in other liabilities. The increase in this liability is primarily due to changes in actuarial assumptions and actual return on plan assets.

Due to the affiliation discussed in Note 1, previously unrecognized prior service cost, gains or losses, and transition amounts relating to the plan, including amounts previously recognized in unrestricted net assets, were eliminated for financial reporting purposes as a result of the affiliation and "push down" accounting discussed in Note 1.

At June 30, 2016 and 2015, unrecognized actuarial gains (losses) of $(9,875,891) and $3,135,331, respectively, have not been recognized in net periodic pension cost of the successor entity.

6. Pension Plan (Continued)

Net periodic pension cost includes the following components for fiscal 2016, the 2015 successor period, and the 2015 predecessor period:

	Successor		Predecessor
	Year Ended June 30, 2016	March 1, 2015 to June 30, 2015 (4 Months)	July 1, 2014 to February 28, 2015 (8 Months)
Interest cost	$ 3,441,714	$ 1,101,714	$ 1,992,059
Expected return on plan assets	(4,757,115)	(1,576,364)	(3,190,311)
Prior service credit amortization	467,522	–	(208,060)
Recognized actuarial loss	–	–	855,319
	$ (847,879)	$ (474,650)	$ (550,993)

The weighted average assumptions used to develop pension expense are as follows for fiscal 2016, the 2015 successor period, and the 2015 predecessor period:

	Successor		Predecessor
	Year Ended June 30, 2016	March 1, 2015 to June 30, 2015 (4 Months)	July 1, 2014 to February 28, 2015 (8 Months)
Discount rate	4.90%	4.40%	4.08%
Expected return on plan assets	7.50	7.50	7.50
Rate of compensation increase	2.50	2.50	2.50

To develop the expected long-term rate of return on plan assets' assumptions, the Medical Center considered the historical return and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio.

The weighted average assumptions used to develop the projected benefit obligation are as follows as of June 30:

	2016 Successor	2015 Successor
Discount rate	4.20%	4.90%
Rate of compensation increase	2.50	2.50

6. Pension Plan (Continued)

Plan Assets

The plan's investment objectives are to achieve long-term growth in excess of long-term inflation and to provide a rate of return that meets or exceeds the actuarially expected long-term rate of return on plan assets over a long-term time horizon. In order to minimize risk, the plan aims to minimize the variability in yearly returns. The plan also aims to diversify its holdings among sectors, industries and companies. No more than 5% of the plan's portfolio (excluding U.S. Government securities and cash) may be held in an individual company's stocks or bonds, and no more than 20% in a single industry (25% for fixed income). Approved asset classes and policy target ranges are noted below:

Asset Class	Policy Range
Domestic equity	15-25%
Non U.S. developed equity	15-25%
Emerging markets equity	8-12%
Flexible capital	15-25%
Core bond	6-9%
Deflation hedging (U.S. Treasuries)	6-9%
Global fixed income	4-6%
U.S. TIPS	2-3%
Commodities	2-3%
Natural resources	2-3%
Real estate	2-3%

The pension plan's weighted average asset allocations by asset category are as follows at June 30:

Asset Category	2016	2015
Domestic equity mutual funds	22%	22%
International equity mutual funds	29	31
Global equity mutual funds	3	2
U.S. Government fixed income mutual funds	7	6
Domestic bond fixed income mutual funds	9	10
Alternative investments	30	29
	100%	100%

Contributions

The Medical Center expects to contribute $4,700,000 to its pension plan in 2017.

6. Pension Plan (Continued)

Plan Amendments and Settlements

On September 20, 2012, the plan was amended to freeze considered compensation for participants after December 31, 2015.

Benefit obligations were fully settled for 154 participants during fiscal 2016. The cost of settlement was $3,555,070, compared to a reduction in the projected benefit obligation of $4,189,041, resulting in a settlement gain of $633,971. Since the cost of settlement is greater than the sum of the service cost and interest cost components of the net periodic cost ($3,441,714), immediate recognition of amounts not previously recognized in the net periodic pension cost was required.

Estimated Future Benefit Payments

Benefit payments are estimated to be paid as follows:

Fiscal years:	
2017	$ 3,050,832
2018	3,196,301
2019	3,422,383
2020	3,738,106
2021	4,013,308
Years 2022 – 2026	22,558,532

7. Fair Value of Financial Instruments

Fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Medical Center uses various methods including market, income and cost approaches. Based on these approaches, the Medical Center often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Medical Center utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Medical Center is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

7. Fair Value of Financial Instruments (Continued)

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, the Medical Center performs a detailed analysis of the assets and liabilities. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The financial instruments of the Medical Center which are carried at fair value as of June 30, 2016, are classified in the table below in the three categories described above:

	Level 1	Level 2	Level 3	Total
Assets				
Investments and assets whose use is limited or restricted:				
Cash and cash equivalents	$ 944,847	$ –	$ –	$ 944,847
Funds held by trustee under revenue bond agreement:				
Cash and cash equivalents	1,286,218	–	–	1,286,218
Domestic equity mutual funds	7,527,202	–	–	7,527,202
International equity mutual funds	9,582,985	–	–	9,582,985
Global equity mutual funds	771,865	–	–	771,865
U.S. Government fixed income mutual funds	2,411,973	–	–	2,411,973
Domestic bond fixed income mutual funds	3,307,069	–	–	3,307,069
Beneficial interest in trusts	–	5,674,383	–	5,674,383
Employee benefit plans	1,202,345	–	–	1,202,345
	$27,034,504	$5,674,383	$ –	32,708,887
Alternative investments				10,178,720
Total investments and assets whose use is limited or restricted				$42,887,607

7. Fair Value of Financial Instruments (Continued)

The financial instruments of the Medical Center which are carried at fair value as of June 30, 2015, are classified in the table below in the three categories described above:

	Level 1	Level 2	Level 3	Total
Assets				
Investments and assets whose use is limited or restricted:				
Cash and cash equivalents	$ 944,847	$ –	$ –	$ 944,847
Funds held by trustee under revenue bond agreement:				
Cash and cash equivalents	1,277,237	–	–	1,277,237
Money market mutual funds	498,460	–	–	498,460
Domestic equity mutual funds	9,423,153	–	–	9,423,153
International equity mutual funds	11,747,569	–	–	11,747,569
Global equity mutual funds	789,999	–	–	789,999
U.S. Government fixed income mutual funds	2,522,803	–	–	2,522,803
Domestic bond fixed income mutual funds	3,912,060	–	–	3,912,060
Beneficial interest in trusts	–	5,760,823	–	5,760,823
Employee benefit plans	1,320,601	–	–	1,320,601
	$32,436,729	$5,760,823	$ –	38,197,552
Alternative investments				10,975,876
Total investments and assets whose use is limited or restricted				$49,173,428

The following is a summary of investments (by major class) that have restrictions on the Medical Center's ability to redeem its investments at the measurement date and any unfunded capital commitments as of June 30, 2016 (including investments accounted for using the equity method):

Investment	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Global fixed income commingled fund	$ 1,654,645	$ –	Monthly	10 business days
Commingled REIT fund	882,394	–	Monthly	15 days
Multi-strategy hedge fund	2,979,153	–	Annually	65 days
Multi-strategy hedge fund	1,844,001	–	Annually	90 days
Multi-strategy hedge fund	2,701,299	–	Annually	90 days
Multi-strategy hedge fund	117,228	–	Illiquid	N/A
	$10,178,720	$ –		

7. Fair Value of Financial Instruments (Continued)

Financial instruments in the Medical Center's defined benefit pension plan carried at fair value as of June 30, 2016 are classified in the table below in the three categories described above:

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 241,469	$ –	$ –	$ 241,469
Domestic equity mutual funds	12,332,837	–	–	12,332,837
International equity mutual funds	9,681,053	6,468,470	–	16,149,523
Global equity mutual funds	1,518,328	–	–	1,518,328
U.S. Government fixed income mutual funds	4,176,803	–	–	4,176,803
Domestic bond fixed income mutual funds	5,186,695	–	–	5,186,695
	$33,137,185	$6,468,470	$ –	39,605,655
Alternative investments				16,815,581
Total				$56,421,236

Financial instruments in the Medical Center's defined benefit pension plan carried at fair value as of June 30, 2015 are classified in the table below in the three categories described above:

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 217,117	$ –	$ –	$ 217,117
Domestic equity mutual funds	14,036,076	–	–	14,036,076
International equity mutual funds	11,640,187	7,714,478	–	19,354,665
Global equity mutual funds	1,450,400	–	–	1,450,400
U.S. Government fixed income mutual funds	4,047,410	–	–	4,047,410
Domestic bond fixed income mutual funds	6,405,270	–	–	6,405,270
	$37,796,460	$7,714,478	$ –	45,510,938
Alternative investments				17,925,654
Total				$63,436,592

7. Fair Value of Financial Instruments (Continued)

Fair value for Level 1 assets is based upon quoted market prices. Fair value for Level 2 assets is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers. Fair value for alternative investments is determined for each investment using net asset values as a practical expedient, as permitted by generally accepted accounting principles, rather than using another valuation method to independently estimate fair value. The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Medical Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Long-term debt is reported in the accompanying consolidated balance sheets at principal value, plus unamortized premium, which totaled $28,037,718 at June 30, 2016. The fair value of this obligation at June 30, 2016, as estimated based on quoted market prices for similar bonds, totaled $29,448,591.

8. Property, Plant and Equipment

Property, plant and equipment consists of the following at June 30:

	2016 Successor	2015 Successor
Land and land improvements	$ 3,575,282	$ 3,510,360
Buildings and building improvements	48,574,115	48,480,707
Fixed equipment	14,507,768	14,235,465
Major movable equipment	22,212,155	19,779,623
	88,869,320	86,006,155
Less accumulated depreciation	(14,193,680)	(3,435,462)
	74,675,640	82,570,693
Renovations in progress	915,832	221,494
	$ 75,591,472	$82,792,187

The Medical Center has no outstanding commitments related to construction services at June 30, 2016.

9. Estimated Third-Party Payor Settlements

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

Inpatient and outpatient services rendered to Medicare program beneficiaries are primarily paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical diagnosis and other factors. In addition to this, the Medical Center is also reimbursed for other items which require cost settlement and retrospective review by the fiscal intermediary. Accordingly, the Medical Center files an annual cost report with the Medicare program after the completion of each fiscal year to report activity applicable to the Medicare program and to determine any final settlements.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under fee schedules and cost reimbursement methodologies subject to various limitations or discounts. The Medical Center is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicaid program.

Other

The Medical Center has also entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined rates.

The accrual for estimated third-party payor settlements reflected on the accompanying consolidated balance sheets represents the estimated net amounts to be paid under reimbursement contracts with the Centers for Medicare and Medicaid Services (Medicare), the New Hampshire Department of Welfare (Medicaid) and any commercial payors with settlement provision. Settlements for the Medical Center have been finalized through 2012 for Medicare and Medicaid.

10. Long-Term Debt

Long-term debt consists of the following at June 30, 2016 and 2015:

	2016 Successor	2015 Successor
New Hampshire Health and Education Facilities Authority (the Authority) Revenue Bonds:		
Series 2012 bonds with fixed interest coupon rates ranging from 2.0% to 5.0% (net interest cost of 3.96%). Principal is payable in annual installments ranging from $755,000 to $1,750,000 through July 2039	$27,490,000	$28,225,000
Plus unamortized original issue premium	547,718	592,631
	28,037,718	28,817,631
Less current portion	(755,000)	(735,000)
Long-term debt, less current portion	$27,282,718	$28,082,631

On November 15, 2012, the Medical Center, in connection with the Authority, issued $29,650,000 of tax-exempt Revenue Bonds (Series 2012). The proceeds of these bonds were used to refund the 1998 and 2009 Series Bonds of the Medical Center, to finance the settlement cost of the interest rate swap associated with the Series 2009 Bonds, and to finance the purchase of certain equipment and renovations. The Medical Center granted the Authority a security interest in its gross receipts under the terms of the bond agreement.

The Medical Center's agreement with the Authority provides for the establishment of various funds, the use of which is limited to approved project costs and debt service. These funds are administered by a trustee and invested in cash and cash equivalents and income on certain of these funds is similarly limited. Amounts held by trustee are as follows at June 30:

	2016	2015
Debt service	$1,286,218	$1,277,237

Aggregate annual principal payments required for the Series 2012 bonds for the next five years ending June 30 are as follows:

2017	$ 755,000
2018	780,000
2019	810,000
2020	830,000
2021	845,000
Thereafter	23,470,000
	$ 27,490,000

10. Long-Term Debt (Continued)

For fiscal 2016, the 2015 successor period, and the 2015 predecessor period, the Medical Center paid interest of $1,085,760, $178,866 and $927,655, respectively.

The Medical Center had entered into an unsecured open line-of-credit agreement with a local bank in the amount of $2,500,000 that expired July 31, 2016 and was not renewed, of which $144,217 was required for the letter of credit related to the workers' compensation plan. As of June 30, 2016 and 2015, $2,355,783 remains available.

11. Commitments and Contingencies

Workers' Compensation

Effective January 1, 2016, the Medical Center is self insured for workers' compensation. An excess insurance policy to limit exposure on claims to $500,000 is in effect. Prior to January 1, 2016, the Medical Center was insured under a claims-incurred policy for workers' compensation insurance. Prior to October 1, 2010, the Medical Center was insured under a high deductible plan and prior to that, was self-insured. The previous high deductible plan offered, among other provisions, certain specific and aggregate stop-loss coverage to protect the Medical Center against excessive losses. The Medical Center has used an independent actuary to estimate the outstanding liability of claims related to the high deductible and self-insured plan periods. Undiscounted accrued workers' compensation losses of $560,000 and $550,000 at June 30, 2016 and 2015, respectively, have been recorded in accounts payable and accrued expenses and, in management's opinion, provide an adequate reserve for loss contingencies for the various workers' compensation plans. In addition, a standby letter of credit of approximately $144,217 had been established under these plans that expired July 31, 2016.

Litigation

The Medical Center is involved in litigation and regulatory investigations arising in the ordinary course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Medical Center's financial position, results of operations or cash flows.

Health Insurance

The Medical Center has a self-funded health insurance plan. The plan is administered by an insurance company which assists in determining the current funding requirements of participants under the terms of the plan and the liability for claims and assessments that would be payable at any given point in time. The Medical Center recognizes revenue for services provided to employees of the Medical Center during the year. The Medical Center is insured above a stop-loss amount of $225,000 on individual claims. Estimated unpaid claims, and those claims incurred but not reported at June 30, 2016 and 2015, have been recorded as a liability of $1,401,407 and $755,000, respectively, and are reflected in the accompanying consolidated balance sheets within accrued salaries and related expenses.

12. Leases

Rent expense of $747,978, $281,212 and $308,358 for medical equipment, building space, and pharmacy dispensers was incurred during fiscal 2016, the 2015 successor period, and the 2015 predecessor period, respectively, under noncancellable operating lease agreements covering a term greater than one year.

At June 30, 2015, assets recorded under a capital lease totaled $722,262. There were no assets recorded under a capital lease at June 30, 2016. There was accumulated amortization on the equipment of $613,923 at June 30, 2015. The cost and accumulated amortization of the equipment was included in property, plant and equipment.

Amortization expense for these assets was included in depreciation and amortization expense in the consolidated statements of operations and changes in net assets.

Future minimum lease payments at June 30, 2016 under noncancellable operating leases are as follows:

2017	$ 693,073
2018	588,330
2019	345,668
2020	329,392
2021	324,872
	$2,281,335

13. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2016	2015
Health education and program services	$16,454,216	$17,142,523
Capital construction	–	186,901
	$16,454,216	$17,329,424

14. Functional Expenses

The Medical Center provides general health care services to residents within its geographic location, including inpatient, outpatient and emergency care. Expenses related to providing these services, excluding expenses relating to the joint provision of medical services, are as follows for fiscal 2016, the 2015 successor period, and the 2015 predecessor period:

	Successor		Predecessor
	Year Ended June 30, 2016	March 1, 2015 to June 30, 2015 (4 Months)	July 1, 2014 to February 28, 2015 (8 Months)
Health care services	$132,506,809	$40,814,837	$79,661,074
General and administrative	31,263,834	10,089,158	18,618,611
	$163,770,643	$50,903,995	$98,279,685

15. Charity Care

The Medical Center does not pursue collection of amounts determined to qualify as charity care; therefore, they are not reported as revenues. The net cost of charity includes the direct and indirect cost of providing charity care services, offset by revenues received from financial assistance donations. The estimated cost of charity care provided during fiscal 2016, the 2015 successor period, and the 2015 predecessor period was approximately $1,082,000, $480,000, and $993,000, respectively. Donations received to offset charity services provided totaled approximately $114,000, $36,000 and $94,000 for fiscal 2016, the 2015 successor period, and the 2015 predecessor period, respectively.

16. Concentrations of Credit Risk

The Medical Center grants credit without collateral to the insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows at June 30:

	2016	2015
Medicare	47%	41%
Medicaid	11	5
Commercial insurance and other	24	23
Patients	7	15
Blue Cross	11	16
	100%	100%

16. Concentrations of Credit Risk (Continued)

Financial instruments which subject the Medical Center to credit risk consist primarily of cash equivalents, accounts receivable and investments. The risk with respect to cash equivalents is minimized by the Medical Center's policy of investing in financial instruments with short-term maturities issued by highly rated financial institutions. The Medical Center's accounts receivable are primarily due from third-party payors and amounts are presented net of expected contractual allowances and uncollectible amounts. The Medical Center's investment portfolio consists of diversified investments, which are subject to market risk. At June 30, 2016, investment concentrations of 5% or greater of the investment portfolio (excluding funds held by trustee under debt agreements) were as follows:

Vanguard Total Stock Index Fund	$6,070,113	17.48%
EuroPacific Growth Fund	4,104,095	11.82
Dodge & Cox International Fund	3,866,084	11.13
Weatherlow Offshore Fund I	2,979,153	8.58
Nyes Ledge	2,701,299	7.78
Drake Capital Offshore Fund	1,844,001	5.31

17. Volunteer Services (Unaudited)

Total volunteer service hours received by the Medical Center were approximately 14,900 and 16,900 in the years ended June 30, 2016 and 2015, respectively. The volunteers provide various nonspecialized services to the Medical Center, none of which has been recognized as revenue or expense in the accompanying consolidated statements of operations.

18. Taxes

The Medical Center has losses from unrelated business income activities of approximately $3,841,138. A deferred tax asset at June 30, 2016 for these losses of approximately $1,536,455 is offset by a corresponding valuation allowance of the same amount.

At June 30, 2016, KHS has net operating carryforwards of approximately $3,710,108 for income tax purposes, which expire in years 2018 through 2036. These carryforwards resulted from KHS incurring operating losses in prior years. For financial reporting purposes, a valuation allowance equal to the deferred tax asset of $1,484,043 has been recognized related to these carryforwards.

18. Taxes (Continued)

In the fall of 2010, in order to remain in compliance with stated federal regulations, the State of New Hampshire adopted a new approach related to Medicaid disproportionate share funding retroactive to July 1, 2010. Unlike the former funding method, the State's approach led to a payment that was not directly based on, and did not equate to, the level of tax imposed. As a result, the legislation created some level of losses at certain New Hampshire hospitals, while other hospitals realized gains. During the years ended June 30, 2016 and 2015, the Medical Center paid the State of New Hampshire's Medicaid enhancement tax based on 5.5% of net patient service revenues, with certain exclusions. For fiscal 2016, the 2015 successor period, and the 2015 predecessor period, the Medical Center recorded $6,555,629, $190,926 and $1,000,000 in disproportionate share revenues.

The Centers for Medicare and Medicaid Services (CMS) has completed the audits of the State's program and the disproportionate share payments made by the State in 2011 and 2012, the first years that those payments reflected the amount of uncompensated care provided by New Hampshire hospitals. It is possible that subsequent years will also be audited by CMS. The Medical Center has recorded reserves to address its exposure based on the audit results to date.

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INDEPENDENT AUDITORS' REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
The Cheshire Medical Center

We have audited the consolidated financial statements of The Cheshire Medical Center (the Medical Center) as of June 30, 2016 and 2015 and for the year ended June 30, 2016 (successor period), the period March 1, 2015 to June 30, 2015 (successor period) and the period July 1, 2014 to February 28, 2015 (predecessor period), and have issued our report thereon, dated November 1, 2016 which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with accounting principles generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Newman & Noyes

Manchester, New Hampshire
November 1, 2016

THE CHESHIRE MEDICAL CENTER

CONSOLIDATING BALANCE SHEETS

June 30, 2016 and 2015

ASSETS

	June 30, 2016					June 30, 2015				
	Consol-idated	Elimi-nations	The Cheshire Medical Center	The Cheshire Health Foundation	Keene Health Services, Inc. and Subsidiaries	Consol-idated	Elimi-nations	The Cheshire Medical Center	The Cheshire Health Foundation	Keene Health Services, Inc. and Subsidiaries
Current assets:										
Cash and cash equivalents	$ 16,639,844	$ –	$ 15,651,110	$ 964,281	$ 24,453	$ 16,633,362	$ –	$ 16,131,373	$ 480,153	$ 21,836
Accounts receivable, net	17,835,657	–	17,835,657	–	–	14,053,314	–	14,053,314	–	–
Inventories	2,895,599	–	2,895,599	–	–	2,859,734	–	2,859,734	–	–
Prepaid expenses and other current assets	2,563,482	–	2,111,297	437,692	14,493	4,207,994	–	3,240,328	953,430	14,236
Due from affiliates	–	(1,030,173)	220,102	810,071	–	–	(4,483,732)	3,660,215	823,517	–
Amounts receivable from third-party payors	–	–	–	–	–	853,531	–	853,531	–	–
Current portion of funds held by trustee under debt agreements	1,286,218	–	1,286,218	–	–	1,277,237	–	1,277,237	–	–
Total current assets	41,220,800	(1,030,173)	39,999,983	2,212,044	38,946	39,885,172	(4,483,732)	42,075,732	2,257,100	36,072
Investments, including certain assets whose use is limited or restricted	34,724,661	–	20,064,648	14,660,013	–	40,814,767	–	20,278,279	20,536,488	–
Other assets whose use is limited, net of current portion:										
Beneficial interest in trusts	5,674,383	–	–	5,674,383	–	5,760,823	–	–	5,760,823	–
Employee benefit plans	1,202,345	–	1,202,345	–	–	1,320,601	–	1,320,601	–	–
Total other assets whose use is limited net of current portion	6,876,728	–	1,202,345	5,674,383	–	7,081,424	–	1,320,601	5,760,823	–
Property, plant and equipment, net	75,591,472	–	71,445,932	3,443,481	702,059	82,792,187	–	78,480,670	3,558,078	753,439
Other assets	2,917,005	69,066	2,651,414	196,525	–	3,048,910	34,008	2,783,319	231,583	–
Total assets	$161,330,666	$ (961,107)	$135,364,322	$26,186,446	$ 741,005	$173,622,460	$(4,449,724)	$144,938,601	$32,344,072	$ 789,511

LIABILITIES AND NET ASSETS/STOCKHOLDERS' DEFICIT

	June 30, 2016					June 30, 2015				
	Consol-idated	Elimi-nations	The Cheshire Medical Center	The Cheshire Health Foundation	Keene Health Services, Inc. and Subsidiaries	Consol-idated	Elimi-nations	The Cheshire Medical Center	The Cheshire Health Foundation	Keene Health Services, Inc. and Subsidiaries
Current liabilities:										
Accounts payable and accrued expenses	$ 4,018,894	$ –	$ 3,983,290	$ 35,604	$ –	$ 7,488,709	$ –	$ 7,482,050	$ 6,659	$ –
Accrued salaries and related expenses	7,727,583	–	7,727,583	–	–	5,789,548	–	5,789,548	–	–
Amounts payable to third-party payors	1,569,406	–	1,569,406	–	–	–	–	–	–	–
Due to Dartmouth-Hitchcock, net	11,847,692	(1,030,173)	11,956,464	111,330	810,071	11,681,711	(4,483,732)	11,790,483	3,551,441	823,519
Current portion of capital lease obligation	–	–	–	–	–	217,360	–	217,360	–	–
Current portion of long-term debt	755,000	–	755,000	–	–	735,000	–	735,000	–	–
Total current liabilities	25,918,575	(1,030,173)	25,991,743	146,934	810,071	25,912,328	(4,483,732)	26,014,441	3,558,100	823,519
Other liabilities	22,184,015	–	22,173,346	10,669	–	12,044,795	–	12,034,126	10,669	–
Long-term debt, less current portion	27,282,718	–	27,282,718	–	–	28,082,631	–	28,082,631	–	–
Net assets:										
Unrestricted	58,978,487	–	55,443,512	3,534,975	–	79,700,551	–	74,225,920	5,474,631	–
Temporarily restricted	16,454,216	–	4,473,003	11,981,213	–	17,329,424	–	4,581,483	12,747,941	–
Permanently restricted	10,512,655	–	–	10,512,655	–	10,552,731	–	–	10,552,731	–
Total net assets	85,945,358	–	59,916,515	26,028,843	–	107,582,706	–	78,807,403	28,775,303	–
Stockholders' deficit:										
Common stock	–	(200,000)	–	–	200,000	–	(200,000)	–	–	200,000
Additional paid-in capital	–	(4,435,776)	–	–	4,435,776	–	(4,415,776)	–	–	4,415,776
Accumulated deficit	–	4,704,842	–	–	(4,704,842)	–	4,649,784	–	–	(4,649,784)
Total stockholders' deficit	–	69,066	–	–	(69,066)	–	34,008	–	–	(34,008)
Total liabilities and net assets	$161,330,666	$ (961,107)	$135,364,322	$26,186,446	$ 741,005	$173,622,460	$ (4,449,724)	$144,938,601	$32,344,072	$ 789,511

THE CHESHIRE MEDICAL CENTER

CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

	Successor – Year Ended June 30, 2016					Successor – March 1, 2015 to June 30, 2015 (4 Months)				
	Consol-idated	Elimi-nations	The Cheshire Medical Center	The Cheshire Health Foundation	Keene Health Services, Inc. and Subsidiaries	Consol-idated	Elimi-nations	The Cheshire Medical Center	The Cheshire Health Foundation	Keene Health Services, Inc. and Subsidiaries
Net patient service revenues, net of contractual allowances and discounts	$171,762,512	$ –	$171,762,512	$ –	$ –	$ 54,289,048	$ –	$ 54,289,048	$ –	$ –
Provision for doubtful accounts	(9,975,515)	–	(9,975,515)	–	–	(1,753,292)	–	(1,753,292)	–	–
Net patient service revenue less provision for doubtful accounts	161,786,997	–	161,786,997	–	–	52,535,756	–	52,535,756	–	–
Other revenue	2,779,450	(380,028)	2,987,561	140,837	31,080	1,198,617	(277,100)	1,416,516	48,841	10,360
Net assets released from restrictions used for operations	322,184	–	322,184	–	–	212,305	–	212,305	–	–
Intercompany lease	–	(72,000)	–	72,000	–	–	(24,000)	–	24,000	–
Contributions, legacies and bequests	407,867	–	187,209	220,658	–	120,312	–	73,383	46,929	–
Total revenues and other support	165,296,498	(452,028)	165,283,951	433,495	31,080	54,066,990	(301,100)	54,237,960	119,770	10,360
Expenses:										
Salaries and wages	60,406,247	–	60,406,247	–	–	19,090,065	–	19,090,065	–	–
Employee benefits	19,275,854	–	19,275,854	–	–	5,717,783	–	5,717,783	–	–
Physicians fees	5,721,740	–	5,721,740	–	–	1,872,714	–	1,872,714	–	–
Supplies and other	59,120,558	–	57,621,254	1,464,543	34,761	18,067,672	–	17,425,196	614,051	28,425
New Hampshire Medicaid enhancement tax	7,131,651	–	7,131,651	–	–	2,363,388	–	2,363,388	–	–
Intercompany lease	–	(72,000)	72,000	–	–	–	(24,000)	24,000	–	–
Program grants	–	(380,028)	–	380,028	–	–	(277,100)	–	277,100	–
Interest	1,045,893	–	1,045,893	–	–	356,911	–	356,911	–	–
Depreciation and amortization	11,068,700	–	10,903,318	114,005	51,377	3,435,462	–	3,379,555	39,952	15,955
Expense relating to joint provision of medical services	8,298,000	–	8,298,000	–	–	4,132,000	–	4,132,000	–	–
Total expenses	172,068,643	(452,028)	170,475,957	1,958,576	86,138	55,035,995	(301,100)	54,361,612	931,103	44,380
Loss from operations	(6,772,145)	–	(5,192,006)	(1,525,081)	(55,058)	(969,005)	–	(123,652)	(811,333)	(34,020)
Nonoperating income (loss):										
Investment income	196,822	–	36,129	160,693	–	58,142	–	2,808	55,334	–
Net realized (losses) gains on investments	(14,776)	–	(11,615)	(3,161)	–	133,274	–	86,361	46,913	–
Equity in net loss of subsidiary	–	55,058	–	(55,058)	–	–	(516,074)	–	516,074	–
Total nonoperating gains (losses)	182,046	55,058	24,514	102,474	–	191,416	(516,074)	89,169	618,321	–
(Deficiency) excess of revenues and nonoperating gains (losses) over expenses	(6,590,099)	55,058	(5,167,492)	(1,422,607)	(55,058)	(777,589)	(516,074)	(34,483)	(193,012)	(34,020)

	Successor – Year Ended June 30, 2016					Successor – March 1, 2015 to June 30, 2015 (4 Months)				
	Consol-idated	Elimi-nations	The Cheshire Medical Center	The Cheshire Health Foundation	Keene Health Services, Inc. and Subsidiaries	Consol-idated	Elimi-nations	The Cheshire Medical Center	The Cheshire Health Foundation	Keene Health Services, Inc. and Subsidiaries
(Deficiency) excess of revenues and nonoperating gains (losses) over expenses	$ (6,590,099)	$ 55,058	$ (5,167,492)	$ (1,422,607)	$ (55,058)	$ (777,589)	$ (516,074)	$ (34,483)	$ (193,012)	$ (34,020)
Application of push-down accounting	–	–	–	–	–	11,264,287	–	8,991,498	1,722,695	550,094
Changes in net unrealized loss on investments and beneficial interest in trusts	(1,256,775)	–	(739,726)	(517,049)	–	(35,715)	–	(20,187)	(15,528)	–
Net assets released from restrictions for capital purchases	106,560	–	106,560	–	–	1,009,862	–	1,009,862	–	–
Pension liability adjustments	(12,981,750)	–	(12,981,750)	–	–	2,875,253	–	2,875,253	–	–
(Decrease) increase in unrestricted net assets	(20,722,064)	55,058	(18,782,408)	(1,939,656)	(55,058)	14,336,098	(516,074)	12,821,943	1,514,155	516,074
Temporarily restricted net assets:										
Restricted contributions	264,489	–	264,489	–	–	91,638	–	91,639	(1)	–
Restricted realized gains, net	(4,624)	–	2,251	(6,875)	–	156,990	–	64,824	92,166	–
Restricted investment income	400,596	–	400,391	205	–	65,755	–	65,709	46	–
Net assets released from restrictions	(428,744)	–	(428,744)	–	–	(1,222,167)	–	(1,222,167)	–	–
Changes in net unrealized gain on investments	(1,106,925)	–	(346,867)	(760,058)	–	(49,160)	–	(11,075)	(38,085)	–
Increase in temporarily restricted net assets	(875,208)	–	(108,480)	(766,728)	–	(956,944)	–	(1,011,070)	54,126	–
Permanently restricted net assets:										
Investment income	2,996	–	–	2,996	–	744	–	–	744	–
Change in net unrealized gain on investments	(43,072)	–	–	(43,072)	–	(67,920)	–	–	(67,920)	–
Increase in permanently restricted net assets	(40,076)	–	–	(40,076)	–	(67,176)	–	–	(67,176)	–
(Decrease) increase in net assets/equity	(21,637,348)	55,058	(18,890,888)	(2,746,460)	(55,058)	13,311,978	(516,074)	11,810,873	1,501,105	516,074
Net assets (deficit) at beginning of period	107,582,706	4,649,784	78,807,403	28,775,303	(4,649,784)	94,270,728	5,165,858	66,996,530	27,274,198	(5,165,858)
Net assets (deficit) at end of period	$ 85,945,358	$ 4,704,842	$ 59,916,515	$ 26,028,843	$ (4,704,842)	$ 107,582,706	$ 4,649,784	$ 78,807,403	$ 28,775,303	$ (4,649,784)

THE CHESHIRE MEDICAL CENTER

CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)

	Predecessor – July 1, 2014 to February 28, 2015 (8 Months)				
	Consol-idated	Elimi-nations	The Cheshire Medical Center	The Cheshire Health Foundation	Keene Health Services, Inc. and Subsidiaries
Net patient service revenues, net of contractual allowances and discounts	$102,737,236	$ –	$102,737,236	$ –	$ –
Provision for doubtful accounts	(6,575,028)	–	(6,575,028)	–	–
Net patient service revenue less provision for doubtful accounts	96,162,208	–	96,162,208	–	–
Other revenue	2,064,320	(132,729)	2,076,736	99,593	20,720
Net assets released from restrictions used for operations	–	–	–	–	–
Intercompany lease	–	(48,000)	–	48,000	–
Contributions, legacies and bequests	1,166,961	–	166,797	1,000,164	–
Total revenues and other support	99,393,489	(180,729)	98,405,741	1,147,757	20,720
Expenses:					
Salaries and wages	36,568,703	–	36,568,703	–	–
Employee benefits	11,478,551	–	11,478,551	–	–
Physicians fees	3,653,044	–	3,653,044	–	–
Supplies and other	34,959,738	–	33,932,699	992,944	34,095
New Hampshire Medicaid enhancement tax	4,426,632	–	4,426,632	–	–
Intercompany lease	–	(48,000)	48,000	–	–
Program grants	–	(132,729)	–	132,729	–
Interest	714,022	–	714,022	–	–
Depreciation and amortization	6,478,995	–	6,372,226	89,981	16,788
Expense relating to joint provision of medical services	3,508,000	–	3,508,000	–	–
Total expenses	101,787,685	(180,729)	100,701,877	1,215,654	50,883
(Loss) income from operations	(2,394,196)	–	(2,296,136)	(67,897)	(30,163)
Nonoperating income (loss):					
Investment income	142,403	–	22,180	120,223	–
Net realized gain on investments	498,124	–	322,783	175,341	–
Equity in net loss of subsidiary	–	30,163	–	(30,163)	–
Total nonoperating gains (losses)	640,527	30,163	344,963	265,401	–
(Deficiency) excess of revenues and nonoperating gains (losses) over expenses	(1,753,669)	30,163	(1,951,173)	197,504	(30,163)

	Predecessor – July 1, 2014 to February 28, 2015 (8 Months)				
	Consol-idated	Elimi-nations	The Cheshire Medical Center	The Cheshire Health Foundation	Keene Health Services, Inc. and Subsidiaries
(Deficiency) excess of revenues and nonoperating gains (losses) over expenses	$ (1,753,669)	$ 30,163	$ (1,951,173)	$ 197,504	$ (30,163
Application of push-down accounting	–	–	–	–	–
Changes in net unrealized loss on investments and beneficial interest in trusts	(773,349)	–	(501,588)	(271,761)	–
Net assets released from restrictions for capital purchases	–	–	–	–	–
Pension liability adjustments	(4,235,963)	–	(4,235,963)	–	–
Increase (decrease) in unrestricted net assets	(6,762,981)	30,163	(6,688,724)	(74,257)	(30,163
Temporarily restricted net assets:					
Restricted contributions	881,455	–	876,597	4,858	–
Restricted realized gains, net	413,080	–	72,047	341,033	–
Restricted investment income	319,222	–	319,073	149	–
Net assets released from restrictions	–	–	–	–	–
Changes in net unrealized gain on investments	(727,773)	–	(165,681)	(562,092)	–
Increase in temporarily restricted net assets	885,984	–	1,102,036	(216,052)	–
Permanently restricted net assets:					
Investment income	2,420	–	–	2,420	–
Contributions	5,164	–	–	5,164	–
Change in net unrealized gain on investments	(155,362)	–	–	(155,362)	–
Increase in permanently restricted net assets	(147,778)	–	–	(147,778)	–
(Decrease) increase in net assets/equity	(6,024,775)	30,163	(5,586,688)	(438,087)	(30,163
Net assets (deficit) at beginning of period	100,295,503	5,135,695	72,583,218	27,712,285	(5,135,695
Net assets (deficit) at end of period	$ 94,270,728	$ 5,165,858	$ 66,996,530	$27,274,198	$ (5,165,858

THE CHESHIRE MEDICAL CENTER

CONSOLIDATING STATEMENTS OF CASH FLOW

	Successor - Year Ended June 30, 2016					Successor – March 1, 2015 to June 30, 2015 (4 Months)				
	Consolidated	Eliminations	The Cheshire Medical Center	The Cheshire Health Foundation	Keene Health Services, Inc. and Subsidiaries	Consolidated	Eliminations	The Cheshire Medical Center	The Cheshire Health Foundation	Keene Health Services, Inc. and Subsidiaries
Operating activities:										
Change in net assets	$ (21,637,348)	$ 55,058	$ (18,890,888)	$ (2,746,460)	$ (55,058)	$13,311,978	$ (516,074)	$11,810,873	$ 1,501,105	$ 516,074
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:										
Application of push-down accounting	–	–	–	–	–	(11,264,287)	–	(8,991,498)	(1,722,695)	(550,094)
Depreciation and amortization	11,068,700	–	10,903,318	114,005	51,377	3,435,462	–	3,379,555	39,952	15,955
Change in net unrealized gains on investments	2,406,772	–	1,086,593	1,320,179	–	152,795	–	31,262	121,533	–
Restricted contributions and investment income	(668,081)	–	(664,880)	(3,201)	–	(158,137)	–	(157,348)	(789)	–
Changes in operating assets and liabilities:										
Accounts receivable, net	(3,782,343)	–	(3,782,343)	–	–	(1,039,764)	–	(1,039,764)	–	–
Inventories, prepaid expenses and other assets	1,858,808	(35,058)	1,343,327	550,796	(257)	(110,913)	536,074	(41,530)	(605,170)	(287)
Due to (from) Dartmouth-Hitchcock	165,981	–	3,606,094	(3,426,665)	(13,448)	(1,718,194)	–	(494,639)	(1,228,276)	4,721
Accounts payable, accrued expenses and other liabilities	6,669,405	–	6,640,460	28,945	–	(6,587,740)	–	(6,584,320)	(2,990)	(430)
Accrued salaries and related expenses	1,938,035	–	1,938,035	–	–	(106,520)	–	(106,520)	–	–
Accounts receivable from/payable to third-party payors	2,422,937	–	2,422,937	–	–	(149,403)	–	(149,403)	–	–
Net cash provided (used) by operating activities	442,866	20,000	4,602,653	(4,162,401)	(17,386)	(4,234,723)	20,000	(2,343,332)	(1,897,330)	(14,061)
Investing activities:										
Purchase of property, plant and equipment, net of disposals	(3,867,985)	–	(3,868,580)	592	3	(4,277,425)	–	(4,276,833)	(592)	–
Net purchases of investments, including certain assets whose use is limited or restricted	3,760,793	–	(881,943)	4,642,736	–	(809,038)	–	(967,042)	158,004	–
Net cash (used) provided by investing activities	(107,192)	–	(4,750,523)	4,643,328	3	(5,086,463)	–	(5,243,875)	157,412	–
Financing activities:										
Payment of long-term debt and capital lease	(997,273)	–	(997,273)	–	–	(16,819)	–	(16,819)	–	–
Restricted contributions and investment income	668,081	–	664,880	3,201	–	325,257	–	157,348	167,909	–
Capital contribution	–	(20,000)	–	–	20,000	–	(20,000)	–	–	20,000
Net cash (used) provided by financing activities	(329,192)	(20,000)	(332,393)	3,201	20,000	308,438	(20,000)	140,529	167,909	20,000
Increase (decrease) in cash and cash equivalents	6,482	–	(480,263)	484,128	2,617	(9,012,748)	–	(7,446,678)	(1,572,009)	5,939
Cash and cash equivalents at beginning of period	16,633,362	–	16,131,373	480,153	21,836	25,646,110	–	23,578,051	2,052,162	15,897
Cash and cash equivalents at end of period	$ 16,639,844	$ –	$ 15,651,110	$ 964,281	$ 24,453	$16,633,362	$ –	$16,131,373	$ 480,153	$ 21,836

THE CHESHIRE MEDICAL CENTER

CONSOLIDATING STATEMENTS OF CASH FLOW (CONTINUED)

	Predecessor – July 1, 2014 to February 28, 2015 (8 Months)				
	Consolidated	Eliminations	The Cheshire Medical Center	The Cheshire Health Foundation	Keene Health Services, Inc. and Subsidiaries
Operating activities:					
Change in net assets	$(6,024,775)	$ 30,163	$(5,586,688)	$ (438,087)	$ (30,163)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:					
Application of push-down accounting	–	–	–	–	–
Depreciation and amortization	6,478,995	–	6,372,226	89,981	16,788
Change in net unrealized gains on investments	1,656,484	–	667,269	989,215	–
Restricted contributions and investment income	(1,208,261)	–	(1,195,670)	(12,591)	–
Changes in operating assets and liabilities:					
Accounts receivable, net	(1,529,650)	–	(1,529,650)	–	–
Inventories, prepaid expenses and other assets	(1,429,603)	(10,163)	(818,677)	(601,042)	279
Due to Dartmouth-Hitchcock	4,293,886	–	3,497,417	792,309	4,160
Accounts payable, accrued expenses and other liabilities	5,991,398	–	6,016,504	(18,545)	(6,561)
Accrued salaries and related expenses	(16,207)	–	(16,207)	–	–
Accounts receivable from/payable to third-party payors	(734,128)	–	(734,128)	–	–
Net cash provided (used) by operating activities	7,478,139	20,000	6,672,396	801,240	(15,497)
Investing activities:					
Purchase of property, plant and equipment, net of disposals	(7,656,752)	–	(7,656,752)	–	–
Net purchases of investments, including certain assets whose use is limited or restricted	(743,439)	–	(1,170,883)	427,444	–
Net cash (used) provided by investing activities	(8,400,191)	–	(8,827,635)	427,444	–
Financing activities:					
Payment of long-term debt and capital lease	(954,778)	–	(954,778)	–	–
Restricted contributions and investment income	941,749	–	1,195,670	(253,921)	–
Capital contribution	–	(20,000)	–	–	20,000
Net cash (used) provided by financing activities	(13,029)	(20,000)	240,892	(253,921)	20,000
(Decrease) increase in cash and cash equivalents	(935,081)	–	(1,914,347)	974,763	4,503
Cash and cash equivalents at beginning of period	26,581,191	–	25,492,398	1,077,399	11,394
Cash and cash equivalents at end of period	$25,646,110	$ –	$23,578,051	$ 2,052,162	$ 15,897

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APPENDIX C

CERTAIN PROVISIONS OF THE BOND INDENTURE

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Appendix C

CERTAIN PROVISIONS OF THE BOND INDENTURE

The Bond Indenture contains terms and conditions relating to the issuance of Series 2018B Bonds under the Bond Indenture, including various financial covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Bond Indenture, and reference is made to such Bond Indenture, copies of which are available from the Bond Trustee. This summary uses various terms defined in the Bond Indenture and such terms as used in the Bond Indenture will have the same meanings as so defined.

BOND INDENTURE

Certain Definitions *(Section 1.01)*

Unless the context shall otherwise require, the following words and terms as used in this Bond Indenture shall have the following meanings:

"Account" shall mean any account created under this Bond Indenture.

"Additional Bonds" shall mean Bonds issued under this Bond Indenture subsequent to the issuance of the Series 2018B Bonds, which as designated by Dartmouth-Hitchcock Health may be consolidated with the Series 2018B Bonds or which are not so consolidated but are issued as a separate series, in either case pursuant to Section 2.15 of this Bond Indenture.

"Bonds" shall mean the Series 2018B Bonds, and any Additional Bonds issued under this Bond Indenture.

"Bond Fund" shall mean the fund created pursuant to Section 5.01(a) of this Bond Indenture.

"Bond Indenture" shall mean this Bond Indenture, dated as of January 1, 2018, by and between Dartmouth-Hitchcock Health and the Bond Trustee, and when amended or supplemented, this Bond Indenture, as amended or supplemented.

"Bond Indenture Event of Default" shall mean any one or more of those events set forth in Section 7.01 of this Bond Indenture.

"Bond Payment Date" shall mean each date on which interest or both principal and interest shall be payable on any of the Bonds according to their respective terms, so long as any Bonds are Outstanding.

"Bond Proceeds Fund" shall mean the fund (and any accounts of Dartmouth-Hitchcock Health within such fund) created pursuant to Section 4.01 of this Bond Indenture.

"Bond Trustee" shall mean U.S. Bank National Association, and any successor to its duties under this Bond Indenture.

"Business Day" shall mean any day of the week other than Saturday, Sunday or a day which shall be in the State of New Hampshire or in the jurisdiction of the Bond Trustee a legal holiday or a day on which banking corporations are authorized or obligated by law or executive order to close.

"Code" shall mean the Internal Revenue Code of 1986, as amended, or any successor code or law, and any regulations in effect or promulgated thereunder.

"Comparable Treasury Issue" shall mean the United States Treasury security or securities selected by a Designated Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the

Bonds to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Bonds.

"Comparable Treasury Price" shall mean, with respect to any redemption date, the average of the Reference Treasury Dealer Quotations for such redemption date or, if the Designated Investment Banker obtains only one Reference Treasury Dealer Quotation, such Reference Treasury Dealer Quotation.

"Contract of Purchase" shall mean each contract of purchase between Dartmouth-Hitchcock Health and the Underwriters of a series of the Bonds.

"Corporate Trust Office" shall mean the designated office of the Bond Trustee at which its corporate trust business is conducted, which at the date hereof is located at U.S. Bank National Association, One Federal Street, Boston, Massachusetts 02110, Attention: Corporate Trust Department, except that with respect to presentation of Bonds for payment or for registration of transfer or exchange, such term shall mean the office or agency of the Bond Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

"Dartmouth-Hitchcock Health" shall mean the private, not-for-profit corporation organized and existing under the laws of the State, the corporate name of which is Dartmouth-Hitchcock Health, and its successors.

"Dartmouth-Hitchcock Health Representative" shall mean the Person at the time designated to act on behalf of Dartmouth-Hitchcock Health by written certificate furnished to the Bond Trustee, containing the specimen signature of such Person and signed on behalf of Dartmouth-Hitchcock Health by its chairman, its president or chief executive officer, its chief financial officer or any senior vice president or vice president. Such certificate may designate an alternate or alternates who shall have the same authority, duties and powers as such Dartmouth-Hitchcock Health Representative.

"Designated Investment Banker" shall mean one of the Reference Treasury Dealers appointed by Dartmouth-Hitchcock Health.

"DTC" shall mean The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, which is presently located at 55 Water Street, 50th Floor, New York, New York 10041-0099, Attention: Call Notification Department, Fax (212) 855-7232; and its successors and assigns, or any other depository which agrees to follow the procedures required to be followed by such depository in connection with the Bonds.

"Fund" shall mean any fund created under this Bond Indenture.

"Governing Body" shall mean Dartmouth-Hitchcock Health's Board of Trustees.

"Government Obligations" shall mean direct obligations of (including obligations issued or held in book-entry form on the books of the Department of the Treasury), or obligations the timely payment of principal and interest on which are unconditionally guaranteed by, the United States of America.

"Holder" or "Bondholder" shall mean the registered owner of any Bond, including DTC or its nominee as the sole registered owner of book-entry Bonds.

"Interest Account" shall mean the account of the Bond Fund created pursuant to Section 5.01(a)(i) of this Bond Indenture.

"Make-Whole Redemption Price" shall mean, for the Series 2018B Bonds, the greater of:

(1) 100% of the principal amount of any Series 2018B Bonds being redeemed; or

(2) the sum of the present values of the remaining scheduled payments of principal and interest on any Series 2018B Bonds being redeemed (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 20 basis points, all as calculated by Dartmouth-Hitchcock Health, and certified to the Bond Trustee.

"Master Indenture" shall mean the Master Indenture, as defined in the recitals hereto, as amended, supplemented or restated from time to time, by and among the Members of the Obligated Group and the Master Trustee.

"Master Trustee" shall mean U.S. Bank National Association, and its successors in the trusts created under the Master Indenture.

"Member of the Obligated Group" or "Member" shall mean each of Dartmouth-Hitchcock Health, Mary Hitchcock Memorial Hospital, Dartmouth-Hitchcock Clinic, The Cheshire Medical Center, The New London Hospital Association, Inc., Windsor Hospital Corporation and any other Person becoming a Member of the Obligated Group pursuant to the Master Indenture.

"Obligated Group" shall mean, collectively, the Members of the Obligated Group.

"Obligated Group Representative" shall mean Dartmouth-Hitchcock Health, and its legal successors, and thereafter any Person as may be designated as such pursuant to written notice to the Master Trustee by the Members of the Obligated Group.

"Obligation" shall mean the Series 2018B Obligation issued by the Members of the Obligated Group to the Bond Trustee pursuant to the Master Indenture, including Supplement No. 42, in order to secure the Series 2018B Bonds, and any other Obligation issued pursuant to the Master Indenture to secure Additional Bonds.

"Opinion of Counsel" shall mean a written opinion of an attorney or firm of attorneys reasonably acceptable to the Bond Trustee and (so long as no Bond Indenture Event of Default has occurred and is continuing) Dartmouth-Hitchcock Health, and who (except as otherwise expressly provided herein) may be counsel for Dartmouth-Hitchcock Health.

"Outstanding," when used with reference to the Bonds, shall mean, as of any date of determination, all Bonds theretofore authenticated and delivered except: (i) Bonds theretofore cancelled by the Bond Trustee or delivered to the Bond Trustee for cancellation; (ii) Bonds paid pursuant to Section 2.04; (iii) Bonds which are deemed paid and no longer Outstanding as provided in this Bond Indenture; (iv) Bonds in lieu of which other Bonds have been issued pursuant to the provisions of this Bond Indenture relating to Bonds destroyed, stolen or lost, unless evidence satisfactory to the Bond Trustee has been received that any such Bond is held by a bona fide purchaser; and (v) for purposes of any consent or other action to be taken under this Bond Indenture by the Holders of a specified percentage of principal amount of Bonds, Bonds held by or for the account of Dartmouth-Hitchcock Health, or any Person controlling, controlled by, or under common control with, Dartmouth-Hitchcock Health (for purposes of this clause (v), the Bond Trustee shall be permitted to rely on a certificate of Dartmouth-Hitchcock Health).

"Permitted Investments" shall mean and include any of the following, if and to the extent the same are at the time legal for the investment of Dartmouth-Hitchcock Health's money (provided that the Bond Trustee shall be entitled to rely upon any investment directions from Dartmouth-Hitchcock Health as conclusive certification to the Bond Trustee that the investments described therein are legal investments for Dartmouth-Hitchcock Health, and provided further, that all references in this definition to ratings of any investment or asset shall refer to ratings at the time of purchase of such investment or asset):

(a) Government Obligations;

(b) Government Obligations which have been stripped of their unmatured interest coupons and interest coupons stripped from Government Obligations and receipts, certificates or other similar documents evidencing ownership of future principal or interest payments due on Government Obligations which are held in a custody or trust account by a commercial bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $20,000,000;

(c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following: Federal Home Loan Banks; Federal Home Loan Mortgage Corporation (including participation certificates); Federal National Mortgage Association; Government National Mortgage Association; Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Financing Bank; Export-Import Bank of the United States; or Federal Land Banks;

(d) All other obligations issued or unconditionally guaranteed as to the timely payment of principal and interest by an agency or Person controlled or supervised by and acting as an instrumentality of the United States government pursuant to authority granted by Congress;

(e) (i) Interest-bearing time or demand deposits, certificates of deposit, trust accounts, trust funds or other similar banking arrangements with any government securities dealer, bank, trust company, savings and loan association, national banking association or other savings institution (including the Bond Trustee or any affiliate thereof), provided that such deposits, trust accounts, trust funds, certificates and other arrangements are fully insured by the Federal Deposit Insurance Corporation or (ii) interest-bearing time or demand deposits, trust accounts, trust funds or certificates of deposit with any bank, trust company, national banking association or other savings institution (including the Bond Trustee or any affiliate thereof), provided such deposits, trust accounts, trust funds and certificates are in or with a bank, trust company, national banking association or other savings institution whose (or whose parent's) long-term unsecured debt is rated in either of the two highest long term rating categories by Moody's Investors Service, S&P Global Ratings, or Fitch, Inc. and provided further that with respect to (i) and (ii) any such obligations are held by, or are in the name of, the Bond Trustee or a bank, trust company or national banking association (other than the issuer of such obligations);

(f) Repurchase agreements collateralized by securities described in subparagraphs (a), (b), (c) or (d) above with any financial institution that has an uninsured, unsecured and unguaranteed obligation rated, or is itself rated, in one of the three highest rating categories by Moody's Investors Service, S&P Global Ratings or Fitch, Inc. (including the Bond Trustee or any affiliate of the Bond Trustee), provided that (1) a specific written repurchase agreement governs the transaction, (2) the securities are held, free and clear of any lien, by the Bond Trustee or an affiliate of the Bond Trustee or an independent third party on behalf of the Bond Trustee, and such affiliate of the Bond Trustee or third party is (a) a Federal Reserve Bank, or (b) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $25,000,000, and the Bond Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Bond Trustee, (3) a perfected first security interest under the Uniform Commercial Code of the State, or book entry procedures prescribed at 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. in such securities is created for the benefit of the Bond Trustee, (4) the repurchase agreement has a term of thirty days or less, or provides that such independent third party will value the collateral securities no less frequently than monthly and the Bond Trustee will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation, and (5) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 102%;

(g) Money market accounts rated in one of the three highest long term rating categories by S&P Global Ratings, Moody's Investors Service or Fitch, Inc. or investment agreements with a financial institution (including the Bond Trustee or any affiliate thereof) whose long term debt (or the long-term debt of such institution's parent company) is rated in either of the two highest long term rating categories by S&P Global Ratings, Moody's Investors Service or Fitch, Inc.;

(h) Commercial paper rated in the highest rating category by Moody's Investors Service, S&P Global Ratings or Fitch, Inc.;

(i) Shares of investment companies rated in one of the three highest long term rating categories by S&P Global Ratings, Moody's Investors Service or Fitch, Inc. (including, without limitation, any mutual fund for which the Bond Trustee or an affiliate of the Bond Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Bond Trustee or an affiliate of the Bond Trustee receives fees from such funds for services rendered, (ii) the Bond Trustee charges and collects fees for services rendered pursuant to the Bond Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Bond Indenture may at times duplicate those provided to such funds by the Bond Trustee or its affiliates), or cash equivalent investments which are authorized to invest only in assets or securities described in subparagraphs (a), (b), (c), (d) and (f) above;

(j) Obligations that are exempt from Federal income taxation that are rated in one of the three highest rating categories by Moody's Investors Service, S&P Global Ratings or Fitch, Inc.;

(k) Forward delivery agreements, forward supply contracts, or similar products that provide for the delivery of the securities listed in paragraphs (a), (b), (c), (d), (h) and (j) above;

(l) Investment agreements, including guaranteed investment contracts, that are obligations of an entity whose senior long-term debt obligations or claims-paying ability are rated, or guaranteed by an entity whose obligations are rated (at the time the investment is entered into) in one of the two highest rating categories by Moody's Investors Service, S&P Global Ratings or Fitch, Inc.;

(m) interest bearing bankers acceptances and demand or time deposits (including certificates of deposit) in banks (including the Bond Trustee and its affiliates), providing such deposits are either (i) secured at all times, in the manner and to the extent provided by law, by collateral security described in clause (a) or (b) of this definition of a market value no less than the amount of moneys so invested and are maintained with banks the debt obligations of which are rated in one of the two highest rating categories by Moody's Investors Service, S&P Global Ratings or Fitch, Inc., or (ii) fully insured by the Federal Deposit Insurance Corporation;

(n) taxable government money market portfolios composed of obligations issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States of America, including without limitation any portfolio for which the Bond Trustee's parent, affiliates or subsidiaries provide investment advisory or other management services, which are rated in one of the two highest rating categories by Moody's Investors Service, S&P Global Ratings or Fitch, Inc.;

(o) commercial paper rated at the time of purchase in the highest rating category by Moody's Investors Service, S&P Global Ratings or Fitch, Inc. and issued by corporations organized and operating within the United States and having total assets in excess of $500,000,000;

(p) collateralized investment agreements or other collateralized contractual arrangements with corporations, financial institutions or national associations within the United States with such entities which are rated in one of the two highest rating categories by Moody's Investors Service, S&P Global Ratings or Fitch, Inc. and fully secured by collateral security described in clause (a) or (b) of this definition;

(q) investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P Global Ratings or Fitch, Inc. or an equivalent rating by Moody's Investors Service, including funds for which the Bond Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Bond Trustee or such holding company provide investment advisory or other management services; and

(r) United States dollar denominated deposit accounts with domestic national or commercial banks, including the Bond Trustee or an affiliate of the Bond Trustee, that have a short term issuer rating on the date of purchase of "A-1+" or "A-1" by S&P Global Ratings or "Prime-1" or better by Moody's Investors Service and maturing no more than 360 days after the date of purchase.

"Person" shall include an individual, association, unincorporated organization, corporation, limited liability company, partnership, joint venture, or government or agency or political subdivision thereof.

"Principal Account" shall mean the account of the Bond Fund created pursuant to Section 5.01(a)(ii) of this Bond Indenture.

"Projects" shall mean general corporate purposes of Dartmouth-Hitchcock Health or of its affiliates, including future capital expenditures for various Members of the Obligated Group, to be financed with proceeds of the Bonds, and the refunding of certain outstanding debt.

"Record Date" shall mean each January 15 and July 15 (whether or not a Business Day), unless otherwise provided in a Supplemental Bond Indenture for Additional Bonds that are not consolidated with the Series 2018B Bonds.

"Redemption Account" shall mean the account of the Bond Fund created pursuant to Section 5.01(a)(iii) of this Bond Indenture.

"Redemption Price" shall mean, when used with respect to a Bond or portion thereof to be redeemed, the Make-Whole Redemption Price payable upon redemption thereof or, as may be applicable, the principal amount thereof.

"Reference Treasury Dealer" shall mean each of Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC, or their respective affiliates which are primary U.S. government securities dealers, and their respective successors; provided that if Citigroup Global Markets Inc. or Morgan Stanley & Co. LLC or their respective affiliates shall cease to be a primary U.S. government securities dealer (a "Primary Treasury Dealer"), Dartmouth-Hitchcock Health shall substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" shall mean, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third Business Day preceding such redemption date.

"Representation Letter" shall mean each Letter of Representations from Dartmouth-Hitchcock Health to DTC with respect to a series of the Bonds.

"Responsible Officer" shall mean, when used with respect to the Bond Trustee, any officer within the corporate trust department of the Bond Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Bond Trustee who customarily performs functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and, in each case, who shall have direct responsibility for the administration of this Bond Indenture and the Bonds.

"Series 2018B Bonds" shall mean Dartmouth-Hitchcock Health's Dartmouth-Hitchcock Obligated Group Taxable Bonds, Series 2018B, dated their date of delivery and issued under this Bond Indenture to finance costs of the Projects, to refund certain outstanding debt, and to pay costs of issuance of the Series 2018B Bonds.

"State" shall mean the State of New Hampshire.

"Supplemental Bond Indenture" shall mean any supplement to this Bond Indenture, including any supplement pursuant to which Additional Bonds are to be issued.

"Supplement No. 42" shall mean the Supplemental Master Trust Indenture No. 42, dated as of January 1, 2018, by and among the Members of the Obligated Group and the Master Trustee.

"Treasury Rate" shall mean, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue,

assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Underwriters" shall mean, for the Series 2018B Bonds, Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC, and for any Additional Bonds, as may be designated in the applicable Supplemental Bond Indenture or applicable Contract of Purchase.

All Bonds Equally and Ratably Secured; Bonds Are General Obligations of Dartmouth-Hitchcock Health *(Section 1.03)*

All Bonds issued hereunder and at any time Outstanding shall in all respects be equally and ratably secured hereby, without preference, priority, or distinction on account of the date or dates or the actual time or times of the issuance or maturity of the Bonds, so that all Bonds at any time issued and Outstanding hereunder shall have the same right, lien, and preference hereunder, and shall all be equally and ratably secured hereby. The Bonds shall constitute general obligations of Dartmouth-Hitchcock Health. In addition, the Bonds are secured by each Obligation, including but not limited to the Series 2018B Obligation, issued by the Members of the Obligated Group to the Bond Trustee to secure Bonds pursuant to the Master Indenture, including but not limited to Supplement No. 42.

Payments of Principal, Redemption Price and Interest *(Section 1.04)*

Dartmouth-Hitchcock Health covenants that it will duly and punctually pay the principal of and interest and any Redemption Price on the Bonds on the dates and in the places and manner mentioned therein and herein. Notwithstanding any schedule of payments to be made on the Bonds set forth therein or herein, Dartmouth-Hitchcock Health agrees to make payments upon the Bonds and be liable therefor at the times and in the amounts equal to the amounts to be paid as principal or Redemption Price of or interest on the Bonds from time to time Outstanding under this Bond Indenture as the same shall become due whether at maturity, upon redemption, by declaration of acceleration or otherwise.

All amounts payable with respect to the Bonds or hereunder by Dartmouth-Hitchcock Health, except as otherwise expressly provided herein, shall be paid to the Bond Trustee so long as any Bonds remain Outstanding.

Dartmouth-Hitchcock Health agrees and represents that it has received fair consideration in return for the obligations undertaken and to be undertaken by Dartmouth-Hitchcock Health resulting from each Bond issued or to be issued by Dartmouth-Hitchcock Health hereunder.

Obligations Unconditional *(Section 1.05)*

This Bond Indenture is a general obligation of Dartmouth-Hitchcock Health and the obligations of Dartmouth-Hitchcock Health to make payments pursuant hereto and pursuant to the Bonds and to perform and observe all agreements on its part contained herein shall be absolute and unconditional. Until this Bond Indenture is terminated or payment in full of all Bonds is made or is provided for in accordance with this Bond Indenture, Dartmouth-Hitchcock Health (i) will not suspend or discontinue any payments hereunder or neglect to perform any of its duties required hereunder; (ii) will perform and observe all of its obligations set forth in this Bond Indenture; and (iii) except as provided herein, will not terminate this Bond Indenture for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration; commercial frustration of purpose; any change in the tax or other laws or administrative rulings of, or administrative actions by or under authority of, the United States of America or of the State.

Representations of Dartmouth-Hitchcock Health *(Section 1.06)*

Dartmouth-Hitchcock Health makes the following representations as the basis for its covenants and agreements herein:

(a) It is validly existing as a not-for-profit corporation under the laws of the State, it has full legal right, power and authority to enter into this Bond Indenture, the Master Indenture, Supplement No. 42, the Series 2018B Obligation, and the Contract of Purchase, and to carry out and consummate all transactions contemplated hereby and thereby, and it has, by proper action, duly authorized the execution and delivery of this Bond Indenture, the Contract of Purchase, the Master Indenture, Supplement No. 42, the Series 2018B Obligation, and the Bonds.

(b) The execution and delivery of this Bond Indenture, the Contract of Purchase, the Master Indenture, Supplement No. 42, the Series 2018B Obligation, the Bonds, and the consummation of the transactions herein and therein contemplated, including the application of the proceeds of the Bonds as so contemplated, will not, in any material respect, conflict with, or constitute a breach of, or default by it under its certificate of incorporation, its by-laws, or any statute, indenture, mortgage, deed of trust, lease, note, loan agreement or other agreement or instrument to which it is a party or by which it or its properties are bound, and will not, in any material respect, constitute a violation of any order, rule or regulation of any court or governmental agency or body having jurisdiction over it or any of its activities or properties. Additionally, Dartmouth-Hitchcock Health is not, in any material respect, in breach, default or violation of any statute, indenture, mortgage, deed of trust, note, loan agreement or other agreement or instrument which would allow the obligee or obligees thereof to take any action which would preclude performance of this Bond Indenture, the Contract of Purchase, the Master Indenture, Supplement No. 42, the Series 2018B Obligation, or the Bonds by Dartmouth-Hitchcock Health.

(c) Except as may be reflected in the offering document of Dartmouth-Hitchcock Health distributed in connection with the Bonds, there are no actions, suits or proceedings of any type whatsoever pending or, to its knowledge, threatened against or affecting it or its assets, properties or operations which, if determined adversely to it or its interests, could have a material adverse effect upon its financial condition, assets, properties or operations and it is not in default with respect to any order or decree of any court or any order, regulation or decree of any federal, state, municipal or governmental agency, which default would materially and adversely affect its financial condition, assets, properties or operations.

(d) Dartmouth-Hitchcock Health is an organization described in Section 501(c)(3) of the Code, and is exempt from federal income tax under Section 501(a) of such Code, except with respect to any unrelated business income of Dartmouth-Hitchcock Health, which income is not expected to result from the consummation of any transaction contemplated by this Bond Indenture. Dartmouth-Hitchcock Health is not a private foundation within the meaning of Section 509(a) of the Code, and Dartmouth-Hitchcock Health at all times will maintain its status as an organization described in Section 501(c)(3) of the Code and its exemption from federal income tax under Section 501(a) of the Code or corresponding provisions of future federal income tax laws. The facts and circumstances which formed the basis of Dartmouth-Hitchcock Health's status as an organization described in Section 501(c)(3) of the Code as represented to the Internal Revenue Service continue substantially to exist. The proceeds of the Bonds will be used in furtherance of Dartmouth-Hitchcock Health's "exempt purpose" as defined in Section 501(c)(3) of the Code. Dartmouth-Hitchcock Health has not impaired its status as an exempt organization and will not, while any of the Bonds remain Outstanding, impair its status as an exempt organization.

(e) Neither any information, exhibit or report furnished to the Underwriters by Dartmouth-Hitchcock Health in connection with the negotiation of this Bond Indenture, the Master Indenture, Supplement No. 42, or the Contract of Purchase, nor any of the foregoing representations, contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

All representations of Dartmouth-Hitchcock Health contained herein and in any certificate or other instrument delivered by Dartmouth-Hitchcock Health pursuant to the Contract of Purchase, the Master Indenture, Supplement No. 42 or this Bond Indenture, or in connection with the transactions contemplated thereby, shall survive the execution and delivery thereof and the issuance, sale and delivery of the Bonds.

Medium and Place of Payment *(Section 2.03)*

(a) Principal of, Redemption Price, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which, on the respective dates of payment of principal and interest, is tender for the payment of public and private debts.

(b) Except for book-entry Bonds held by DTC in accordance with the terms and provisions of Section 2.13 hereof, interest on the Bonds shall be payable by check drawn upon the Bond Trustee and mailed on the Bond Payment Date to the registered Holders of such Bonds at the addresses of such Holders as they appear on the books of the Bond Trustee on the Record Date; provided, however, that interest may be paid by wire or electronic transfer to the Holder of at least $1,000,000 aggregate principal amount of Bonds to the Holder's domestic bank account pursuant to the wire transfer instructions designated by written notice by such Holder to the Bond Trustee not less than fifteen (15) days prior to the Record Date for such payment. Any such written request shall remain in effect until rescinded in writing by such Holder. Principal of and Redemption Price, if any, on the Bonds shall be paid when due by check upon presentation and surrender of such Bonds at the Corporate Trust Office of the Bond Trustee.

(c) In the event of a default by Dartmouth-Hitchcock Health in the payment of interest due on a Bond on a Bond Payment Date, such defaulted interest will be payable to the Person in whose name such Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Bond Trustee to the registered owners of Bonds not less than ten (10) days preceding such special record date.

(d) Dartmouth-Hitchcock Health or the Bond Trustee may make a charge against any Bondholder sufficient for the reimbursement of any governmental charge required to be paid in the event that such Bondholder fails to provide a correct taxpayer identification number to the Bond Trustee. Such charge may be deducted from any interest or principal payment due to the Bondholder.

Mutilated, Destroyed, Lost and Stolen Bonds *(Section 2.04)*

If (i) any mutilated Bond is surrendered to the Bond Trustee or if Dartmouth-Hitchcock Health or the Bond Trustee receives evidence to their satisfaction of the destruction, loss or theft of any Bond, and (ii) there is delivered to Dartmouth-Hitchcock Health and the Bond Trustee such security or indemnity as may be required by Dartmouth-Hitchcock Health or the Bond Trustee to hold them harmless, then, in the absence of notice to the Bond Trustee that such Bond has been acquired by a bona fide purchaser and upon the Holder paying the reasonable expenses of Dartmouth-Hitchcock Health and the Bond Trustee, Dartmouth-Hitchcock Health shall cause to be executed and the Bond Trustee shall authenticate and deliver, in exchange for such mutilated Bond or in lieu of such destroyed, lost or stolen Bond, a new Bond of like principal amount, date and tenor. If any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, then Dartmouth-Hitchcock Health may, in its discretion, pay such Bond when due instead of delivering a new Bond.

Execution and Authentication of Bonds *(Section 2.05)*

All Bonds shall be executed for and on behalf of Dartmouth-Hitchcock Health by its Vice President and Chief Financial Officer (or other duly authorized officer of Dartmouth-Hitchcock Health) and attested by its Secretary or an Assistant Secretary (or other duly authorized officer of Dartmouth-Hitchcock Health). The signatures of the Vice President and Chief Financial Officer and the Secretary or Assistant Secretary (or other duly authorized officers of Dartmouth-Hitchcock Health) may be mechanically or photographically reproduced on the Bonds. If any officer of Dartmouth-Hitchcock Health whose signature appears on any Bond ceases to be such officer before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such officer had remained in office until such delivery. Each Bond shall be manually authenticated by an authorized signatory of the Bond Trustee, upon the written authentication order of Dartmouth-Hitchcock Health, without which authentication no Bond shall be entitled to the benefits hereof.

Exchange of Bonds *(Section 2.06)*

Except for book-entry Bonds held by DTC in accordance with the terms and provisions of Section 2.13 hereof, Bonds, upon presentation and surrender thereof to the Bond Trustee together with written instructions satisfactory to the Bond Trustee, duly executed by the registered Holder or his or her attorney duly authorized in writing, may be exchanged for an equal aggregate face amount of fully registered Bonds with the same interest rate and maturity of any other authorized denominations.

Negotiability and Transfer of Bonds *(Section 2.07)*

(a) Except for book-entry Bonds held by DTC in accordance with the terms and provisions of Section 2.13 hereof, all Bonds issued hereunder shall be negotiable, subject to the provisions for registration and transfer thereof contained herein or in the Bonds.

(b) So long as any Bonds are Outstanding, Dartmouth-Hitchcock Health shall cause to be maintained at the offices of the Bond Trustee books for the registration and transfer of Bonds, and shall provide for the registration and transfer of any Bond under such reasonable regulations as Dartmouth-Hitchcock Health or the Bond Trustee may prescribe. The Bond Trustee shall act as bond registrar for purposes of exchanging and registering Bonds in accordance with the provisions hereof.

(c) Each Bond shall be transferable only upon the registration books maintained by the Bond Trustee, by the Holder thereof in person or by his or her attorney duly authorized in writing, upon presentation and surrender of such Bond together with a written instrument of transfer satisfactory to the Bond Trustee duly executed by the registered Holder or his or her duly authorized attorney. Upon surrender for transfer of any such Bond, Dartmouth-Hitchcock Health shall cause to be executed and the Bond Trustee shall authenticate and deliver, in the name of the transferee, one or more new Bonds of the same aggregate face amount, maturity, series and rate of interest as the surrendered Bond, as fully registered Bonds only.

Persons Deemed Owners *(Section 2.08)*

As to any Bond, the Person in whose name such Bond shall be recorded on the Bond register shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of principal or interest on any Bond shall be made only to or upon the written order of the registered Holder thereof. Such payment shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the amount so paid.

Provisions with Respect to Transfers and Exchanges *(Section 2.09)*

(a) All Bonds surrendered in any exchange or transfer of Bonds shall forthwith be cancelled by the Bond Trustee.

(b) In connection with any such exchange or transfer of Bonds the Holder requesting such exchange or transfer shall as a condition precedent to the exercise of the privilege of making such exchange or transfer remit to the Bond Trustee an amount sufficient to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer. The cost of printing and any services rendered or expenses incurred by the Bond Trustee in connection with any transfer and exchange of Bonds shall be paid by Dartmouth-Hitchcock Health.

(c) Neither Dartmouth-Hitchcock Health nor the Bond Trustee shall be obligated to (i) issue, exchange or transfer any Bond during the period of fifteen (15) days preceding any Bond Payment Date, or (ii) transfer or exchange any Bond which has been or is being called for redemption in whole or in part.

Book-Entry Bonds *(Section 2.13)*

(i) Except as provided in subparagraph (iii) of this Section 2.13, or as may be provided in a Supplemental Bond Indenture for Additional Bonds that are not consolidated with the Series 2018B Bonds, the registered owner of all of the Bonds shall be DTC and the Bonds shall be registered in the name of Cede & Co., as nominee for DTC.

Payment of semiannual interest for any Bond registered as of each Record Date in the name of Cede & Co. shall be made by wire or electronic transfer of funds to the account of Cede & Co. on the Bond Payment Date for the Bonds at the address indicated on the regular Record Date or special record date for Cede & Co. in the registry books of Dartmouth-Hitchcock Health kept by the Bond Trustee.

(ii) The Bonds shall be initially issued in the form of separate single fully registered Bond, authenticated by the Bond Trustee. Upon initial issuance, the ownership of such Bonds shall be registered in the registry books of Dartmouth-Hitchcock Health kept by the Bond Trustee in the name of Cede & Co., as nominee of DTC. The Bond Trustee and Dartmouth-Hitchcock Health may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal, premium, if any, or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Holders of the Bonds under this Bond Indenture, registering the transfer of Bonds, obtaining any consent or other action to be taken by Holders of the Bonds and for all other purposes whatsoever, and neither the Bond Trustee nor Dartmouth-Hitchcock Health shall be affected by any notice to the contrary. Neither the Bond Trustee nor Dartmouth-Hitchcock Health shall have any responsibility or obligation to any DTC participant, any Person claiming a beneficial ownership interest in the Bonds under or through DTC or any DTC participant, or any other Person which is not shown on the registration books of the Bond Trustee as being a Holder of a Bond, with respect to the accuracy of any records maintained by DTC or any DTC participant; the payment of DTC or any DTC participant of any amount in respect of the principal, premium, if any, or interest on the Bonds; any notice which is permitted or required to be given to Bondholders under this Bond Indenture; or any consent given or other action taken by DTC as Holder of a Bond. The Bond Trustee shall pay all principal of, premium, if any, and interest on the Bonds only to or "upon the order of" DTC (as that term is used in the Uniform Commercial Code as adopted in the State of New York), and all such payments shall be valid and effective to fully satisfy and discharge Dartmouth-Hitchcock Health's obligations with respect to the principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No Person other than DTC shall receive an authenticated Bond evidencing the obligation of Dartmouth-Hitchcock Health to make payments of principal, premium, if any, and interest pursuant to this Bond Indenture. Upon delivery by DTC to the Bond Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the word "Cede & Co." in this Bond Indenture shall refer to such new nominee of DTC.

(iii) In the event Dartmouth-Hitchcock Health determines that it is in the best interest of the Bondholders that they be able to obtain Bond certificates, Dartmouth-Hitchcock Health may notify DTC and the Bond Trustee, whereupon DTC will notify the DTC participants, of the availability through DTC of Bond certificates. In such event, the Bond Trustee shall issue, transfer and exchange Bond certificates as requested by DTC and any other Bondholders in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to Dartmouth-Hitchcock Health and the Bond Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), Dartmouth-Hitchcock Health and the Bond Trustee shall be obligated to deliver Bond certificates as described herein. In the event Bond certificates are issued, the provisions of this Bond Indenture shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of, premium, if any, and interest on such certificates. Whenever DTC requests Dartmouth-Hitchcock Health and the Bond Trustee to do so, the Bond Trustee and Dartmouth-Hitchcock Health will cooperate with DTC, at the expense of Dartmouth-Hitchcock Health, in taking appropriate action after reasonable notice (a) to make available one or more separate certificates evidencing the Bonds to any DTC participant having Bonds credited to its DTC account or (b) to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

(iv) Notwithstanding any other provision of this Bond Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided in the applicable Representation Letter.

(v) In connection with any notice or other communication to be provided to Holders of Bonds pursuant to the Bond Indenture by Dartmouth-Hitchcock Health or the Bond Trustee with respect to any consent or other action to be taken by Holders of Bonds, Dartmouth-Hitchcock Health or the Bond Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than

fifteen (15) calendar days in advance of such record date to the extent possible. Notice to DTC shall be given only when DTC is the sole Holder of the Bonds.

(vi) The Bond Trustee and Dartmouth-Hitchcock Health may rely on instructions from DTC and its participants as to the names of the Holders of the Bonds and neither Dartmouth-Hitchcock Health nor the Bond Trustee shall be liable for the delay or delivery of such instructions and conclusively may rely on, and shall be protected in relying on, such instructions. The cost of printing Bond certificates and expenses of the Bond Trustee shall be paid for by Dartmouth-Hitchcock Health.

Additional Bonds *(Section 2.15)*

One or more series of Additional Bonds may be authenticated and delivered by the Bond Trustee upon original issuance from time to time pursuant to this Section 2.15 (i) to complete or make additions or improvements to the Projects, (ii) to provide extensions, additions, improvements or repairs to the Projects or other property of any Member of the Obligated Group, (iii) to refund any or all Outstanding Bonds issued under this Bond Indenture, or any other debt of any Member of the Obligated Group, or (iv) for any other corporate purpose of any Member or Members of the Obligated Group. Additional Bonds shall be authorized by a Supplemental Bond Indenture, and the proceeds of any Additional Bonds shall be applied as provided in the Supplemental Bond Indenture authorizing such Additional Bonds and such Supplemental Bond Indenture shall set forth the terms and conditions for such Additional Bonds. The Additional Bonds so authorized shall from time to time and in such amounts as directed by Dartmouth-Hitchcock Health be authenticated by the Bond Trustee and by it delivered to or upon the order of Dartmouth-Hitchcock Health upon receipt of the consideration therefor. The Additional Bonds that, at the election and direction of Dartmouth-Hitchcock Health, are consolidated with the Series 2018B Bonds shall be treated as a single series of Series 2018B Bonds for all purposes of this Bond Indenture. Each Supplemental Bond Indenture authorizing the issuance of Additional Bonds shall specify the following:

(a) The authorized principal amount of Additional Bonds to be issued;

(b) The purpose for which the Additional Bonds are to be issued;

(c) To the extent such Additional Bonds are consolidated, at the election and direction of Dartmouth-Hitchcock Health, with the Series 2018B Bonds, the first interest payment date for the Additional Bonds, which shall be on a Bond Payment Date for the Series 2018B Bonds;

(d) For Additional Bonds which are not consolidated, at the election and direction of Dartmouth-Hitchcock Health, with the Series 2018B Bonds, the Bond Payment Dates (including the first Bond Payment Date), the interest rates, the maturity dates, and any redemption provisions, for the Additional Bonds;

(e) Directions for the applications of the proceeds of the Additional Bonds;

(f) Delivery of an Obligation, or an amendment or replacement to the Series 2018B Obligation, as may be directed by Dartmouth-Hitchcock Health, issued under the Master Indenture to evidence and secure such Additional Bonds, together with the certifications, if any, required under the Master Indenture as a condition precedent to the issuance or amendment or replacement of an Obligation to secure such Additional Bonds; and

(g) Such other provisions as Dartmouth-Hitchcock Health deems advisable.

Limitations on Consolidated Bonds *(Section 2.16)*

Dartmouth-Hitchcock Health covenants and agrees that:

(a) Additional Bonds that are consolidated with the Series 2018B Bonds shall constitute a part of the Series 2018B Bonds;

(b) Additional Bonds that are consolidated with the Series 2018B Bonds shall mature on the same date as the Series 2018B Bonds, shall bear interest at the same rate per annum as the Series 2018B Bonds, and shall be subject to redemption at the same times, in the same manner, and at the same Redemption Price as the Series 2018B Bonds;

(c) Each Additional Bond to be consolidated with the Series 2018B Bonds shall have the same minimum denominations; and

(d) As a condition to the issuance of such Additional Bonds to be consolidated with the Series 2018B Bonds, there shall be delivered to the Bond Trustee a certificate of Dartmouth-Hitchcock Health, certifying that, after consultation with counsel experienced in federal securities laws, the issuance and consolidation of such Additional Bonds will not cause the Outstanding Series 2018B Bonds to be required to be registered under the Securities Act of 1933, as amended, or cause this Bond Indenture to be required to be qualified under the Trust Indenture Act of 1939, as amended.

The limitations and conditions in paragraph (a), (b), (c) and (d) of this Section 2.16 shall not apply to any Additional Bonds issued under this Bond Indenture that will not be consolidated with the Series 2018B Bonds.

Selection of Bonds for Redemption *(Section 3.03)*

In the event of any redemption of less than all Outstanding Bonds of a series, Dartmouth-Hitchcock Health shall designate the series and maturity or maturities of any Bonds to be redeemed, and the Bond Trustee shall select the Bonds of such series within a maturity or any given portions thereof to be redeemed from Bonds of such series Outstanding or such given portion thereof not previously called for redemption, pro-rata.

If the Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Bonds, if less than all of the Bonds of a series and maturity are called for redemption, the particular Bonds or portions thereof to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Bonds are held in book-entry form, the selection for redemption of such Bonds of a series and maturity shall be made in accordance with the operational arrangements of DTC then in effect.

It is Dartmouth-Hitchcock Health's intent that redemption allocations made by DTC for any particular maturity be made on a pro rata pass-through distribution of principal basis as described above. However, Dartmouth-Hitchcock Health can provide no assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of Bonds of any such series and maturity on such basis. If the DTC operational arrangements do not allow for the redemption of the Bonds of a series and maturity on a pro rata pass-through distribution of principal basis as described above, then the Bonds of any such series and maturity will be selected for redemption, in accordance with DTC procedures, by lot.

Partial Redemption of Bonds *(Section 3.05)*

Upon surrender of any Bond redeemed in part only, the Bond Trustee shall provide a replacement Bond in a principal amount equal to the portion of such Bond not redeemed, and deliver it to the Holder thereof. The Bond so surrendered shall be cancelled by the Bond Trustee as provided herein. Dartmouth-Hitchcock Health and the Bond Trustee shall be fully released and discharged from all liability to the extent of payment of the Redemption Price or accrued interest to the date fixed for redemption for such partial redemption.

The Bond Trustee may agree with any Holder of any such Bond that such Holder may, in lieu of surrendering the same for a new Bond, endorse on the reverse of such Bond a notice of such partial redemption, which notice shall set forth, over the signature of such Holder, the redemption date, the principal amount redeemed and the principal amount remaining unpaid; provided, however, for so long as the book-entry only system is being used, partial redemption of a Bond shall be recorded or evidenced as directed by DTC. Such partial redemption shall be valid upon payment of the amount thereof to the registered owner of any such Bond and the Bond Trustee shall be fully released and discharged from all liability to the extent of such payment irrespective of whether such endorsement shall or shall not have been made upon the reverse of such Bond by the owner thereof and irrespective of any error or omission in such endorsement.

Effect of Redemption ***(Section 3.06)***

Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price and accrued interest to the date fixed for redemption being held by the Bond Trustee, the Bonds, or portions thereof, so called for redemption shall, on the redemption date designated in such notice, become due and payable at the Redemption Price specified in such notice together with accrued interest to the redemption date, interest on the Bonds, or portions thereof, so called for redemption shall cease to accrue, said Bonds shall cease to be entitled to any lien, benefit or security under this Bond Indenture, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price thereof and accrued interest thereon to the date fixed for redemption. All Bonds fully redeemed pursuant to the provisions of this Article III shall be cancelled upon surrender thereof and may be disposed of by the Bond Trustee in accordance with its customary practices, which shall, upon written request of Dartmouth-Hitchcock Health, deliver to Dartmouth-Hitchcock Health a certificate evidencing such disposition.

Purchase in Lieu of Redemption ***(Section 3.07)***

Notwithstanding anything to the contrary contained herein, in the event that any Bonds have been called for optional redemption pursuant to Section 3.01 hereof, Dartmouth-Hitchcock Health shall have the right to purchase such Bonds in lieu of a redemption thereof, at a price equal to the applicable Redemption Price of the Bonds so called for redemption plus accrued interest thereon to the date fixed for redemption, on the date such Bonds have been so called for optional redemption, and the payment of the Redemption Price of the Bonds so called for optional redemption shall be deemed in such event to be the payment of the purchase price of such Bonds to be purchased in lieu of such optional redemption and such Bonds may, at the option of Dartmouth-Hitchcock Health, remain Outstanding under this Bond Indenture or be cancelled. To exercise such right to purchase Bonds in lieu of optional redemption, Dartmouth-Hitchcock Health shall give written notice of its intent to purchase Bonds pursuant to this Section to the Bond Trustee not later than 12:00 noon, New York City time, no later than five (5) Business Days preceding the applicable redemption date, which notice shall state whether such Bonds are to remain Outstanding or be cancelled, and Dartmouth-Hitchcock Health shall promptly confirm its purchase thereof in a written notice delivered to the Bond Trustee.

Application of Series 2018B Bond Proceeds ***(Section 5.02)***

The purchase price from the sale of the Series 2018B Bonds shall be paid by the Underwriters to the Bond Trustee, for deposit into the Temporary Bond Proceeds Fund which is hereby established and to be held by the Bond Trustee under this Bond Indenture, as provided herein, against receipt therefor, at or prior to the delivery of the Series 2018B Bonds. Amounts in the Temporary Bond Proceeds Fund shall be transferred by the Bond Trustee as directed by Dartmouth-Hitchcock Health, as determined by Dartmouth-Hitchcock Health, on the date of the delivery of the Series 2018B Bonds for credit to the Bond Proceeds Fund (or one or more accounts thereof designated by Dartmouth-Hitchcock Health) or otherwise, all as directed by Dartmouth-Hitchcock Health in its General Certificate delivered at or prior to the issuance of the Series 2018B Bonds.

Flow of Funds ***(Section 5.03)***

So long as any Bonds are Outstanding, Dartmouth-Hitchcock Health shall make payments (which shall be made by Dartmouth-Hitchcock Health by wire transfer of immediately available funds) to the Bond Trustee (i) with respect to interest on the Bonds on or before the Business Day prior to each Bond Payment Date on which interest is

due on the Bonds, and (ii) with respect to principal of the Bonds on or before the Business Day prior to each Bond Payment Date on which principal is due on the Bonds. Payments received by the Bond Trustee from Dartmouth-Hitchcock Health shall be deposited into the account of the Bond Fund as received and shall be applied in the following manner and order of priority:

(a) Interest Account. The Bond Trustee shall deposit to the Interest Account from payments received from Dartmouth-Hitchcock Health, not later than 11:00 a.m. (New York City time) on each Bond Payment Date on which interest is due on the Bonds (i.e., on each February 1 and August 1, commencing on August 1, 2018), the amount, if any, necessary to cause the amount then being credited to the Interest Account, together with investment earnings on investments then on deposit in the Interest Account, if such earnings will be received before such Bond Payment Date on which interest is due on the Bonds (but only to the extent that such amount or investment earnings have not previously been credited for purposes of such calculation), to be not less than the amount of interest to be paid on Outstanding Bonds on such Bond Payment Date. Moneys in the Interest Account shall be used to pay interest on the Bonds as it becomes due.

(b) Principal Account. The Bond Trustee shall deposit to the Principal Account from payments received from Dartmouth-Hitchcock Health, not later than 11:00 a.m. (New York City time) on each Bond Payment Date on which principal is due on the Bonds at their maturity, the amount, if any, necessary to cause the amount then being credited to the Principal Account, together with the investment earnings on investments then on deposit in the Principal Account, if such earnings will be received before such Bond Payment Date on which principal is due on the Bonds (but only to the extent that such amount or investment earnings have not previously been credited for purposes of such calculation), to be not less than the amount of principal to be paid on Outstanding Bonds on such Bond Payment Date on which Bonds mature. Moneys in the Principal Account shall be used to retire Bonds by payment at their scheduled maturity.

(c) Redemption Account. If Dartmouth-Hitchcock Health makes an optional prepayment of any principal due on the Bonds, the amount so paid or transferred shall be credited to the Redemption Account and applied promptly by the Bond Trustee, first, to cause the amounts credited to the Interest Account or the Principal Account of the Bond Fund, in that order, to be not less than the amounts then required to be credited thereto, and then to retire Bonds by purchase, redemption or both purchase and redemption in accordance with Dartmouth-Hitchcock Health's directions. Any such purchase shall not be at a cost or price (including brokerage fees or commissions or other charges) which exceeds the Redemption Price at which such Bond could be redeemed on the date of purchase or on the next succeeding date upon which such Bond is subject to optional redemption plus accrued interest to the date of purchase. Any such redemption shall be of Bonds then subject to optional redemption at the Redemption Price then applicable for the optional redemption of such Bonds.

Any balance remaining in the Redemption Account after the purchase or redemption of Bonds in accordance with Dartmouth-Hitchcock Health's directions, or in any event on the day following the Bond Payment Date next succeeding the prepayment by Dartmouth-Hitchcock Health, shall be transferred to the Interest Account.

Investment of Moneys Held by the Bond Trustee *(Section 5.04)*

All moneys in any of the Funds and Accounts established pursuant to this Bond Indenture that are held by the Bond Trustee shall be invested by the Bond Trustee solely in such Permitted Investments as are specified in a written direction of Dartmouth-Hitchcock Health filed one Business Day prior to investing; provided, however, that if Dartmouth-Hitchcock Health fails to timely file such a direction with the Bond Trustee, the Bond Trustee shall invest such moneys in the "Standing Alternative Investment". For purposes hereof, the "Standing Alternative Investment" shall mean such Permitted Investment as has been specified by Dartmouth-Hitchcock Health in a standing instruction provided to the Bond Trustee designating a specified Permitted Investment in which the moneys in the Funds and Accounts held hereunder by the Bond Trustee are to be invested in the absence of other specific investment instruction by Dartmouth-Hitchcock Health, as such standing instruction may be changed from time to time by Dartmouth- Hitchcock Health in writing delivered to the Bond Trustee. All moneys in the Bond Proceeds Fund held by Dartmouth-Hitchcock Health, or an affiliate of Dartmouth-Hitchcock Health that is a Member of the Obligated Group, may be invested by Dartmouth-Hitchcock Health, or an affiliate of Dartmouth-Hitchcock Health that is a Member of the Obligated Group, in its sole discretion, and any such investments in the Bond Proceeds Fund need not be Permitted Investments.

Investments in any and all Funds and Accounts established pursuant to this Bond Indenture may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in a particular fund amounts received or held by the Bond Trustee hereunder, provided that the Bond Trustee shall at all times account for such investments strictly in accordance with the particular Funds to which they are credited and otherwise as provided in this Bond Indenture. The Bond Trustee and its affiliates may act as sponsor, principal or agent in the making or disposing of any investment. The Bond Trustee may sell or present for redemption, any securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the Fund or Account to which such securities are credited, and the Bond Trustee shall not be liable or responsible for any loss resulting from such investment. The Bond Trustee will furnish Dartmouth-Hitchcock Health periodic transaction statements which include detail for all investment transactions made by the Bond Trustee hereunder.

Any amounts remaining in the Bond Fund or any other Fund or Account established hereunder after payment in full of the Bonds (or after provision for payment thereof as provided herein), and the fees, charges and expenses of the Bond Trustee, shall belong and be paid to Dartmouth-Hitchcock Health by the Bond Trustee.

Principal and Interest ***(Section 6.01)***

Dartmouth-Hitchcock Health covenants that it will promptly pay or cause to be paid the principal of, Redemption Price, if any, and interest on each Bond issued hereunder at the place, on the dates and in the manner provided herein and in said Bonds according to the terms thereof.

Dartmouth-Hitchcock Health shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement except with the written consent of the Bondholders in accordance with Section 9.02 and, if the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended without the written consent of the Bondholders, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Bond Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of Dartmouth-Hitchcock Health to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Performance of Covenants ***(Section 6.02)***

Dartmouth-Hitchcock Health covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions on its part to be performed as provided herein, in each and every Bond executed, authenticated and delivered hereunder and in all proceedings of Dartmouth-Hitchcock Health pertaining thereto. Dartmouth-Hitchcock Health is duly authorized pursuant to law to issue the Bonds and to enter into this Bond Indenture and to pledge and assign the assets purported to be pledged and assigned, respectively, under this Bond Indenture in the manner and to the extent provided in this Bond Indenture. The Bonds and the provisions of this Bond Indenture are and will be the legal, valid and binding general obligations of Dartmouth-Hitchcock Health enforceable in accordance with their terms, and Dartmouth-Hitchcock Health shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of any such assets and all the rights of the Bondholders under this Bond Indenture against all claims and demands of all Persons whomsoever.

Protection of Lien ***(Section 6.04)***

Dartmouth-Hitchcock Health hereby agrees not to make or create or suffer to be made or created any assignment or lien having priority or preference over the assignment and lien hereof upon the interests granted hereby or any part thereof except as otherwise specifically provided herein.

Securities Law Status *(Section 6.05)*

Dartmouth-Hitchcock Health affirmatively represents and warrants that, as of the date of this Bond Indenture, it is an organization organized and operated: (i) exclusively for healthcare or charitable purposes; (ii) not for pecuniary profit; and (iii) with no part of the net earnings of which inure to the benefit of any Person, private stockholder or individual, all within the meaning, respectively, of the Securities Act of 1933, as amended, and of the Securities Exchange Act of 1934, as amended. Dartmouth-Hitchcock Health covenants that it shall not perform any act nor enter into any agreement which shall change such status as set forth in this Section. Dartmouth-Hitchcock Health represents and covenants that the proceeds of the Bonds shall be used in furtherance of the exempt and charitable purposes of Dartmouth-Hitchcock Health and the other Members of the Obligated Group.

Secondary Market Disclosure *(Section 6.07)*

Dartmouth-Hitchcock Health has entered or will enter into continuing disclosure undertakings (the "Continuing Disclosure Undertakings") in connection with tax-exempt revenue bonds issued for the benefit of Dartmouth-Hitchcock Health and the other Members of the Obligated Group (the "Tax-Exempt Bonds"). Holders and prospective purchasers of the Bonds may obtain copies of the information provided by Dartmouth-Hitchcock Health under those Continuing Disclosure Undertakings on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA") or at Digital Assurance Certification L.L.C. ("DAC"). Each Continuing Disclosure Undertaking terminates when the related Tax-Exempt Bonds are paid or deemed paid in full. Dartmouth-Hitchcock Health hereby covenants that unless otherwise available on EMMA, DAC or any successor thereto or to the functions thereof pursuant to the Continuing Disclosure Undertakings, copies of Dartmouth-Hitchcock Health's and its affiliates' (constituting the Dartmouth-Hitchcock Obligated Group System) unaudited quarterly consolidated financial statements, and consolidated annual audited financial statements, with supplementary information, will either be posted on Dartmouth-Hitchcock Health's website, posted on EMMA or DAC, or filed with the Bond Trustee, provided, however, that the Bond Trustee shall have no responsibility whatsoever to determine if any such posting has occurred. The failure of Dartmouth-Hitchcock Health to comply with the covenants of this Section 6.07 shall not be considered a Bond Indenture Event of Default. As the sole and exclusive remedy for Dartmouth-Hitchcock Health's failure to comply with this Section 6.07, the Bond Trustee may (and, at the request of the holders of at least 51% in aggregate principal amount of the Outstanding Bonds, shall), or any Bondholder or any owner of a beneficial interest in a Bond or Bonds may, take such actions to seek specific performance by court order and to cause Dartmouth-Hitchcock Health to comply with its obligations under this Section 6.07 and no person, including any Holder or any Beneficial Owner of the Bonds, may recover monetary damages.

Bond Indenture Events of Default *(Section 7.01)*

Each of the following is hereby declared a "Bond Indenture Event of Default" hereunder:

(a) If payment by Dartmouth-Hitchcock Health in respect of any installment of interest on any Bond shall not be made in full when the same becomes due and payable;

(b) If payment by Dartmouth-Hitchcock Health in respect of the principal of or Redemption Price, if any, or purchase price, if any, upon any purchase in lieu of redemption, on any Bond shall not be made in full when the same becomes due and payable, whether at maturity or by proceedings for redemption or by declaration of acceleration or otherwise;

(c) Dartmouth-Hitchcock Health shall fail duly to observe or perform any covenant or agreement on its part under this Bond Indenture (other than as described in clauses (a) or (b) above and other than a covenant or agreement set forth in Section 6.07 hereof) 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 Dartmouth-Hitchcock Health by the Bond Trustee, or to Dartmouth-Hitchcock Health and the Bond Trustee by the Holders of at least fifty percent (50%) in aggregate principal amount of Bonds then Outstanding (if the breach of the covenant or agreement is one which cannot be completely remedied within the thirty (30) days after written notice has been given, it shall not be a Bond Indenture Event of Default as long as Dartmouth-Hitchcock Health has taken active steps within the thirty (30) days after written notice has been given to remedy the failure and is diligently pursuing such remedy);

(d) The occurrence and continuance of an Event of Default (as defined in the Master Indenture) under the Master Indenture.

Acceleration; Annulment of Acceleration *(Section 7.02)*

(a) Upon the occurrence and continuance of a Bond Indenture Event of Default, the Bond Trustee may, and upon the written request of the Holders of not less than fifty percent (50%) in aggregate principal amount of the Bonds Outstanding shall, without any further action, declare all Bonds Outstanding to be immediately due and payable, anything in the Bonds or herein to the contrary notwithstanding. The Bond Trustee shall declare such acceleration without regard to receipt of prior indemnification under Section 8.08 hereof. In such event, there shall be due and payable on the Bonds an amount equal to the total principal amount of all such Bonds, plus all interest accrued thereon and which accrues to the date of payment. The Bond Trustee shall give written notice of such acceleration to Dartmouth-Hitchcock Health and the Bondholders stating the accelerated date on which the Bonds shall be due and payable. Except in the case when a redemption is unconditional, and there occurs a Bond Indenture Event of Default because of the failure to pay the Make-Whole Redemption Price when due, the Make-Whole Redemption Price shall not be due and payable as a result of any such acceleration.

(b) If at any time after the principal of the Bonds shall have been so declared to be due and payable as a result of a Bond Indenture Event of Default, 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 this Bond Indenture, moneys shall have accumulated in the appropriate Funds and Accounts created under this Bond Indenture sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, upon all Bonds then Outstanding (except the principal of any Bonds not then due and payable by their terms and the interest accrued on such Bonds since the last Bond Payment Date), and the charges, compensation, expenses, disbursements, advances and liabilities of the Bond Trustee and all other amounts then payable by Dartmouth-Hitchcock Health hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Bond Trustee, and every other Bond Indenture Event of Default actually known to a Responsible Officer of the Bond Trustee in the observance or performance of any covenant, condition, agreement or provision contained in the Bonds or in this Bond Indenture (other than a default in the payment of the principal of such Bonds then due and payable only because of the declaration under this Section) shall have been remedied to the satisfaction of the Bond Trustee, then and in every such case the Bond Trustee shall, by written notice to Dartmouth-Hitchcock Health, rescind and annul such declaration and its consequences, and the Bond Trustee shall promptly give notice of such annulment in the same manner as provided in subsection (a) of this Section for giving notice of acceleration. No such annulment shall extend to or affect any subsequent Bond Indenture Event of Default or impair any right consequent thereon.

Additional Remedies and Enforcement of Remedies *(Section 7.03)*

(a) Upon the occurrence and continuance of any Bond Indenture Event of Default, the Bond Trustee may or upon the written request of the Holders of not less than fifty percent (50%) in an aggregate principal amount of the Bonds Outstanding, together with indemnification of the Bond Trustee to its satisfaction therefor, shall proceed forthwith to protect and enforce its rights and the rights of the Bondholders hereunder and the Bonds by such suits, actions or proceedings as the Bond Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(i) Civil action to recover money or damages due and owing;

(ii) Civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders of Bonds; and

(iii) Enforcement of any other right of the Bondholders conferred by law, under any Obligation, or hereby.

(b) Regardless of the happening of a Bond Indenture Event of Default, the Bond Trustee, if requested in writing by the Holders of not less than fifty percent (50%) in aggregate principal amount of the Bonds then Outstanding, shall upon being indemnified to its satisfaction therefor, institute and maintain such suits and

proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security hereunder by any acts which may be unlawful or in violation hereof, or (ii) to preserve or protect the interests of the Holders, provided that such request is in accordance with law and the provisions hereof and, in the sole judgment of the Bond Trustee, is not unduly prejudicial to the interest of the Holders of Bonds not making such request.

Application of Revenues and Other Moneys After Default *(Section 7.04)*

During the continuance of a Bond Indenture Event of Default all moneys received by the Bond Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the reasonable costs and expenses of the proceedings which result in the collection of such moneys and of the reasonable fees, expenses and advances incurred or made by the Bond Trustee with respect thereto, and the payments of any amounts due under Sections 6.06 and 8.06 of this Bond Indenture be deposited in the Bond Fund, and all amounts held by the Bond Trustee hereunder shall be applied as follows:

(a) Unless the principal of all Outstanding Bonds 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 the Bonds in the order of 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; and
>
> Second: To the payment to the Persons entitled thereto of the unpaid principal amounts or Redemption Price of any Bonds which shall have become due (other than Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions hereof), 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 the Bonds due on any date, then to the payment thereof ratably, according to the principal amounts or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

(b) If the principal amounts of all Outstanding Bonds shall have become or have been declared due and payable, to the payment of the principal amounts and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal amounts and interest, to the Persons entitled thereto without any discrimination or preference.

(c) If the principal amounts of all Outstanding Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article, then, subject to the provisions of paragraph (b) of this Section in the event that the principal amounts of all Outstanding Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied by the Bond 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 Bond 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 Bond Trustee shall apply such moneys, it shall fix the date (which shall be a Bond Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the principal amounts to be paid on such dates shall cease to accrue. The Bond 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 Bond until such Bond shall be presented to the Bond Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Bonds and interest thereon have been paid under the provisions of this Section, and all reasonable fees, expenses and charges of the Bond 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 Dartmouth-Hitchcock Health or as a court of competent jurisdiction may direct.

Remedies Not Exclusive *(Section 7.05)*

No remedy by the terms hereof conferred upon or reserved to the Bond Trustee or the Bondholders 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 on or after the date hereof.

Remedies Vested in the Bond Trustee *(Section 7.06)*

All rights of action (including the right to file proof of claims) hereunder or under any of the Bonds may be enforced by the Bond Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Bond Trustee may be brought in its name as the Bond Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds. Subject to the provisions of Section 7.04 hereof, any recovery or judgment shall be for the equal benefit of the Holders of the Outstanding Bonds.

Bondholders' Control of Proceedings *(Section 7.07)*

If a Bond Indenture Event of Default shall have occurred and be continuing, notwithstanding anything herein to the contrary, the Holders of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by any instrument in writing executed and delivered to the Bond 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, provided that such direction is in accordance with law and the provisions hereof (including indemnity to the Bond Trustee as provided herein) and, in the sole judgment of the Bond Trustee, is not unduly prejudicial to the interest of Bondholders not joining in such direction and provided further that nothing in this Section shall impair the right of the Bond Trustee in its discretion to take any other action hereunder which it may deem proper and which is not inconsistent with such direction by Bondholders.

Individual Bondholder Action Restricted *(Section 7.08)*

(a) No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement hereof or for the execution of any trust hereunder or for any remedy hereunder unless:

(i) a Bond Indenture Event of Default has occurred (A) under subsection (a) or (b) of Section 7.01 hereof of which the Bond Trustee is deemed to have notice, or (B) under subsection (c) or (d) of Section 7.01 hereof as to which a Responsible Officer of the Bond Trustee has actual knowledge or as to which the Bond Trustee has been notified in writing, with such written notice having referenced this Bond Indenture and the Bonds;

(ii) the Holders of at least fifty percent (50%) in aggregate principal amount of Bonds Outstanding shall have made written request to the Bond Trustee to proceed to exercise the powers granted herein or to institute such action, suit or proceeding in its own name;

(iii) such Bondholders shall have offered the Bond Trustee indemnity as provided in Section 8.08 hereof;

(iv) the Bond Trustee shall have failed or refused to exercise the powers herein granted or to institute such action, suit or proceedings in its own name for a period of sixty (60) days after receipt by it of such request and offer of indemnity; and

(v) during such sixty (60) day period no direction inconsistent with such written request has been delivered to the Bond Trustee by the Holders of a majority in aggregate principal amount of Bonds then Outstanding in accordance with Section 7.07 hereof.

(b) No one or more Holders of Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the security hereof or to enforce any right hereunder except in the manner herein provided and for the equal benefit of the Holders of all Bonds Outstanding.

(c) Nothing contained herein shall affect or impair, or be construed to affect or impair, the right of the Holder of any Bond (i) to receive payment of the principal of or interest on such Bond on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Holder of any Bond may institute or prosecute any such suit or enter judgment therein if, and to the extent that, Dartmouth-Hitchcock Health or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien hereof on the moneys, funds and properties pledged hereunder for the equal and ratable benefit of all Holders of Bonds.

Termination of Proceedings *(Section 7.09)*

In case any proceeding taken by the Bond Trustee on account of a Bond Indenture Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bond Trustee or to the Bondholders, then Dartmouth-Hitchcock Health, the Bond Trustee and the Bondholders shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Bond Trustee and the Bondholders shall continue as if no such proceeding had been taken.

Waiver of Bond Indenture Event of Default *(Section 7.10)*

(a) No delay or omission of the Bond Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any Bond Indenture Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Bond Indenture Event of Default or an acquiescence therein. Every power and remedy given by this Article to the Bond Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Bond Trustee may waive any Bond Indenture 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 Bond Trustee, upon the written request of the Holders of at least a majority of the aggregate principal amount of Bonds then Outstanding, shall waive any Bond Indenture Event of Default hereunder and its consequences; provided, however, that, except under the circumstances set forth in subsection (b) of Section 7.02 hereof, a default in the payment of the principal amount of, Redemption Price, if any, or interest on any Bond, 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 Bonds at the time Outstanding.

(d) In case of any waiver by the Bond Trustee of a Bond Indenture Event of Default hereunder, Dartmouth-Hitchcock Health, the Bond Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Bond Indenture Event of Default or impair any right consequent thereon. The Bond Trustee shall not be responsible to any person for waiving or refraining from waiving any Bond Indenture Event of Default in accordance with this Section.

Notice of Default *(Section 7.11)*

(a) Promptly, but in any event within thirty (30) days after (i) the occurrence of a Bond Indenture Event of Default under Section 7.01(a) or (b) hereof, which the Bond Trustee is deemed to have notice, or (ii) receipt, in writing or otherwise, by a Responsible Officer of the Bond Trustee of actual knowledge or written notice

of a Bond Indenture Event of Default under Section 7.01 (c) or (d) hereof, with such written notice having referenced this Bond Indenture and the Bonds, the Bond Trustee shall, unless such Bond Indenture Event of Default shall have theretofore been cured, give written notice thereof by first class mail to each Holder of a Bond then Outstanding, provided that, except in the case of a default in the payment of principal amounts, or the Redemption Price of or interest on any of the Bonds, the Bond Trustee shall be protected in withholding such notice thereof to the Holders if the Bond Trustee, in good faith, determines that the withholding of such notice is in the best interests of the Holders of the Bonds.

(b) The Bond Trustee shall promptly notify Dartmouth-Hitchcock Health of (i) the occurrence of a Bond Indenture Event of Default under Section 7.01(a) or (b) hereof and (ii) when a Responsible Officer of the Bond Trustee has received actual knowledge or written notice, with such written notice having referenced this Bond Indenture and the Bonds, of a Bond Indenture Event of Default under Section 7.01(c) or (d) hereof.

Limitations on Remedies *(Section 7.12)*

It is the purpose and intention of this Article to provide rights and remedies to the Bond Trustee and Bondholders which may be lawfully granted, but should any right or remedy herein granted be held to be unlawful, the Bond Trustee and the Bondholders shall be entitled as above set forth, to every other right and remedy provided in this Bond Indenture and by law.

Rights of Bond Trustee *(Section 8.03)*

(A) The recitals of facts herein and in the Bonds contained shall be taken as statements of Dartmouth-Hitchcock Health, and the Bond Trustee does not assume any responsibility for the correctness of the same or for any statement contained in any offering memorandum or disclosure material prepared in connection with the issuance of the Bonds or make any representations as to the validity or sufficiency of this Bond Indenture or the Bonds, or incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Bond Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Bond Trustee shall not be liable in connection with the performance of its respective duties hereunder, except for its own gross negligence or willful misconduct.

(B) The Bond Trustee shall not be liable for any error of judgment made in good faith unless it shall be proved that such party was grossly negligent in ascertaining the pertinent facts.

(C) The Bond Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Bond Trustee, or exercising any trust or power conferred upon the Bond Trustee under this Bond Indenture. The permissive right of the Bond Trustee to do things enumerated in this Bond Indenture shall not be construed as a duty.

(D) Except as otherwise expressly provided for herein, the Bond Trustee shall not be under any obligation to exercise any of the rights or powers vested in it by this Bond Indenture at the request, order or direction of any of the Bondholders pursuant to the provisions of this Bond Indenture unless such Bondholders shall have offered to the Bond Trustee reasonable (in the sole discretion of the Bond Trustee) security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

(E) The Bond Trustee shall not be deemed to have knowledge of any Bond Indenture Event of Default, other than a Bond Indenture Event of Default described in Section 7.01(a) or (b) hereof, unless and until a Responsible Officer shall have actual knowledge thereof, or shall have received written notice thereof, at its Corporate Trust Office located in Boston, Massachusetts, with such written notice having referenced this Bond Indenture and the Bonds. Except as otherwise expressly provided herein, the Bond Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds or as to the existence of a Bond Indenture Event of Default hereunder.

(F) No provision of this Bond Indenture shall require the Bond Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers. The Bond Trustee has no obligation or liability to the Bondholders for the payment of the principal of or the interest or Redemption Price, if any, on the Bonds.

(G) The Bond Trustee shall not be bound to ascertain or inquire as to the validity or genuineness of any collateral given to or held by it. The Bond Trustee shall not be responsible for the recording or filing of any document relating to this Bond Indenture or of financing statements (or continuation statements in connection therewith) or of any supplemental instruments or documents of further assurance as may be required by law in order to perfect the security interests in any collateral given to or held by it.

(H) The Bond Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

(I) The Bond Trustee agrees to accept and act upon instructions or directions pursuant to this Bond Indenture sent by unsecured e-mail in PDF format, facsimile transmission or other similar unsecured electronic methods; provided, however, that, the Bond Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If Dartmouth-Hitchcock Health elects to give the Bond Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Bond Trustee in its discretion elects to act upon such instructions, the Bond Trustee's understanding of such instructions shall be deemed controlling. The Bond Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bond Trustee's reliance upon and compliance with such instructions notwithstanding if such instructions conflict or are inconsistent with a subsequent written instruction, other than any such loss that is deemed a direct result of the Bond Trustee's gross negligence or willful misconduct. Dartmouth-Hitchcock Health agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Bond Trustee, including without limitation the risk of the Bond Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(J) From the effective date of this Bond Indenture, the Bond Trustee, or any successor in interest, shall not be considered in breach of or in default in its obligations with respect to any obligations created hereunder or progress in respect thereto, in the event of an unavoidable delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God (or his or her registered assigns), or of the public enemy, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the facilities of any Members of the Obligated Group, malicious mischief, condemnation, and unusually severe weather or delays of supplies or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Bond Trustee.

(K) In no event shall the Bond Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Bond Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(L) The rights, privileges, protections, immunities and benefits given to the Bond Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Bond Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder.

(M) The Bond Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties hereunder.

Amendments Not Requiring Consent of Bondholders *(Section 9.01)*

Dartmouth-Hitchcock Health and the Bond Trustee may, without the consent of or notice to any of the Holders, enter into one or more amendments or supplements to this Bond Indenture, which amendments or supplements thereafter shall form a part of this Bond Indenture, 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 which shall not materially adversely affect the interests of the Holders;

(c) To grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;

(d) To qualify this Bond Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect;

(e) To secure additional revenues or provide additional security or reserves for payment of the Bonds;

(f) To replace the Bond Trustee in accordance with Section 8.01 hereof; and

(g) To authorize the issuance of Additional Bonds under this Bond Indenture.

Any amendments or supplements authorized by the provisions of this Section 9.01 may be executed by Dartmouth-Hitchcock Health and the Bond Trustee without the consent of the Holders of any of the Bonds at the time Outstanding, notwithstanding any of the provisions of Section 9.02, but the Bond Trustee shall not be obligated to enter into any such amendments or supplements which affects the Bond Trustee's own rights, duties or immunities under this Bond Indenture or otherwise.

The Bond Trustee shall mail an executed copy of any amendments or supplements to this Bond Indenture authorized by this Section 9.01 to Dartmouth-Hitchcock Health and the rating agencies then rating the Bonds promptly after execution by Dartmouth-Hitchcock Health and the Bond Trustee.

Amendments Requiring Consent of Bondholders *(Section 9.02)*

(a) Other than amendments or supplements to this Bond Indenture referred to in Section 9.01 hereof and subject to the terms and provisions and limitations contained in this Article and not otherwise, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained herein to the contrary notwithstanding, to consent to and approve the execution by Dartmouth-Hitchcock Health and the Bond Trustee of such amendments or supplements as shall be deemed necessary and desirable by Dartmouth-Hitchcock Health 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 any amendments or supplements which would:

(i) extend the stated maturity of or time for paying interest on any Bond or reduce the principal amount of or the Redemption Price or rate of interest payable on any Bond without the consent of the Holder of such Bond;

(ii) prefer or give a priority to any Bond over any other Bond without the consent of the Holder of each Bond then Outstanding not receiving such preference or priority; or

(iii) reduce the aggregate principal amount of Bonds then Outstanding the consent of the Holders of which is required to authorize such amendment or supplement without the consent of the Holders of all Bonds then Outstanding.

(b) If at any time Dartmouth-Hitchcock Health shall request the Bond Trustee to enter into an amendment or supplement pursuant to this Section, the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such amendment or supplement to be mailed by first class mail, postage prepaid, to all Holders of Bonds then Outstanding at their addresses as they appear on the registration books herein provided for. The Bond Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail, or the failure of such Bondholder to receive, the notice required by this Section, and any such failure shall not affect the validity of such amendment or supplement when consented to and approved as provided in this Section. Such notice shall be prepared by Dartmouth-Hitchcock Health and shall briefly set forth the nature of the proposed amendment or supplement and shall state that copies thereof are on file at the office of the Bond Trustee for inspection by all Bondholders.

(c) If within such period, not exceeding five years, as shall be prescribed by Dartmouth-Hitchcock Health, following the first giving of such notice, the Bond Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Bonds specified in subsection 9.02(a) for the amendment or supplement in question which instrument or instruments shall refer to the proposed amendment or supplement described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice as on file with the Bond Trustee, thereupon, but not otherwise, the Bond Trustee may execute such amendment or supplement in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

(d) Any such consent shall be binding upon the Holder of the Bond giving such consent and upon any subsequent Holder of such Bond and of any Bond 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 Bond giving such consent or by a subsequent Holder thereof by filing with the Bond Trustee, prior to the execution by the Bond Trustee of such amendment or supplement, such revocation. At any time after the Holders of the required principal amount or number of Bonds shall have filed their consents to the amendment or supplement, the Bond Trustee shall make and file with Dartmouth-Hitchcock Health a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(e) If the Holders of the required principal amount or number of the Bonds Outstanding shall have consented to and approved the execution of such amendment or supplement as herein provided, no Holder of any Bond 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 Bond Trustee or Dartmouth-Hitchcock Health from executing the same or from taking any action pursuant to the provisions thereof.

Execution and Effect of Amendments or Supplements *(Section 9.03)*

(a) In executing any amendment or supplement to this Bond Indenture permitted by this Article, the Bond Trustee shall receive and conclusively rely upon an Opinion of Counsel stating that the execution of such amendment or supplement is authorized or permitted hereby and is the legal, valid and binding obligation of Dartmouth-Hitchcock Health. The Bond Trustee may but shall not be obligated to enter into any such amendment or supplement which affects the Bond Trustee's own rights, duties or immunities.

(b) Upon the execution and delivery of any amendment or supplement in accordance with this Article, the provisions hereof shall be modified in accordance therewith and such amendment or supplement shall form a part hereof for all purposes and every Holder of a Bond theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

(c) Any Bond authenticated and delivered after the execution and delivery of any amendment or supplement in accordance with this Article may, and if required by Dartmouth-Hitchcock Health or the Bond Trustee shall, bear a notation in form approved by Dartmouth-Hitchcock Health and the Bond Trustee as to any matter provided for in such amendment or supplement. If Dartmouth-Hitchcock Health shall so determine, new Bonds so modified as to conform in the opinion of the Bond Trustee and Dartmouth-Hitchcock Health to any such

amendment or supplement may be prepared and executed by Dartmouth-Hitchcock Health and authenticated and delivered by the Bond Trustee in exchange for and upon surrender of Bonds then Outstanding.

Discharge *(Section 10.01)*

If payment of all principal of, Redemption Price, if any, and interest on the Bonds in accordance with their terms and as provided herein is made, and if all other sums payable by Dartmouth-Hitchcock Health hereunder shall be paid or provided for, then the liens, estates and security interests granted hereby shall cease. Thereupon, upon the request of Dartmouth-Hitchcock Health, and upon receipt by the Bond Trustee of an Opinion of Counsel stating that all conditions precedent to the satisfaction and discharge of the lien hereof have been satisfied, the Bond Trustee shall execute and deliver proper instruments acknowledging such satisfaction and discharging the lien hereof and the Bond Trustee shall transfer all property held by it hereunder, other than moneys or obligations held by the Bond Trustee for payment of amounts due or to become due on the Bonds, to Dartmouth-Hitchcock Health or such other Person as may be entitled thereto as their respective interests may appear, as directed in writing by Dartmouth-Hitchcock Health. Such satisfaction and discharge shall be without prejudice to the rights of the Bond Trustee thereafter to charge and be compensated or reimbursed for services rendered and expenditures incurred in connection herewith.

Dartmouth-Hitchcock Health may at any time surrender to the Bond Trustee for cancellation any Bond previously authenticated and delivered which Dartmouth-Hitchcock Health may have acquired in any manner whatsoever and such Bond upon such surrender and cancellation shall be deemed to be paid and retired.

Providing for Payment of Bonds *(Section 10.02)*

Payment of any or all of the Bonds may be provided for by the deposit with the Bond Trustee of moneys or non-callable Government Obligations, or any combination thereof. The moneys and the maturing principal and interest income on such non-callable Government Obligations, if any, shall be sufficient to pay when due the principal or Redemption Price of and interest on such Bonds. The moneys and non-callable Government Obligations shall be held by the Bond Trustee or an escrow agent irrevocably in trust for the Holders of such Bonds solely for the purpose of paying the principal or Redemption Price of and interest on such Bonds as the same shall mature, come due or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the Bond Trustee as to the dates upon which any such Bonds are to be redeemed prior to their respective maturities.

In connection with any advance refunding or advance defeasance of the Bonds, there shall be delivered to the Bond Trustee a verification report of an accountant as to the adequacy of the escrow so established.

If payment of the Bonds is so provided for, the Bond Trustee shall mail a notice prepared by Dartmouth-Hitchcock Health within thirty (30) days thereafter so stating to each Holder of a Bond.

Bonds the payment of which has been provided for in accordance with this Section shall no longer be deemed Outstanding hereunder or secured hereby, and the Holders thereof shall thereafter be entitled to payment only from the moneys or Government Obligations deposited with the Bond Trustee to provide for the payment of such Bonds.

Payment of Bonds After Discharge *(Section 10.03)*

Notwithstanding the discharge of the lien hereof as in this Article provided, the Bond Trustee shall nevertheless retain such rights, powers and duties hereunder as may be necessary and convenient for the payment of amounts due or to become due on the Bonds and the registration, transfer, exchange and replacement of Bonds as provided herein. Notwithstanding any provision of this Bond Indenture, and subject to applicable escheat laws, any moneys held by the Bond Trustee in trust for the payment of the principal of or Redemption Price, if any, or interest on any Bonds and remaining unclaimed for one year after the principal of all the Outstanding Bonds has become due and payable (whether at maturity or upon call for redemption or by declaration as provided in this Bond Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to Dartmouth-Hitchcock Health free from the trusts created by this Bond Indenture, and all liability of the Bond Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to Dartmouth-Hitchcock Health as aforesaid, the Bond Trustee shall (upon the request of Dartmouth-Hitchcock Health) first mail to the Holders of Bonds which have not yet been paid, at the addresses shown on the registration books maintained by the Bond Trustee, a notice, in such form as may be deemed appropriate by the Bond Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to Dartmouth-Hitchcock Health of the moneys held for the payment thereof. Any money held by the Bond Trustee pursuant to this Section 10.03 shall be held uninvested and without any liability for interest.

Evidence of Acts of Bondholders *(Section 11.01)*

Any request, direction, consent or other instrument provided hereby to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such request, direction or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes hereof and shall be conclusive in favor of the Bond Trustee and Dartmouth-Hitchcock Health, with regard to any action taken by them, or either of them, under such request or other instrument.

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, including, but not limited to, acknowledgement by a notary public, or by the affidavit of a witness of such execution; and

The ownership of all Bonds shall be proved by the register of such Bonds maintained by the Bond Trustee.

Nothing in this Section shall be construed as limiting the Bond Trustee to the proof herein specified, it being intended that the Bond Trustee may accept any other evidence of the matters herein stated which it may deem sufficient. In addition, the assignment of ownership of a Bond shall be accompanied by a signature guaranty to the satisfaction of the Bond Trustee.

Any action taken or suffered by the Bond 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 Bond or Bonds shall be conclusive and binding upon all future Holders of the same Bond or Bonds.

Whenever in this Bond Indenture either Dartmouth-Hitchcock Health or the Bond Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Bond Indenture contained by or on behalf of Dartmouth-Hitchcock Health or the Bond Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Limitation of Rights ***(Section 11.02)***

With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Bond Indenture or the Bonds is intended or shall be construed to give to any Person other than the parties hereto, and the Holders of the Bonds any legal or equitable right, remedy or claim under or in respect to this Bond Indenture or any covenants, conditions and provisions herein contained; this Bond Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto, and the Holders of the Bonds as herein provided.

Holidays ***(Section 11.04)***

When the date on which principal of or interest or Redemption Price on any Bond is due and payable is a day on which banking institutions at a place of payment on the Bonds are authorized by law to remain closed, payment may be made on Bonds presented at such place of payment on the next ensuing day on which banking institutions at such place are not authorized by law to remain closed with the same effect as though payment were made on the due date, and, if such payment is made, no interest shall accrue from and after such due date. When any other action is provided herein to be done on a day named or within a time period named, and the day or the last day of the period falls on a day other than a Business Day, it may be performed on the next ensuing Business Day with the same effect as though performed on the appointed day or within the specified period.

Governing Law; Waiver of Jury Trial ***(Section 11.05)***

This Bond Indenture and the Bonds are contracts made under the laws of the State and shall be governed and construed in accordance with such laws. EACH OF DARTMOUTH-HITCHCOCK HEALTH, THE HOLDERS AND THE BOND TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS BOND INDENTURE, THE BONDS OR THE TRANSACTION CONTEMPLATED HEREBY.

APPENDIX D

FORM OF SECOND AMENDED AND RESTATED MASTER TRUST INDENTURE

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[Form of Second Amended and Restated Master Trust Indenture]

DARTMOUTH HITCHCOCK OBLIGATED GROUP

SECOND AMENDED AND RESTATED
MASTER TRUST INDENTURE
(Security Agreement)

among

DARTMOUTH-HITCHCOCK HEALTH,
as Obligated Group Agent for itself,
MARY HITCHCOCK MEMORIAL HOSPITAL,
DARTMOUTH-HITCHCOCK CLINIC,
THE CHESHIRE MEDICAL CENTER,
THE NEW LONDON HOSPITAL ASSOCIATION, INC.,
and
WINDSOR HOSPITAL CORPORATION

and

U.S. BANK NATIONAL ASSOCIATION,
as Master Trustee

Initially Dated as of July 1, 1993,
and first Amended and Restated as
of August 1, 2009
and Effective on August 1, 2013,
and next Amended and Restated as
of January 1, 2018

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ARTICLE X

MISCELLANEOUS

This is a **SECOND AMENDED AND RESTATED MASTER TRUST INDENTURE,** initially dated as of July 1, 1993, and first amended and restated as of August 1, 2009, and effective on August 1, 2013, and next amended and restated as of January 1, 2018 (the "Master Indenture") among **MARY HITCHCOCK MEMORIAL HOSPITAL**, of Lebanon, New Hampshire, a New Hampshire nonprofit corporation ("Mary Hitchcock"), **DARTMOUTH-HITCHCOCK CLINIC**, of Lebanon, New Hampshire, a New Hampshire nonprofit corporation (the "Clinic"), **THE CHESHIRE MEDICAL CENTER**, of Keene, New Hampshire, a New Hampshire nonprofit corporation ("Cheshire"), **THE NEW LONDON HOSPITAL ASSOCIATION, INC.**, of New London, New Hampshire, a New Hampshire nonprofit corporation ("New London"), **WINDSOR HOSPITAL CORPORATION**, of Windsor, Vermont, a Vermont not-for-profit corporation d/b/a Mt. Ascutney Hospital and Health Center ("Mt. Ascutney"), and **DARTMOUTH-HITCHCOCK HEALTH**, of Lebanon, New Hampshire, a New Hampshire nonprofit corporation (the "Obligated Group Agent"), as Obligated Group Agent on behalf of itself and the other Members of the Obligated Group referred to herein, and any other future Members of the Obligated Group referred to herein, and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association duly established, existing and authorized to accept and execute trusts of the character herein set out under and by virtue of the laws of the United States of America, as master trustee (the "Master Trustee").

RECITALS:

Dartmouth-Hitchcock Health, Mary Hitchcock, the Clinic, Cheshire, New London, and Mt. Ascutney, as the current Members of the Obligated Group, and any other Members of the Obligated Group, are each authorized by law, and each deems it necessary and desirable that it and any other Members of the Obligated Group be able to issue promissory notes, guarantees and other evidences of indebtedness or to evidence or secure other financial obligations (collectively, as defined herein, the "Obligations") of several series in order to secure the financing or refinancing of health care and other facilities and for other lawful and proper corporate purposes of the Members of the Obligated Group and their affiliates.

The current Members of the Obligated Group desire to provide in this Master Indenture for other legal entities in the future to become jointly and severally liable with Dartmouth-Hitchcock Health, Mary Hitchcock, the Clinic, Cheshire, New London, and Mt. Ascutney, and any other Members of the Obligated Group for the payment of the Obligations and the performance of all covenants contained herein. Dartmouth-Hitchcock Health, Mary Hitchcock, the Clinic, Cheshire, New London, and Mt. Ascutney, and each other entity incurring such joint and several liability in accordance with the terms hereof are herein referred to individually as a "Member" and collectively as the "Members" or the "Obligated Group."

This Master Indenture was originally dated as of July 1, 1993, and was first amended and restated as of August 1, 2009 and effective as of August 1, 2013 (the "Original Master Indenture"), and is being further amended and restated in its entirety hereby, as of January 1, 2018, all in accordance with the receipt of in excess of a majority in aggregate principal amount of all Debt Obligations Outstanding pursuant to Section 702 of the Original Master Indenture. As permitted by Section 702 of the Original Master Indenture, the Original Master Indenture may be amended with the consent of the holders of at least 51% of the aggregate principal amount of Outstanding Debt Obligations issued thereunder. The Original

Master Indenture is being amended and restated in its entirety hereby, effective on and as of February 21, 2018, with the consent of the holders of in excess of 90% of the aggregate principal amount of Outstanding Debt Obligations on and as of such date, as further described herein. On and as of February 21, 2018, there shall be Outstanding hereunder (i) $26,735,000 aggregate principal amount of the Dartmouth-Hitchcock Obligated Group, Series 2012 Cheshire Replacement Obligation (Cheshire Series 2012 Bonds) (the "Series 2012 Note") issued to U.S. Bank National Association, as holder thereof and as bond trustee and assignee of the New Hampshire Health and Education Facilities Authority for the benefit of the holders of the New Hampshire Health and Education Facilities Authority Revenue Bonds, Cheshire Medical Center Issue, Series 2012 (the "Series 2012 Bonds"), (ii) $26,960,000 aggregate principal amount of the Dartmouth-Hitchcock Obligated Group Series 2014A Note (the "Series 2014A Note") issued to U.S. Bank National Association, as holder thereof and as bond trustee and assignee of the New Hampshire Health and Education Facilities Authority for the benefit of the holders of the New Hampshire Health and Education Facilities Authority Revenue Bonds, Dartmouth-Hitchcock Obligated Group Issue, Series 2014A (the "Series 2014A Bonds"); (iii) $14,530,000 aggregate principal amount of the Dartmouth-Hitchcock Obligated Group Series 2014B Note (the "Series 2014B Note") issued to U.S. Bank National Association, as holder thereof and as bond trustee and assignee of the New Hampshire Health and Education Facilities Authority for the benefit of the holders of the New Hampshire Health and Education Facilities Authority Revenue Bonds, Dartmouth-Hitchcock Obligated Group Issue, Series 2014B (the "Series 2014B Bonds"); (iv) $10,970,000 aggregate principal amount of the Dartmouth-Hitchcock Obligated Group, Series 2016B Obligation (Dartmouth-Hitchcock Health Series 2016B Bonds) (the "Series 2016B Note") issued to U.S. Bank National Association, as holder thereof and as bond trustee and assignee of the New Hampshire Health and Education Facilities Authority for the benefit of the holders of the New Hampshire Health and Education Facilities Authority Revenue Bonds, Dartmouth Hitchcock Obligated Group Issue, Series 2016B (the "Series 2016B Bonds"); (v) $122,435,000 aggregate principal amount of the Dartmouth-Hitchcock Obligated Group, Series 2017A Obligation (Dartmouth-Hitchcock Health Series 2017A Bonds) (the "Series 2017A Note") issued to U.S. Bank National Association, as holder thereof and as bond trustee and assignee of the New Hampshire Health and Education Facilities Authority for the benefit of the holders of the New Hampshire Health and Education Facilities Authority Revenue Bonds, Dartmouth Hitchcock Obligated Group Issue, Series 2017A (the "Series 2017A Bonds"); (vi) $109,800,000 aggregate principal amount of the Dartmouth-Hitchcock Obligated Group, Series 2017B Obligation (Dartmouth-Hitchcock Health Series 2017B Bonds) (the "Series 2017B Note") issued to U.S. Bank National Association, as holder thereof and as bond trustee and assignee of the New Hampshire Health and Education Facilities Authority for the benefit of the holders of the New Hampshire Health and Education Facilities Authority Revenue Bonds, Dartmouth Hitchcock Obligated Group Issue, Series 2017B (the "Series 2017B Bonds"); (vii) $83,355,000 aggregate principal amount of the Dartmouth-Hitchcock Obligated Group, Series 2018A Obligation (Dartmouth-Hitchcock Series 2018A Bonds) (the "Series 2018A Note") issued to U.S. Bank National Association, as holder of thereof and as bond trustee and assignee of the New Hampshire Health and Education Facilities Authority for the benefit of the holders of the New Hampshire Health and Education Facilities Authority Revenue Bonds, Dartmouth-Hitchcock Obligated Group Issue, Series 2018A (the "Series 2018A Bonds); and (viii) $303,102,000 aggregate principal amount of the Dartmouth-Hitchcock Obligated Group, Series 2018B Obligation (Dartmouth-Hitchcock Series 2018B Bonds) (the "Series 2018B Note") issued

to U.S. Bank National Association, as holder thereof and as bond trustee for the benefit of the holders of the Dartmouth-Hitchcock Health Taxable Bonds, Dartmouth Hitchcock Obligated Group Issue, Series 2018B (the "Series 2018B Bonds"). The Holder of the Series 2016B Note (and the holder of the Series 2016B Bonds), the Holder of the Series 2017A Note (and the holder of the Series 2017A Bonds), the holder of the Series 2017B Note (and the holder of the Series 2017B Bonds), the holder of the Series 2018A Note (and the holders of the Series 2018A Bonds), and the holder of the Series 2018B Note (and the holders of the Series 2018B Bonds) have consented to the amendment and restatement of the Original Master Indenture by this amended and restated Master Indenture. On February 21, 2018, the Series 2016B Note, the Series 2017A Note, the Series 2017B Note, the Series 2018A Note and the Series 2018B Note will constitute in excess of 90% of the aggregate principal amount of Outstanding Debt Obligations under the Original Master Indenture, which amount is in excess of a majority in aggregate principal amount of all Outstanding Debt Obligations. The holder of the Series 2016B Bonds has already consented to, and by virtue of their purchase of the Series 2017A Bonds, the Series 2017B Bonds, the Series 2018A Bonds, and the Series 2018B Bonds, the holders of the Series 2017A Bonds, the Series 2017B Bonds, the Series 2018A Bonds, and the Series 2018B Bonds have consented to, and are deemed to have consented to, the amendment and restatement of the Original Master Indenture by this amended and restated Master Indenture and have waived, and are deemed to have waived, any requirements set forth in the Original Master Indenture for formal notice or written consent to the amendment and restatement of the Original Master Indenture.

All acts and things necessary to constitute these presents a valid indenture and agreement according to its terms, have been done and performed, and the execution of this Master Indenture has in all respects been duly authorized, and Dartmouth-Hitchcock Health, Mary Hitchcock, the Clinic, Cheshire, New London, and Mt. Ascutney, and any other Members of the Obligated Group, in the exercise of the legal right and power vested in them, execute this Master Indenture and Dartmouth-Hitchcock Health, Mary Hitchcock, the Clinic, Cheshire, New London, and Mt. Ascutney, any other Members of the Obligated Group or any future Member may make, execute, issue and deliver one or more Obligations of various series.

In order to declare the terms and conditions upon which Obligations of each series are authenticated, issued and delivered, and in consideration of the premises, of the purchase and acceptance of Obligations of each series by the holders thereof and of the sum of One Dollar to it duly paid by the Master Trustee at the execution of these presents, the receipt whereof is hereby acknowledged, Dartmouth-Hitchcock Health, Mary Hitchcock, the Clinic, Cheshire, New London, and Mt. Ascutney, any other Members of the Obligated Group, and each future Member covenant and agree with the Master Trustee, for the equal and proportionate benefit of the respective holders from time to time of Obligations of each series, as follows:

ARTICLE I

DEFINITIONS

Section 101. Definitions. In addition to the words and terms elsewhere defined in this Master Indenture, the following words and terms as used in this Master Indenture shall have the following meanings unless the context or use indicates another or different meaning or intent:

"Accounts" has the meaning set forth in the Uniform Commercial Code as adopted in the State of New Hampshire.

"Affiliate" means a corporation, limited liability company, partnership, joint venture, association, business trust or similar entity (a) which is controlled directly or indirectly by a Member; or (b) a majority of the members of the Directing Body of which are members of the Directing Body of a Member. For the purposes of this definition, control means with respect to: (a) a corporation having stock, the ownership, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors of such corporation; (b) a not for profit corporation not having stock, having the power to elect or appoint, directly or indirectly, a majority of the members of the Directing Body of such corporation; or (c) any other entity, the power to direct the management of such entity through the ownership of at least a majority of its voting securities or the right to designate or elect at least a majority of the members of its Directing Body, by contract or otherwise. For the purposes of this definition, *"Directing Body"* means with respect to: (a) a corporation having stock, such corporation's board of directors and the owners, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporation's directors (both of which groups shall be considered a Directing Body); (b) a not for profit corporation not having stock, such corporation's members if the members have complete discretion or reserved approval rights to elect the corporation's directors or governing board or body, or the corporation's directors if the corporation's members do not have such discretion or if the corporation is a non-member corporation; and (c) any other entity, its governing board or body. For the purposes of this definition, all references to directors and members shall be deemed to include all entities performing the function of directors or members however denominated.

"Ancillary Obligation" means an Obligation, expressly identified as an Ancillary Obligation in such Obligation, in a Supplemental Master Indenture or in an Officer's Certificate delivered to the Master Trustee, as being entered into in order to evidence or secure financial obligations of a Member in an agreement that is ancillary to any direct Indebtedness (other than an Obligation expressly identified as a Debt Obligation), such as a reimbursement agreement, liquidity agreement, standby bond purchase agreement, bond insurance or credit enhancement agreement, continuing covenants agreement, bondholder agreement, rate maintenance agreement or similar agreement, unless and until and to the extent any such agreement constitutes a direct

obligation of a Member to repay money borrowed, credit extended or the equivalent thereof, at which time such Obligation shall be deemed a Debt Obligation.

"Balloon Indebtedness" means (1) Indebtedness, fifteen percent (15%) or more of the initial principal amount of which Indebtedness matures (or is payable at the option of the holder) in any twelve month period, if such fifteen percent (15%) or more is not to be amortized to below fifteen percent (15%) by mandatory redemption prior to such twelve month period, or (2) any portion of an issue of Indebtedness which, if treated as a separate issue of Indebtedness, would meet the test set forth in clause (1) of this definition and which Indebtedness is designated as Balloon Indebtedness in an Officer's Certificate stating that such portion shall be deemed to constitute a separate issue of Balloon Indebtedness, or (3) at the option of the Obligated Group Agent, as designated in an Officer's Certificate, any Indebtedness if, as of the date of issuance of such Indebtedness, the interest payable thereon is included in gross income for federal income tax purposes.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of a Person to have been duly adopted by the Governing Body of such Person and to be in full force and effect on the date of such certification, and delivered to the Master Trustee.

"Bondholder", "holder of the Bonds" or ***"owner of the Bonds"*** means the registered owner of any Related Bond.

"Bond Index" means, at the option of the Obligated Group Agent as directed by an Officer's Certificate, either (i) the average rate on the Indebtedness in question during any twelve-month period ending within thirty (30) days prior to the date of calculation (or such lesser time period as such Indebtedness has been Outstanding), (ii) the average rate of a comparable variable rate interest index during any twelve-month period ending within thirty (30) days prior to the date of calculation (or such lesser time period as such comparable index has been determined), (iii) the 30-year MMD Index published most recently by The Bond Buyer, or a comparable index if such MMD Index is not so published, (iv) the SIFMA Index (or any comparable successor index if the SIFMA Index is no longer published), or (v) such other interest rate or interest index as may be certified in writing to the Master Trustee as appropriate to the situation by the Obligated Group Agent.

"Book Value," means, when used with respect to Property, the value of such Property, net of accumulated depreciation and amortization, as reflected in the most recent consolidated audited financial statements of the Obligated Group, which have been prepared in accordance with generally accepted accounting principles, provided that such aggregate value shall be calculated in such a manner so that no portion of the value of any Property of any Member of the Obligated Group, as the case may be, is included more than once.

"Business Day" means a day which is not (a) a Saturday, Sunday or legal holiday on which banking institutions in the State of New Hampshire, the Commonwealth of Massachusetts or the State of New York or the state in which the designated corporate trust office of the Master Trustee is located are authorized or required by law or executive order to close or (b) a day on which the New York Stock Exchange is closed.

"Capitalized Interest" means amounts irrevocably deposited in escrow to pay interest on Long-Term Indebtedness or Related Bonds and interest earned on amounts irrevocably deposited in escrow to the extent such interest earned is required to be applied to pay interest on Long-Term Indebtedness or Related Bonds.

"Capitalized Lease" means any lease of real or personal property which, in accordance with generally accepted accounting principles, is required to be capitalized on the balance sheet of the lessee; provided, however, that no lease between a Member of the Obligated Group and either another Member of the Obligated Group or an Affiliate shall be considered a Capitalized Lease.

"Capitalized Rentals" means, as of the date of determination, the amount at which the aggregate Net Rentals due and to become due under a Capitalized Lease under which a Person is a lessee would be reflected as a liability on a balance sheet of such Person.

"Chattel Paper" has the meaning set forth in the Uniform Commercial Code as adopted in the State of New Hampshire.

"Cheshire" means The Cheshire Medical Center, a New Hampshire nonprofit corporation, and its successors and assigns, and any surviving, resulting or transferee corporation.

"Clinic" means Dartmouth-Hitchcock Clinic, a New Hampshire nonprofit corporation, and its successors and assigns, and any surviving, resulting or transferee corporation.

"Code" means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code herein shall be deemed to include the United States Treasury Regulations, including temporary and proposed regulations, relating to such section which are applicable to the Related Bonds or the use of the proceeds thereof.

"Commodities Accounts" means all Commodities Accounts, as that term is defined in the Uniform Commercial Code as adopted in the State of New Hampshire, of the Members of the Obligated Group.

"Completion Indebtedness" means any Indebtedness incurred for the purpose of financing the completion of constructing or equipping Facilities for the construction or equipping of which some Indebtedness has theretofore been incurred in accordance with the provisions of the Master Indenture, to the extent necessary to provide a completed and equipped facility of the type and scope contemplated at the time, and in accordance with the general plans and specifications for such facility as originally prepared with only such changes as have been made in conformity with the documents pursuant to which such Indebtedness was originally incurred, including funding debt service reserve funds related thereto.

"Consultant" means a professional consulting, financial advisory, accounting, investment banking or commercial banking firm selected by the Obligated Group Agent and not unacceptable to the Master Trustee, having the skill and experience necessary to render the particular report required and having a favorable and nationally recognized reputation for such skill and experience, which firm does not control any Member of the Obligated Group or any

Affiliate thereof and is not controlled by or under common control with any Member of the Obligated Group or any Affiliate thereof.

"Contract Rights" has the meaning set forth in the Uniform Commercial Code as adopted in the State of New Hampshire.

"Counsel" means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include legal counsel for any Member or for the Master Trustee.

"Current Assets" means cash and cash equivalent deposits, marketable securities, accounts receivable, accrued interest receivable and any other assets of a Person ordinarily considered current assets under generally accepted accounting principles.

"Current Value" means the estimated fair market value of Property, which fair market value shall be evidenced by an Officer's Certificate delivered to the Master Trustee.

"Dartmouth-Hitchcock Health" means Dartmouth-Hitchcock Health, a New Hampshire nonprofit corporation, and its successors and assigns, and any surviving, resulting or transferee corporation.

"Debt Obligation" means an Obligation issued to secure or evidence any Indebtedness, including but not limited to a Guaranty (other than an Obligation expressly identified as an Ancillary Obligation or a Hedging Obligation) authorized to be issued by a Member pursuant to this Master Indenture that has been authenticated by the Master Trustee pursuant to Section 204 hereof.

"Debt Service Requirements" means, with respect to the period of time for which calculated, the aggregate of the payments required to be made during such period in respect of principal (whether at maturity, as a result of mandatory sinking fund redemption, mandatory prepayment or otherwise) and interest on outstanding Long-Term Indebtedness of each Person or a group of Persons with respect to which calculated; provided that: (a) interest shall be excluded from the determination of the Debt Service Requirements to the extent that Capitalized Interest is available to pay such interest; (b) principal of Indebtedness shall be excluded from the determination of Debt Service Requirements to the extent that amounts are on deposit in an irrevocable escrow and such amounts (including, where appropriate, the earnings or other increment to accrue thereon) are required to be applied to pay such principal and such amounts so required to be applied are sufficient to pay such principal; (c) in the case of any Guaranty, the principal of (and premium, if any) and interest and other debt service charges on the debt that is guaranteed for the period of time for which Debt Service Requirements are calculated shall only be included in the calculation of Debt Service Requirements to the extent required by Section 410(b)(9) hereof with respect to any Permitted Guaranty, and otherwise shall not be included in such calculation unless the Person that gave such Guaranty was actually required to make, or transfer funds to enable the Primary Obligor to make, any payment with respect to such debt during such period, in which case the total amount paid by such Person with respect to such Guaranty in such period shall be included in the calculation of the Debt Service Requirements of such Person for such period; (d) to the extent that interest on any Indebtedness is the subject of or

related to any Hedging Obligation, the Obligated Group at its option may determine from time to time whether or not to treat such interest payments due on Indebtedness as being equal to the net amounts paid and received by the Obligated Group pursuant to such Hedging Obligation; (e) to the extent that interest on any Indebtedness is the subject of or related to any rate maintenance agreement or other similar agreement, the Obligated Group at its option may determine from time to time whether or not to treat such interest payments due on Indebtedness as being equal to the net amount paid and received by the Obligated Group pursuant to such rate maintenance agreement or other similar agreement; (f) in any case where Long-Term Indebtedness has been incurred to acquire, improve, renovate, equip or construct capital improvements, the Debt Service Requirements with respect to such Long-Term Indebtedness shall not be taken into account in the calculation of the Debt Service Requirements until the first full Fiscal Year commencing after the occupation or utilization of such capital improvements or when such capital improvements could reasonably be occupied or utilized; (g) with respect to any credit facility or liquidity facility securing or enhancing any Indebtedness, any principal and interest relating to, or due or payable under, any such facility shall not be included in the calculation of the Debt Service Requirements so long as such facility has not been drawn upon or, if drawn upon, the provider of such facility has been fully reimbursed for such drawing; and (h) to the extent that any Indebtedness constitutes Balloon Indebtedness, Variable Rate Indebtedness or Discount Indebtedness, the principal of (and premium, if any) and interest and other debt service charges on such Indebtedness shall be calculated in accordance with Sections 415, 416 and 417 of this Master Indenture, respectively.

"Discount Indebtedness" means Indebtedness sold to the original purchaser thereof (other than any underwriter or other similar intermediary) at a discount from the par amount of such Indebtedness.

"Documents" means all documents, as that term is defined in the Uniform Commercial Code as adopted in the State of New Hampshire, of the Members of the Obligated Group, including, but not limited to, documents of title (as that term is defined in the Uniform Commercial Code as adopted in the State of New Hampshire) and any and all receipts of the kind described in Article 7 of the Uniform Commercial Code as adopted in the State of New Hampshire.

"Escrow Securities" means, (i) with respect to any Obligation which secures a series of Related Bonds, the securities permitted to be used to refund or advance refund such series of Related Bonds under the Related Bond Indenture, or (ii) with respect to any other Obligation, those securities identified as such in the Supplemental Master Indenture pursuant to which such Obligations were issued.

"Expenses" means, for any period, the aggregate of all expenses calculated under generally accepted accounting principles, including without limitation any taxes, incurred by the Person or group of Persons involved during such period, minus or before (or adding back) interest on Long-Term Indebtedness, depreciation, amortization, and payments on Obligations to the extent such payments are treated as an expense; provided that no calculation of Expenses shall take into account: (a) any unrealized loss resulting from the disposition of, or changes in the value of, investment securities, including, but not limited to, any unrealized other-than-temporary impairment loss that is recognized in accordance with generally accepted accounting

principles, (b) extraordinary or nonrecurring expenses or losses (including without limitation any losses on the sale or other disposition of assets or facilities not in the ordinary course of business), (c) any losses on the extinguishment of Indebtedness (including any termination payments made on Hedging Obligations or other hedges or derivatives related to or integrated with the Indebtedness being extinguished), (d) any expenses resulting from a forgiveness of, or the establishment of reserves against, Indebtedness of an Affiliate which does not constitute an extraordinary expense, (e) any losses resulting from discontinued operations or any reappraisal, revaluation or write-down of any asset, facility or good-will, and any loss or expense resulting from adjustments to prior periods, (f) any unrealized losses on or related to, including marking to market, any Hedging Obligations or other hedges or derivatives, (g) any accounting reserves or losses or expenses or other items that would be considered by the Obligated Group Agent to be non-cash items of the Person or group of Persons involved, and (h) if such calculation is being made with respect to the Obligated Group, any losses or expenses attributable to transactions between any Member of the Obligated Group and any other Member of the Obligated Group.

"Event of Default" means any one or more of those events set forth in Section 501 of this Master Indenture.

"Facilities" means all land, leasehold interests and buildings and all fixtures and equipment (as defined in the Uniform Commercial Code or equivalent statute in effect in the state where such fixtures or equipment are located) of a Person.

"Fiscal Year" means any twelve-month period beginning on July 1 of any calendar year and ending on June 30 of the following calendar year or such other consecutive twelve-month period selected by the Obligated Group Agent as the fiscal year for the Obligated Group or the System and designated from time to time in writing by the Obligated Group Agent to the Master Trustee; for purposes of making historical calculations or determinations set forth in this Master Indenture on a Fiscal Year basis, or for purposes of combinations or consolidation of accounting information, with respect to those entities whose actual fiscal year is different from that designated above, the actual fiscal year of such entities which ended within the Fiscal Year of the Obligated Group or the System shall be used; provided, however, that for purposes of making any calculations or determinations as set forth in this Master Indenture, the Obligated Group Agent may designate in writing to the Master Trustee as the "Fiscal Year" any twelve-month period.

"Future Test Period" means, as selected by the Obligated Group Agent, either of the two full Fiscal Years immediately following the computation then being made, or, if such computation is then being made in connection with the provision of funds for capital improvements or expenditures, following completion of the capital improvements or expenditures then being financed.

"General Intangibles" has the meaning set forth in the Uniform Commercial Code as adopted in the State of New Hampshire.

"Governing Body" means the board of directors, board of trustees or similar group in which the right to exercise the powers of corporate directors or trustees is vested or an executive

committee of such board or any duly authorized committee of that board to which the relevant powers of that board have been lawfully delegated.

"Gross Revenues" means all revenues, rents, profits, receipts, benefits, royalties, and income of any Member arising from services provided by Members or arising in any manner with respect to, incident to or on account of the Members' operations, including, without limitation, (i) the Members' rights under agreements with insurance companies, Medicare, Medicaid, governmental units and prepaid health organizations, including health care insurance receivables and rights to Medicare and Medicaid loss recapture under applicable regulations to the extent not prohibited by applicable law, rules or regulations; (ii) gifts, grants, bequests, donations, contributions and pledges to any Member; (iii) insurance proceeds or any award, or payment in lieu of an award, resulting from condemnation proceedings; and (iv) all proceeds from the sale or other transfer of any goods, inventory and other tangible and intangible property, and all rights to receive the foregoing, whether now owned or hereafter acquired by any Member and regardless of whether generated in the form of Accounts, accounts receivable, Contract Rights, Chattel Paper, Documents, General Intangibles, Instruments, Investment Property, and proceeds of insurance, and (v) all proceeds of the foregoing; excluding, however, gifts, grants, bequests, donations, contributions and pledges to any Member heretofore or hereafter made, and the income and gains derived therefrom, which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with its use for payments required under this Master Indenture or on any Obligations or Indebtedness. Gross Revenues shall not include cash, cash equivalents, investment securities or endowment funds from time to time on hand with a Member, or the proceeds thereof, except to the extent derived from Gross Revenues received after the occurrence of an Event of Default under Section 501 hereof that gives rise to the requirement that Gross Revenues be deposited into the Gross Revenues Account under Section 208 of this Master Indenture.

"Gross Revenues Account" means the account of that name established pursuant to Section 208 of this Master Indenture.

"Guaranty" means all obligations of a Person guaranteeing, or in effect guaranteeing, any Indebtedness or other obligation of any Primary Obligor in any manner, whether directly or indirectly including but not limited to obligations incurred through an agreement, contingent or otherwise, by such Person: (l) to purchase such Indebtedness or obligation or any Property constituting security therefor; (2) to advance or supply funds to the Primary Obligor: (i) for the purchase or payment of such Indebtedness or obligation, or (ii) to maintain working capital or other balance sheet condition for a Primary Obligor; (3) to purchase securities or other Property or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of the Primary Obligor to make payment of the Indebtedness or obligation; or (4) otherwise to assure the owner of such Indebtedness or obligation against loss in respect thereof. For purposes of this definition, a guaranty by one or more Members of the Obligated Group of Indebtedness of one or more other Members of the Obligated Group shall not be considered a Guaranty.

"Hedging Obligation" means an Obligation, expressly identified as a Hedging Obligation in such Obligation, in a Supplemental Master Indenture or in an Officer's Certificate delivered to the Master Trustee as being entered into in order to hedge the interest payable on all

or a portion of any Indebtedness, which agreement may include, without limitation, an interest rate swap, a basis swap, a yield curve swap, a currency swap, a forward or futures contract or an option (*e.g.*, a call, put, cap, floor or collar) and which arrangement does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof.

"Historic Test Period" means, at the option of the Obligated Group Agent, either (i) any twelve (12) consecutive calendar months out of the most recent period of eighteen (18) full calendar months, or (ii) the most recent period of twelve (12) full consecutive calendar months for which audited financial statements of the Obligated Group are available, or (iii) the most recent Fiscal Year of the Obligated Group.

"Income Available for Debt Service" means, for any period, the excess of Revenues over Expenses of the Person or group of Persons involved; provided, that the term "Income Available for Debt Service" shall also include all Income Available for Debt Service of any Person that has outstanding Indebtedness (such terms being applicable as if such Person were a Member of the Obligated Group) that is guaranteed by the Obligated Group or any Member of the Obligated Group pursuant to any Permitted Guaranty, but only to the extent, by percentage of such Person's Income Available for Debt Service, that such Permitted Guaranty is counted toward Debt Service Requirements pursuant to Section 410(b)(9) hereof (i.e., either twenty percent (20%) or one hundred percent (100%) of such Person's Income Available for Debt Service).

"Indebtedness" means, for any Person, (a) indebtedness incurred or assumed by such Person for borrowed money or for the acquisition, construction or improvement of Property other than goods that are acquired in the ordinary course of business of such Person; (b) Capitalized Rentals or Capitalized Lease obligations of such Person; and (c) all Guaranties by such Person (weighted, with respect to Permitted Guarantees, as provided in Section 410(b)(9) hereof), and shall include Non-Recourse Indebtedness; provided that Indebtedness shall not include Indebtedness of one Member to another Member or Affiliate, any Guaranty by any Member of Indebtedness of any other Member or Affiliate, the joint and several liability of any Member on Indebtedness issued by another Member, any Hedging Obligation, any Ancillary Obligation, any trade payables, current salaries, current pension contributions, insurance premiums and similar obligations incurred, obligations under operating leases, or any obligation to repay moneys deposited by patients or others with a Member or an Affiliate as security for or as prepayment of the cost of patient care or any rights of residents of life care, elderly housing or similar facilities to endowment or similar funds deposited by or on behalf of such residents.

"Instruments" has the meaning set forth in the Uniform Commercial Code as adopted in the State of New Hampshire.

"Investment Property" means with respect to each Member of the Obligated Group (i) all securities, or securities certificates or uncertificated securities representing the securities, (ii) security entitlements, (iii) Securities Accounts, (iv) commodity contracts, or (v) Commodities Accounts.

"Lien" means any mortgage, lease or pledge of, security interest in, Lien on, hypothecation of, or any other encumbrance, priority or preference on any Property of a Member that secures any Indebtedness, any Obligation or any other obligation of a Member.

"Long-Term Debt Service Coverage Ratio" means, for any period of time, the ratio determined by dividing (i) Income Available for Debt Service of the Obligated Group for that period by (ii) the Debt Service Requirements on Long-Term Indebtedness of the Obligated Group; provided that when such calculation is being made with respect to the Obligated Group, Income Available for Debt Service and Debt Service Requirements shall be determined only with respect to those Persons who are Members of the Obligated Group at the close of such period. Notwithstanding anything in this Master Indenture to the contrary requiring a Consultant's opinion, report or certificate, projections of the Long-Term Debt Service Coverage Ratio may be made by an Officer's Certificate if the Long-Term Debt Service Coverage Ratio for the Future Test Period, as shown by an Officer's Certificate, is projected to exceed 1.50.

"Long-Term Indebtedness" means, with respect to any Person, (a) all Indebtedness of such Person for money borrowed or credit extended which is not Short-Term; (b) all Indebtedness of such Person incurred or assumed in connection with the acquisition or construction of Property which is not Short-Term; (c) the Person's Guaranties of Indebtedness which are not Short-Term; and (d) Capitalized Rentals under Capitalized Leases entered into by the Person; provided, however, that Indebtedness that could be described by more than one of the foregoing categories shall not in any case be considered more than once for the purpose of any calculation made pursuant to this Master Indenture.

"Mary Hitchcock" means Mary Hitchcock Memorial Hospital, a New Hampshire nonprofit corporation, and its successors and assigns, and any surviving, resulting or transferee corporation.

"Master Indenture" means this Second Amended and Restated Master Trust Indenture, initially dated as of July 1, 1993, and first amended and restated as of August 1, 2009, and effective on August 1, 2013, and next amended and restated as of January 1, 2018, among Dartmouth-Hitchcock Health, as Obligated Group Agent, and Dartmouth-Hitchcock Health, Mary Hitchcock, the Clinic, Cheshire, New London, and Mt. Ascutney, as the current Members, any other future Members of the Obligated Group, and the Master Trustee, as it may from time to time be further amended or supplemented in accordance with the terms hereof.

"Master Trustee" means U.S. Bank National Association, or any successor trustee under the Master Indenture.

"Material Obligated Group Member" means any Obligated Group Member whose total revenues as set forth on its financial statements for the most recently completed Fiscal Year for such Member exceed 5% of the combined total revenues of the Obligated Group as set forth on the combined financial statements for the most recently completed Fiscal Year of the Obligated Group.

"Maximum Annual Debt Service" means, at the time of computation, the greatest Debt Service Requirements on Long-Term Indebtedness for the then current or any future Fiscal Year.

"Member" or ***"Member of the Obligated Group"*** means Dartmouth-Hitchcock Health, Mary Hitchcock, the Clinic, Cheshire, New London, and Mt. Ascutney, and any Person who is listed on *Exhibit A* hereto after designation as a Member of the Obligated Group pursuant to the

terms of this Master Indenture. The Obligated Group Agent may from time to time deliver a revised *Exhibit A* to the Master Trustee, indicating additions or deletions of Members of the Obligated Group.

"Mt. Ascutney" means Windsor Hospital Corporation, a Vermont not-for-profit corporation d/b/a Mt. Ascutney Hospital and Health Center, and its successors and assigns, and any surviving, resulting or transferee corporation.

"Net Assets" means (i) for a Person that is a Tax-Exempt Organization, the aggregate net assets of such Person, and (ii) for a Person that is not a Tax-Exempt Organization, the shareholder's equity or member's equity of such person, or the excess of unrestricted assets over liabilities of such Person.

"Net Proceeds" means, when used with respect to any insurance or condemnation award, the gross proceeds from the insurance or condemnation award less all expenses (including attorney's fees and expenses, adjuster's fees and any expenses of the Master Trustee) incurred in the collection of such gross proceeds.

"Net Rentals" means all fixed rents (including as such all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender of the Property other than upon termination of the lease for a default thereunder) payable under a lease or sublease of real or personal Property excluding any amounts required to be paid by the lessee (whether or not designated as rents or additional rents) on account of maintenance, repairs, insurance, taxes and similar charges. Net Rentals for any future period under any so-called "percentage lease" shall be computed on the basis of the amount reasonably estimated to be payable thereunder for such period, but in any event not less than the amount paid or payable thereunder during the immediately preceding period of the same duration as such future period; provided that the amount estimated to be payable under any such percentage lease shall in all cases recognize any change in the applicable percentage called for by the terms of such lease.

"Non-Recourse Indebtedness" means any Indebtedness the liability for which is effectively limited to Property, Plant and Equipment and the income therefrom, the cost of which Property, Plant and Equipment shall have been financed solely with the proceeds of such Indebtedness with no recourse, directly or indirectly, to any other Property of any Member or to the general credit of any Member.

"New London" means The New London Hospital Association, Inc., a New Hampshire nonprofit corporation, and its successors and assigns, and any surviving, resulting or transferee corporation.

"Obligated Group" means Dartmouth-Hitchcock Health, Mary Hitchcock, the Clinic, Cheshire, New London, and Mt. Ascutney, and any other Person which has fulfilled the requirements for entry into the Obligated Group set forth in Section 403 hereof and which has not ceased such status pursuant to Section 404 hereof.

"Obligated Group Agent" means Dartmouth-Hitchcock Health or such other Member (or Person that is not a Member) as may be designated from time to time pursuant to written notice to the Master Trustee, executed by an authorized officer of Dartmouth-Hitchcock Health or, if

Dartmouth-Hitchcock Health is no longer the Obligated Group Agent, of the then-current Obligated Group Agent.

"Obligation holder," "holder of the Obligation" or ***"owner of the Obligation"*** means the registered owner of any fully registered or book entry Obligation unless alternative provision is made in the Supplemental Master Indenture pursuant to which such Obligation is issued for establishing ownership of such Obligation, in which case such alternative provision shall control.

"Obligations" means any Debt Obligations, Hedging Obligations or Ancillary Obligations authorized to be issued by a Member pursuant to this Master Indenture which has been authenticated by the Master Trustee pursuant to Section 204 hereof.

"Officer's Certificate" means a certificate signed, in the case of a certificate delivered by or on behalf of the Obligated Group, by the President or any Vice-President or any other authorized officer of the Obligated Group Agent.

"Operating Expenses" means the total operating expenses of the Obligated Group, as determined in accordance with generally accepted accounting principles consistently applied.

"Operating Revenues" means the total operating revenues of the Obligated Group, less applicable deductions from operating revenues, as determined in accordance with generally accepted accounting principles consistently applied.

"Outstanding" means, in the case of any Obligations, any Indebtedness, or any Related Bonds, all Obligations, all Indebtedness or all Related Bonds, as the case may be, except:

(a) Obligations, Indebtedness or Related Bonds canceled after purchase in the open market or after payment at or prepayment or redemption prior to maturity;

(b) Obligations, Indebtedness or Related Bonds for the payment or redemption of which cash or non-callable Escrow Securities, or a combination thereof, have been deposited with the Master Trustee, the lender or a trustee or fiduciary for such lender, or the Related Bond Trustee, as applicable (whether upon or prior to their maturity or redemption date thereof) in an amount that is sufficient to pay the amounts due thereon; provided that if such Obligations, Indebtedness or Related Bonds are to be prepaid or redeemed prior to their maturity, notice of prepayment or redemption has been given or irrevocable arrangements satisfactory to the Master Trustee, the lender or a trustee or fiduciary for such lender, or the Related Bond Trustee, as applicable, have been made therefor, or waiver of such notice by the Person entitled to such notice has been provided;

(c) Obligations, Indebtedness or Related Bonds in lieu of which other instruments or securities have been authenticated and delivered; and

(d) For the purpose of all consents, approvals, waivers and notices required to be obtained or given under this Master Indenture, any relevant loan document relating to Indebtedness, or any Related Bond Indenture, as applicable, Obligations, Indebtedness or Related Bonds held or owned by a Member of the Obligated Group.

Notwithstanding the foregoing, any Obligation or other Indebtedness securing Related Bonds shall be deemed Outstanding only if such Related Bonds are Outstanding.

"Permitted Dispositions" means dispositions of Property permitted by Section 411 of this Master Indenture.

"Permitted Encumbrances" means, as of any particular time:

(a) any Lien on Property acquired subject to an existing Lien, if at the time of such acquisition, the aggregate amount remaining unpaid on the Indebtedness secured thereby (whether or not assumed by a Member of the Obligated Group) does not exceed the fair market value or (if such Property has been purchased) the lesser of the acquisition price or the fair market value of the Property subject to such Lien, as determined in good faith by the Obligated Group Agent;

(b) any Lien on any Property granted in favor of or securing Indebtedness to any Member;

(c) any Lien (i) on Property if such Lien equally and ratably secures all of the Obligations; and (ii) on Gross Revenues pledged pursuant to Section 208 hereof;

(d) any Lien on or in Property given, granted, bequeathed or devised by the owner thereof existing at the time of such gift, grant, bequest or devise, provided that such Liens secure Indebtedness which is not assumed by a Member of the Obligated Group and such Liens attach solely to the Property (including the income therefrom) which is the subject of such gift, grant, bequest or devise;

(e) any Lien on proceeds of Indebtedness (or on income from the investment of such proceeds) pending application to the purposes for which such Indebtedness was incurred, or that secure payment of such Indebtedness and any security interest in any rebate fund established pursuant to the Code, any depreciation reserve, debt service reserve or interest reserve, debt service fund or any similar fund established pursuant to the terms of any Supplemental Master Indenture, Related Bond Indenture or Related Loan Document in favor of the Master Trustee, a Related Bond Trustee, a Related Issuer or the holder of the Indebtedness issued pursuant to such Supplemental Master Indenture, Related Bond Indenture or Related Loan Document or the provider of any liquidity or credit support for such Related Bond or Indebtedness;

(f) any Lien on Escrow Securities;

(g) any Lien on any Related Bond or any evidence of Indebtedness of any Member of the Obligated Group acquired by or on behalf of any Member of the Obligated Group by the provider of liquidity or credit support for such Related Bond or Indebtedness;

(h) any Lien on accounts receivable (i) arising as a result of the sale or disposition of such accounts receivable in accordance with Section 411(b)(10) hereof with or without recourse; or (ii) to secure Indebtedness incurred pursuant to Section 410(b)(16) hereof;

(i) any Lien on any Property in effect on the effective date of this Master Indenture, including but not limited to those listed on *Exhibit B* hereto, or existing at the time any Person becomes a Member of the Obligated Group; provided that no such Lien (or the amount of Indebtedness secured thereby) may be increased, extended, renewed or modified to apply to any Property of such Member of the Obligated Group not subject to such Lien on such date unless such Lien as so increased, extended, renewed or modified is otherwise permitted under this Master Indenture;

(j) any Lien on Property of a Person existing at the time such Person is merged into or consolidated with a Member of the Obligated Group, or at the time of a sale, lease or other disposition of the properties of a Person as an entirety or substantially as an entirety to a Member of the Obligated Group which becomes part of a Property that secures Indebtedness that is assumed by a Member of the Obligated Group as a result of any such merger, consolidation or acquisition; provided, that no such Lien may be increased, extended, renewed, or modified after such date to apply to any Property of a Member of the Obligated Group not subject to such Lien on such date unless such Lien as so increased, extended, renewed or modified is otherwise permitted under this Master Indenture;

(k) any Lien which secure Non-Recourse Indebtedness incurred pursuant to Section 410(b)(6) hereof;

(l) any Lien arising out of (i) Capitalized Leases; (ii) leases, installment purchase contracts and other similar borrowing instruments incurred pursuant to Section 410 hereof, including without limitation, Indebtedness permitted by Section 410(b)(8) hereof; or (iii) leases between Members or Affiliates;

(m) any Lien on Property, in addition to those Liens permitted elsewhere in this definition of Permitted Encumbrances, if the total aggregate Book Value (or at the option of the Obligated Group Agent, Current Value) of the Property subject to a Lien of the type described in this subsection (m) does not exceed the greater of (i) twenty percent (20%) of Operating Revenues of the Members, or (ii) thirty percent (30%) of the combined value of the Property of the Members (calculated on the same basis as the value of Property subject to such Lien) in either case as reflected in the most recent audited financial statements of the Obligated Group;

(n) any Lien on any Property given (by mortgage, security interest, conveyance in trust, deed, sale, or lease) in order to satisfy the legal or policy requirements of any Related Issuer with respect to their issuance of any Related Bonds;

(o) any Lien on Property or Gross Revenues required by, or resulting from, any lease agreement whereby a Member of the Obligated Group leases a hospital or health care facility or facilities from a governmental unit or units;

(p) any Lien in the nature of a purchase money mortgage if, after giving effect to such Lien, such purchase money mortgage secures an amount not in excess of the cost of the particular asset to which such Lien relates and any related financing charges, where such purchase money mortgage constitutes a Lien on fixed assets acquired or constructed by a

Member and granted contemporaneously with such acquisition or construction, and which Lien secures all or a portion of the related purchase price or construction cost of such assets;

(q) any Lien securing any Hedging Obligation or derivative agreement or the obligations of any one or more Members of the Obligated Group under any Hedging Obligation or derivative agreement, in each case which derivative agreement is related to Indebtedness (including any obligation arising upon the termination of any such Hedging Obligation or derivative agreement), or that may be required from time to time to satisfy any collateralization requirements under any such Hedging Obligation or derivative agreement;

(r) any Lien in the nature of a bankers' lien or rights of set-off;

(s) any Lien in favor of any members of, or participants in, an accountable care organization or similar arrangement to which a Member of the Obligated Group is a member or participant;

(t) any Lien that a Member of the Obligated Group is not obligated to remove pursuant to Section 405 of this Master Indenture;

(u) any Lien (i) for taxes, assessments or governmental charges or levies not yet delinquent, or which are being contested in good faith by appropriate proceedings so long as no foreclosure tax sale can occur during such proceedings and, if the amount exceeds one percent (1%) of the Value of the Property, Plant and Equipment of the Obligated Group, adequate reserves have been established for the payment of such amounts; (ii) constituting an inchoate lien imposed by law but not yet having attached to any real property or leasehold, such as materialmen's, mechanics', carriers', worker's, employees' and repairmen's liens and other similar liens arising in the ordinary course of the Member's business and securing obligations that have not remained unpaid for more than thirty (30) days from the date the same shall have become due, except liens which are being contested in good faith by appropriate proceedings so long as no foreclosure sale can occur during such proceedings and, if the amount exceeds one percent (1%) of the Value of the Property, Plant and Equipment of the Obligated Group, adequate reserves have been established for the payment of such amounts; (iii) constituting a pledge of deposits to secure obligations under worker's compensation laws or similar legislation or to secure public or statutory obligations of the Member; (iv) in favor of the Master Trustee created pursuant to this Master Indenture; and (v) constituting utility, access and other easements and rights of way, mineral rights, encroachments and exceptions which will not interfere with or impair the present or future operation of the Member, and minor defects, irregularities, encumbrances, easements, rights of way and clouds on title as normally exist with respect to properties similarly used for hospital or healthcare purposes which do not materially impair the use of the properties affected thereby;

(v) any Lien upon Property only if and to the extent that such portion of the Property has been released as a Permitted Release under Section 413 hereof;

(w) any Lien upon Property only if and to the extent that such Property could have been disposed of as a Permitted Disposition under Section 411 hereof;

(x) any Lien upon the Gross Revenues given to secure Subordinated Indebtedness that is by its terms specifically junior and subordinate to the security interest in the Gross Revenues given by the Members to the Master Trustee under this Master Indenture; provided, however that the holder of such Subordinated Indebtedness may not accelerate such Indebtedness or execute upon the Gross Revenues unless the Master Trustee accelerates the Obligations and executes upon the Gross Revenues with respect to the Master Trustee's senior position therein as well and may not receive payment thereon during the continuance of any Event of Default hereunder;

(y) any Lien arising by reason of good faith deposits with 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 given in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(z) any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member of the Obligated Group to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with worker's compensation, unemployment insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(aa) any Lien in the form of a judgment lien or notice of pending action against any Member of the Obligated Group so long as such judgment or pending action is being contested and execution thereon is stayed or while the period for responsive pleadings has not lapsed;

(bb) any Lien (A) in the form of 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, to (1) terminate such right, power, franchise, grant, license or permit, provided that the exercise of such right would not materially impair the use of such Property or materially and adversely affect the value thereof, or (2) purchase, condemn, appropriate or recapture, or designate a purchaser of, such Property; (B) 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 liens have not been perfected or if such liens have been perfected, and are being contested, and a Member of the Obligated Group has posted security for the payment of such liens in an amount satisfactory to the Master Trustee; (C) in the form of easements, rights-of-way, servitudes, restrictions 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; and (D) in the form of rights reserved to or vested in any municipality or public authority to control or regulate any Property or to use such Property in any manner, which rights do not materially impair the use of such Property or materially and adversely affect the value thereof;

(cc) any Lien representing rights of setoff and banker's liens with respect to funds on deposit in a financial institution in the ordinary course of business;

(dd) any Lien on Property received by a Member through gifts, grants or bequests, such Liens being due to restrictions imposed by the donor on such gifts, grants or bequests of Property or the income thereon;

(ee) any Lien in favor of a trustee on the proceeds of Indebtedness prior to the application of such proceeds;

(ff) any Lien on moneys deposited by patients or others with a Member as security for or as prepayment for the cost of patient care;

(gg) any Lien due to rights of third-party payors for recoupment of amounts paid to a Member;

(hh) any Lien representing statutory rights of the United States of America by reason of federal funds made available under 42 U.S.C. §291 et seq. and similar rights under other federal and state statutes.

"Permitted Guarantees" means any Guaranty by any Member of the Obligated Group permitted under Section 410(b)(9) of this Master Indenture.

"Permitted Indebtedness" means Indebtedness of any Members of the Obligated Group permitted under Section 410 of this Master Indenture.

"Permitted Investments" means (i) with respect to any Obligation which secures a series of Related Bonds, the obligations in which the Related Bond Trustee may invest funds under the Related Bond Indenture, (ii) with respect to any Obligations for which a Supplemental Master Indenture specifies certain permitted investments, the investments so specified and (iii) in all other cases such legal and prudent investments as are designated by the Obligated Group Agent.

"Permitted Release" means any release of Property or portions thereof from the covenant against Liens set forth in Section 412 of this Master Indenture, or from any security interests, liens, pledges or negative pledges of such Property, including but not limited to the pledge of Gross Revenues granted pursuant to this Master Indenture, securing Obligations, permitted by Section 413 of this Master Indenture.

"Permitted Reorganizations" means any consolidation, merger, sale of assets, or reorganization of any of the Members of the Obligated Group permitted by Section 408 of this Master Indenture.

"Person" means any natural person, firm, joint venture, joint operating agreement, association, partnership, business trust, corporation, limited liability company, public body, agency or political subdivision thereof or any other similar entity.

"Primary Obligor" means the Person who is primarily obligated on an obligation which is guaranteed by another Person.

"Property" means any and all rights, titles and interests in and to any and all property, whether real or personal, tangible (including cash) or intangible, wherever situated and whether now owned or hereafter acquired, including but not limited to Property, Plant and Equipment and Gross Revenues.

"Property, Plant and Equipment" means all Property of the Members of the Obligated Group which is classified as property, plant and equipment under generally accepted accounting principles.

"Related Bonds" means (a) any revenue bonds or similar obligations issued by any state, commonwealth or territory of the United States or any municipal corporation or other political subdivision formed under the laws thereof or any constituted authority, agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, the proceeds of which are loaned or otherwise made available to any Member in consideration, whether in whole or in part, of the execution, authentication and delivery of an Obligation or Obligations to or upon the order of such governmental issuer and (b) any revenue or general obligation bonds issued by or on behalf of any Member or any other Person in consideration, whether in whole or in part, of the execution, authentication and delivery of an Obligation or Obligations to the holder of such bonds or the Related Bond Trustee.

"Related Bond Indenture" means any indenture, bond resolution or similar instrument pursuant to which any series of Related Bonds is issued.

"Related Bond Trustee" means any trustee under any Related Bond Indenture and any successor trustee thereunder or, if no trustee is appointed under a Related Bond Indenture, the Related Issuer.

"Related Issuer" means any issuer of a series of Related Bonds.

"Related Loan Document" means any document or documents (including without limitation any loan agreement, lease, sublease or installment sales contract) pursuant to which any proceeds of any Related Bonds are loaned to, advanced to or made available to or for the benefit of any Member (or any Property financed or refinanced with such proceeds is leased, sublet or sold to a Member).

"Responsible Officer" means any officer within the corporate trust department of the Master Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Master Trustee who customarily performs functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and, in each case, who shall have direct responsibility for the administration of this Master Indenture.

"Revenues" means, for any period, (a) in the case of any Person providing health care services, the sum of (i) net patient service revenues plus (ii) other operating revenues, plus (iii) non-operating revenues (other than earnings which constitute Capitalized Interest or earnings on amounts which are irrevocably deposited in escrow to pay the principal of or interest on Indebtedness); and (b) in the case of any other Person, gross revenues less sale discounts and sale

returns and allowances, as determined in accordance with generally accepted accounting principles; provided that no calculation of Revenues shall take into account: (i) any unrealized gain resulting from the disposition of, or changes in the value of, investment securities, (ii) extraordinary or nonrecurring gains or revenues (including without limitation the net proceeds of insurance (other than business interruption insurance) and condemnation awards), provided that for such purpose any revenues that represent payments of incentive payments or shared savings amounts from payors, accountable care organizations or similar entities, any charitable donations and grants and any dividends or other equity distributions from entities in which such Person owns an interest shall not be considered to be extraordinary or non-recurring, (iii) any gains on the extinguishment of Indebtedness (including any termination payments received on Hedging Obligations or other hedges or derivatives related to or integrated with the Indebtedness being extinguished), (iv) any gains or earnings resulting from discontinued operations or any reappraisal, revaluation or write-up of any asset, facility or good-will, and any gain or revenue resulting from adjustments to prior periods, (v) any unrealized gains on or related to, including marking to market, any Hedging Obligations or other hedges or derivatives, (vi) any revenue or income or other items that would be considered by the Obligated Group Agent to be non-cash items of the Person or group of Persons involved, and (vii) if such calculation is being made with respect to the Obligated Group, any gains or revenues attributable to transactions between any Member of the Obligated Group and any other Member of the Obligated Group.

"Securities Account" shall mean all securities accounts, as that term is defined in the Uniform Commercial Code as adopted in the State of New Hampshire, of the Members of the Obligated Group.

"Short-Term," when used in connection with Indebtedness, means Indebtedness of a Person for money borrowed or credit extended having an original maturity less than or equal to one year and not renewable at the option of the debtor for, or subject to any binding commitment to refinance or otherwise provide for such Indebtedness having, a term greater than one year beyond the date of original issuance.

"SIFMA" means the Securities Industry and Financial Markets Association, any successor thereto, or any person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Obligated Group Agent.

"SIFMA Index" means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by SIFMA, or any person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Obligated Group Agent, and effective from such date.

"Subordinated Indebtedness" means all obligations incurred or assumed, the payment of which is by its terms specifically subordinated to payments on all Obligations, or the principal of and interest on which cannot be accelerated and would not be paid (whether by the terms of such obligation or by agreement of the obligee) while an Event of Default exists under this Master Indenture or while bankruptcy, insolvency, receivership or other similar proceedings are instituted and implemented.

"Supplemental Master Indenture" means an indenture amending or supplementing this Master Indenture.

"System" means the affiliated group of entities known as the Dartmouth-Hitchcock Health System and its subsidiaries or controlled entities, including Dartmouth-Hitchcock Health, the Members of the Obligated Group, and all Affiliates of any of them.

"Tax-Exempt Organization" means a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code, which is exempt from federal income taxation under Section 501(a) of the Code, and which is not a "private foundation" within the meaning of Section 509(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

"Transaction Test" means the Master Trustee shall have received any one of the following:

(i) an Officer's Certificate demonstrating that the Long-Term Debt Service Coverage Ratio for the Historic Test Period, assuming that the proposed additional Long-Term Indebtedness had been incurred, or that the proposed transaction had occurred, at the beginning of the Historic Test Period, is not less than 1.10; or

(ii) an Officer's Certificate demonstrating (a) that the Long-Term Debt Service Coverage Ratio for the Historic Test Period was not less than 1.10, and (b) that the Long-Term Debt Service Coverage Ratio for the Future Test Period is projected to be not less than 1.10 or, if less, is projected to be greater than such ratio would have been if the proposed transaction had not taken place; or

(iii) an Officer's Certificate demonstrating that the Long-Term Debt Service Coverage Ratio for the Future Test Period is projected to be not less than 1.75; or

(iv) an Officer's Certificate demonstrating that immediately after the proposed transaction the aggregate principal amount of all outstanding Long-Term Indebtedness of the Members of the Obligated Group (excluding any Guaranty) will not exceed sixty-five percent (65%) of the sum of (a) the aggregate principal amount of all outstanding Long-Term Indebtedness of the Members of the Obligated Group (excluding any Guaranty) plus (b) the aggregate Net Assets of the Members of the Obligated Group.

"Value" means, as determined by the Obligated Group Agent, the Book Value or the Current Value of all Property, Plant and Equipment, plus the Current Value of all Property (other than Property, Plant and Equipment).

"Variable Rate Indebtedness" means Indebtedness that bears interest at a variable, adjustable or floating rate.

Section 102. Interpretation. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural and vice versa. Headings of articles and sections herein and the table of contents hereof are solely for the convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof. Any reference herein to any officer of a Member of the Obligated Group shall include those succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

If any Debt Obligations are issued hereunder to secure Related Bonds, which Related Bonds are valued, in accordance with the provisions of a Related Bond Indenture, at other than their principal amount for purposes of the provisions of such Related Bond Indenture relating to redemption, acceleration, defeasance, computation of Related Bonds Outstanding, application of moneys in payment of the Related Bonds and actions by holders of such Related Bonds, then, for purposes of this Master Indenture, references in this Master Indenture to the principal amount of the Debt Obligations issued to evidence or secure such Related Bonds contained herein shall be deemed to refer to an amount equal, at any time of calculation, to the valuation of such Related Bonds, at such time of calculation, as set forth in such Related Bond Indenture.

Section 103. Accounting Principles and Financial Reporting. (a) All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistently applied, except as otherwise stated herein. If any change in accounting principles from those used in the preparation of the financial statements of the Obligated Group as of January 1, 2018 results from the promulgation of rules, regulations, pronouncements and opinions by or required by the Financial Accounting Standards Board, American Institute of Certified Public Accountants or other authoritative bodies that determine generally accepted accounting principles (or successors thereto or agencies with similar functions) and such change results in a change in the accounting terms used in this Master Indenture, the accounting terms used herein shall be modified to reflect such change in accounting principles so that the criteria for evaluating the Obligated Group's financial condition shall be the same after such change as if such change had not been made. Any such modification shall be described in an Officer's Certificate filed with the Master Trustee, which shall contain a certification to the effect that (i) such modifications are occasioned by such a change in accounting principles and (ii) such modifications will not have a materially adverse effect on the Obligation holders or result in materially different criteria for evaluating the Obligated Group's financial condition. No Event of Default under this Master Indenture shall be deemed to have occurred simply by reason of a change in accounting rules. Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation, combination or other accounting computation is required to be made for the purposes of this Master Indenture or any agreement, document or certificate executed and delivered in connection with or pursuant to this Master Indenture, then, notwithstanding any other provision to the contrary in this Master Indenture requiring that generally accepted accounting principles be consistently applied, such determination or computation shall be done in accordance with generally accepted accounting principles in effect on, at the sole option of the Obligated Group Agent, (i) the date such determination or computation is made for any purpose of this Master Indenture, or (ii) January 1, 2018 if the Obligated Group Agent delivers an

Officer's Certificate to the Master Trustee explaining the basis for such treatment; provided that intercompany balances and liabilities among the Members of the Obligated Group shall be disregarded.

(b) Notwithstanding anything else in this Master Indenture to the contrary, in addition to those provisions of this Master Indenture which expressly permit the use of financial or other information on the basis of the System, in computing or calculating Balloon Indebtedness, Book Value, Capitalized Interest, Capitalized Lease, Capitalized Rentals, Current Assets, Current Value, Debt Service Requirements, Expenses, Income Available for Debt Service, Indebtedness, Long-Term Debt Service Coverage Ratio, Maximum Annual Debt Service, Net Assets, Net Rentals, Operating Expenses, Operating Revenues, Property, Property, Plant and Equipment, Transaction Test or any other quantitative financial test or provision, the Obligated Group, at the option of the Obligated Group Agent, may, for any purposes of this Master Indenture, including for purposes of financial reporting and financial calculations, utilize financial and other information either (i) with respect to the Members of the Obligated Group in the aggregate or (ii), so long as the Obligated Group constitutes or is responsible for at least eighty percent (80%) of the assets or revenues of the System for the most recent Fiscal Year of the System, with respect to the System in the aggregate (and in which case any reference herein to financial statements, financial information or financial results of the Obligated Group shall be deemed to refer to those of the System), with such percentage being calculated in a manner that excludes intercompany eliminations from the numerator of such calculation.

(c) The Members of the Obligated Group shall not be required to have the same Fiscal Year, and calculations of covenants in this Master Indenture may be made based upon any such differing Fiscal Years in the event that Members of the Obligated Group have differing Fiscal Years, notwithstanding anything to the contrary in this Master Indenture.

(d) At the option of the Obligated Group Agent, any requirement for the delivery of the audited or unaudited financial statements of the Obligated Group required to be provided pursuant to Section 409 hereof shall be deemed to be satisfied by the delivery of the consolidated financial statements (i) of Dartmouth-Hitchcock Health and subsidiaries, or (ii) of any ultimate corporate parent of, and that controls, the Members of the Obligated Group, so long as such financial statements, in either case, include consolidating schedules specifically reflecting the corresponding figures for the Obligated Group, either for each Obligated Group Member individually or for the Members of the Obligated Group in the aggregate.

ARTICLE II

THE OBLIGATIONS

Section 201. Series, Designation and Amount of Obligations. No Obligations may be issued under the provisions of this Master Indenture except in accordance with this Article. Other than the Obligated Group Agent, no authorization or approval of any Member of the Obligated Group is required under this Master Indenture for the issuance of Obligations. No Obligations may be issued under this Master Indenture unless (i) such Obligation is executed by the Obligated Group Agent; or (ii) with the written consent of the Obligated Group Agent, such

Obligation is executed by any other Member of the Obligated Group. The total amount of Obligations, the number of Obligations and the series of Obligations that may be created under this Master Indenture is not limited and shall be as set forth in the Supplemental Master Indenture providing for the issuance thereof. Each series of Obligations shall be issued pursuant to a Supplemental Master Indenture. Each series of Obligations shall be designated so as to differentiate the Obligations of such series from the Obligations of any other series. Unless provided to the contrary in a Supplemental Master Indenture, Obligations shall be issued as fully registered Obligations.

Section 202. Payment of Obligations. The principal of, premium, if any, and interest on the Obligations, and any other amounts due under an Obligation, shall be payable in any currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts, and such amounts shall be payable at the designated corporate trust office of the Master Trustee or at the office of any Related Bond Trustee named in any such Obligations or in a Related Bond Indenture or to the registered owner of such Obligation, as may be provided in such Obligation. Unless contrary provision is made in the Supplemental Master Indenture pursuant to which such Obligation is issued or the election referred to in the next sentence is made, payments on the Obligations shall be made to the person appearing on the registration books of the Obligated Group (kept in the corporate trust office of the Master Trustee or its agent as Obligation registrar) as the registered owner thereof and shall be paid by check or draft mailed to the registered owner at its address as it appears on such registration books or at such other address as is furnished to the Master Trustee in writing by such holder; provided, however, that any Supplemental Master Indenture creating any Obligation may provide that amounts due under such Obligation may be paid, upon the request of the holder of such Obligation, by wire transfer or by such other means as are then commercially reasonable and acceptable to the holder thereof and the Master Trustee. The foregoing notwithstanding, if a Member so elects, or if an Obligation so provides, payments on such Obligation shall be made directly by such Member, by check or draft hand delivered to the holder thereof or its designee or shall be made by such Member by wire transfer to such holder, or by such other means as are then commercially reasonable and acceptable to the holder thereof, in any case delivered on or prior to the date on which such payment is due. Upon the reasonable written request of the Master Trustee, each Member shall provide information identifying the Obligation or Obligations with respect to which such payment, specifying the amount, was made, by series, designation, number and registered holder. Except with respect to Obligations directly paid to or upon the order of the holder thereof, or as otherwise may be provided in a Supplemental Master Indenture, the Members agree to deposit with the Master Trustee prior to each due date of the principal of, premium, if any, or interest on any of the Obligations a sum sufficient to pay such principal, premium, if any, or interest so becoming due. Any such moneys shall upon written request and direction of the Obligated Group Agent be invested in Permitted Investments. The foregoing notwithstanding, amounts deposited with the Master Trustee to provide for the payment of Obligations pledged to the payment of Related Bonds shall be invested in accordance with the provisions of the Related Bond Indenture and Related Loan Document. The Master Trustee shall not be liable or responsible for any loss resulting from any such investments made in accordance with the terms hereof. Supplemental Master Indentures may create such security including debt service reserve funds and other funds as are necessary to provide for payment or to hold moneys deposited for payment or as security for a related series of Obligations.

Section 203. Execution. Obligations shall be executed on behalf of a Member by the manual or, if permitted by law, facsimile signature of the Chairman of its Governing Body, its President or any Vice President or any other authorized officer of the Member (or on their behalf by a similar authorized officer of the Obligated Group Agent), which shall be attested by the manual or, to the extent permitted by law, facsimile signature of its Secretary, any Assistant Secretary, any Vice President or any other authorized officer of the Member (or on their behalf by a similar authorized officer of the Obligated Group Agent). In case any officer whose signature or facsimile of whose signature shall appear on the Obligations shall cease to be such officer before the delivery of such Obligations, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until delivery.

Section 204. Authentication. No Obligation shall be valid or obligatory for any purpose or entitled to any security or benefit under this Master Indenture unless and until a certificate of authentication on such Obligation substantially in the form set forth below shall have been duly executed by the Master Trustee, and such executed certificate of the Master Trustee upon any such Obligation shall be conclusive evidence that such Obligation has been authenticated and delivered under this Master Indenture. The Master Trustee's certificate of authentication on any Obligation shall be deemed to have been executed by it if signed by an authorized officer or signer of the Master Trustee, but it shall not be necessary that the same officer or signer sign the certificate of authentication on all of the Obligations issued hereunder.

The Master Trustee's authentication certificate shall be in substantially the following form:

Master Trustee's Authentication Certificate

This Obligation is one of the Obligations described in the within-mentioned Master Indenture.

U.S. BANK NATIONAL ASSOCIATION,
as Master Trustee

By _____
Authorized Officer

Section 205. Form of Obligations. All Obligations issued under this Master Indenture shall be substantially in the form set forth or referred to in the Supplemental Master Indenture pursuant to which such Obligations are issued, to reflect the terms and conditions thereof as established hereby and by any Supplemental Master Indenture. Unless Obligations of a series have been registered under the Securities Act of 1933, as amended, each Obligation of such series shall be endorsed with a legend which shall read substantially as follows: "This [Obligation/Note/Guarantee] has not been registered under the Securities Act of 1933, as amended."

Section 206. Mutilated, Lost, Stolen or Destroyed Obligations. In the event any temporary or definitive Obligation is mutilated, lost, stolen or destroyed, the Member issuing such Obligation may execute and the Master Trustee may authenticate a new Obligation of like form, date, maturity and denomination as that mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Obligation, such mutilated Obligation shall first be surrendered to the Master Trustee, and in the case of any lost, stolen or destroyed Obligation, there shall be first furnished to the Obligated Group Agent, such Member and the Master Trustee evidence of such loss, theft or destruction satisfactory to the Obligated Group Agent, such Member and the Master Trustee, together with indemnity satisfactory to them. In the event any such Obligation shall have matured, instead of issuing a duplicate Obligation the Obligated Group may pay the same without surrender thereof. The Obligated Group and the Master Trustee may charge the holder or owner of such Obligation with their reasonable fees and expenses in this connection.

Section 207. Registration; Negotiability; Cancellation Upon Surrender; Exchange of Obligations. Upon surrender for transfer of any Obligation at the designated corporate trust office of the Master Trustee, the Member issuing such Obligation shall execute and the Master Trustee shall authenticate and deliver in the name of the transferee or transferees a new fully registered Obligation or Obligations of the same series, designation and maturity without coupons for a like aggregate amount.

The execution by a Member of any Obligation of any denomination shall constitute full and due authorization of such denomination and the Master Trustee shall thereby be authorized to authenticate and deliver such Obligation.

The Master Trustee shall not be required to transfer or exchange any Obligation during the period of 15 days next preceding any payment date of such Obligation or to transfer or exchange any Obligation after the notice calling such Obligation or portion thereof for redemption has been given as herein provided, or during the period of 15 days next preceding the mailing of such notice of redemption with respect to any Obligation of the same series and maturity.

As to any Obligation, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the amounts due under any such Obligation shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as herein provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Obligation to the extent of the sum or sums so paid.

Any Obligation surrendered for the purpose of payment or retirement or for replacement pursuant to Section 206 hereof shall be canceled upon surrender thereof to the Master Trustee. Certification of Obligations canceled by the Master Trustee shall be made to the Obligated Group Agent. Canceled Obligations may be destroyed by the Master Trustee unless instructions to the contrary are received from the Obligated Group Agent.

The Obligated Group and the Master Trustee may charge each Obligation holder requesting an exchange, registration, change in registration or transfer of an Obligation any tax,

fee or other governmental charge required to be paid with respect to such exchange, registration or transfer.

Section 208. Security for Obligations; Pledge of Gross Revenues; Collateral Assignment. Security. All Obligations issued and outstanding under this Master Indenture are and shall be joint and several obligations of each Member of the Obligated Group; and are and shall be equally and ratably secured by this Master Indenture except to the extent specifically provided otherwise as permitted hereby. All Obligations issued and outstanding under this Master Indenture are and shall be equally and ratably secured by the pledge of Gross Revenues described below. Any one or more series of Obligations issued hereunder may be secured by additional security, in addition to the pledge of Gross Revenues (including without limitation letters or lines of credit, insurance or Liens on Property, including Facilities or Property of the Obligated Group or any Members of the Obligated Group, or security interests in a depreciation reserve, debt service reserve or interest reserve or debt service or similar funds), so long as any Liens created in connection therewith or securing such Obligations constitute Permitted Encumbrances. Such security need not extend to any other Indebtedness (including any other Obligations or series of Obligations). Consequently, the Supplemental Master Indenture pursuant to which any one or more series of Obligations is issued may provide for such supplements or amendments to the provisions hereof, including without limitation Articles II and V hereof, as are necessary to provide for such security and to permit realization upon such security solely for the benefit of the Obligations entitled thereto. The Members of the Obligated Group hereby further covenant and agree that, except for Permitted Encumbrances, they will not pledge, suffer to exist, or grant a security interest in or Lien on the Gross Revenues.

Pledge of Gross Revenues. In order to secure the prompt payment of all amounts due on all Obligations issued under this Master Indenture and the performance by the Members of the Obligated Group of their obligations under this Master Indenture and the Obligations, the Members of the Obligated Group hereby pledge and assign to the Master Trustee, and grant a security interest in, for the equal and ratable benefit of the Holders from time to time of all of the Obligations, all of their Gross Revenues, but the existence of such pledge, assignment and security interest shall not prevent the expenditure, deposit or commingling of Gross Revenues by the Members of the Obligated Group for any purpose so long as no Event of Default under Section 501(a), (g), (h) or (i) hereof has occurred and is continuing and all required payments with respect to the Obligations are made when due. Without limiting the generality of the foregoing, this security interest shall apply to all rights to receive Gross Revenues whether in the form of accounts, accounts receivable, contract rights or other rights, and to the proceeds of such rights. This security interest shall apply to all of the foregoing, whether now existing or hereafter coming into existence and whether now owned or held or hereafter acquired by the Members of the Obligated Group. The Members of the Obligated Group hereby represent that as of the date of the delivery hereof they have granted no security interest in Gross Revenues prior to the security interest granted by this Section, except for the Liens on Gross Revenues, if any, described on Exhibit B hereto. The Members of the Obligated Group hereby further covenant and agree that, except for Permitted Encumbrances, they will not pledge, suffer to exist, or grant a security interest in the Gross Revenues. This Master Indenture is intended to be a security agreement pursuant to the Uniform Commercial Code as adopted in the State of New Hampshire.

The Members of the Obligated Group agree to execute and file, if and to the extent required by law, such financing statements and continuation statements covering the Gross Revenues from time to time and in such form as may be required to perfect and continue a security interest in the Gross Revenues, and to deliver file-stamped copies thereof to the Master Trustee. The Members of the Obligated Group shall pay all costs of filing such financing statements and continuation statements and any renewals thereof and shall pay all reasonable costs and expenses of any record searches and preparation fees for financing statements and continuation statements that may be required. The pledge of Gross Revenues does not extend to, or constitute a pledge of or lien upon, any funds, cash or investments held by any member of the Obligated Group, except to the extent such funds, cash or investments are proceeds of Gross Revenues received after the occurrence of an Event of Default under Section 501(a), (g), (h) or (i) hereof.

Upon the occurrence and during the continuation of an Event of Default of the type described in Section 501(a), (g), (h) or (i) the Master Trustee may exercise all of the rights and remedies of a secured party under the Uniform Commercial Code as adopted in the State of New Hampshire or otherwise with respect to the Lien on Gross Revenues created by this Section 208. Without limiting the generality of the foregoing, to the extent permitted by law, the Master Trustee may realize upon such Lien by any one or more the following actions: (i) take possession of the financial books and records of any Member of the Obligated Group relating to the Gross Revenues and of all checks or other orders for payment of money and cash in the possession of the Member representing Gross Revenues or proceeds thereof; (ii) notify account debtors obligated on any Gross Revenues to make payment directly to the order of the Master Trustee; (iii) collect, compromise, settle, compound or extend Gross Revenues which are in the form of accounts receivable or contract rights from the Member's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Member, whether or not the full amount of any such account receivable or contract right owing shall be paid to the Master Trustee; (iv) require the Member to deposit all cash, money and checks or other orders for the payment of money which represent Gross Revenues within five (5) Business Days after receipt of written notice of such requirement, and thereafter as received, into the Gross Revenues Account to be established for such purpose by the Master Trustee, provided, however, that the requirement to make such deposits shall cease, and the balance in the Gross Revenues Account shall be paid to the Member, when all Events of Default of the type described in Section 501(a) have been cured; (v) forbid the Member to extend, compromise, compound or settle any accounts receivable or contract rights which represent Gross Revenues, 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; and (vi) endorse in the name of the Member any checks or other orders for the payment of money representing Gross Revenues or the proceeds thereof.

The Members of the Obligated Group hereby further covenant that if an Event of Default of the type described in Section 501(a), (g), (h) or (i) hereof shall occur and be continuing, and any grace period applicable thereto shall have expired, any Gross Revenues then received and any Gross Revenues thereafter received, shall not be commingled or deposited but shall immediately, or upon receipt, be transferred by the Members of the Obligated Group on a daily basis to the Master Trustee and deposited into the Gross Revenues Account as provided below. Such daily deposits shall continue until such Event of Default described in the preceding sentence shall have been cured. Any such proceeds on deposit with the Master Trustee shall be

disbursed by the Master Trustee pursuant to the provisions of Section 506 of the Master Indenture and as provided below.

The Master Trustee is hereby authorized and directed to establish a Gross Revenues Account, or Accounts, into which there shall be deposited upon the occurrence and continuation of any Event of Default under Section 501(a), (g), (h) or (i) of the Master Indenture, upon receipt by the Master Trustee, any and all Gross Revenues of the Obligated Group. Upon the occurrence of an event that requires the funding of the Gross Revenues Account the Obligated Group hereby covenants to take all action necessary to insure that all such Gross Revenues are deposited into the Gross Revenues Account including, but not limited to, depositing directly all payments received and directing all debtors and payors of the Obligated Group to make all payments due to the Obligated Group Members into the Gross Revenues Account. The Gross Revenues Account shall become subject to the lien of this Master Indenture in favor of the holders of all Obligations. Amounts on deposit in such Account shall be transferred first to the payment of current Operating Expenses of the Members of the Obligated Group as may be directed by the Obligated Group Agent and second to the payment of debt service on all Obligations due and past due and thereafter shall otherwise be transferred as may be directed by the Obligated Group Agent to and applied by the Obligated Group for its corporate purposes until the Master Trustee gives written notice to the Obligated Group of the exercise of remedies under the Master Indenture as a secured party and the Master Trustee enforces its rights and interests in and to the Gross Revenues Account and the amounts on deposit therein. The Master Trustee is hereby authorized to take such self-help and other measures that a secured party is entitled to take under the Uniform Commercial Code. Upon a cure or waiver of the Event of Default that requires the funding of the Gross Revenues Account, the Master Trustee shall transfer the amounts on deposit in the Gross Revenues Account to or at the direction of the Obligated Group Agent.

Each Member of the Obligated Group represents, warrants and covenants for and on behalf of itself (except as specified below) that the following shall apply to the pledge of such Member's Gross Revenues created by this Master Indenture:

(a) Creation: This Master Indenture creates a valid and binding pledge of, assignment of, lien on and security interest in its Gross Revenues in favor of the Master Trustee, as security for payment of the Obligations, enforceable by the Master Trustee in accordance with the terms hereof.

(b) Perfection: Under the laws of the state of such Member, such pledge, assignment, lien and security interest is and shall be prior to any judicial lien hereafter imposed on such collateral to enforce a judgment against the Obligated Group or any Member thereof on a simple contract. The Obligated Group Agent represents, warrants and covenants that by the date of the effectiveness of this Master Indenture, the Obligated Group Agent will have filed or caused to be filed all financing statements describing, and transferred such possession or control over, such collateral (and for so long as any Obligation is outstanding under this Master Indenture the Obligated Group will file, continue, and amend or cause to be amended all such financing statements and transfer or cause to be transferred such possession and control) as may be necessary to

establish and maintain such priority in each jurisdiction in which the Obligated Group or any Member thereof is organized or such collateral may be located or that may otherwise be applicable pursuant to §§9.301--9.306 of the Uniform Commercial Code as adopted in the State of New Hampshire.

(c) Priority: Each Member of the Obligated Group represents, warrants and covenants that it has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of its Gross Revenues that ranks on a parity with or prior to the pledge, assignment, lien and security interest in its Gross Revenues granted hereby, except for the Liens on Gross Revenues described on Exhibit B hereto. Each Member of the Obligated Group represents, warrants and covenants that it has not described such collateral in a Uniform Commercial Code financing statement that will remain effective after the date of the effectiveness of this Master Indenture, except for the Liens on Gross Revenues, if any, described on Exhibit B hereto. Each Member of the Obligated Group represents, warrants and covenants that it shall not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in such collateral that ranks prior to or on a parity with the pledge, assignment, lien and security interest in its Gross Revenues granted hereby, or file any financing statement describing any such pledge, assignment, lien, or security interest, except as expressly permitted under this Master Indenture.

Section 209. Issuance of Obligations in Forms Other than Notes. To the extent that any Debt Obligation, any Hedging Obligation or any Ancillary Obligation is not in the form of a promissory note, an Obligation in the form of a promissory note may be issued hereunder and pledged as security for the payment of the amounts due under any such Obligation. Nevertheless, the parties hereto agree that Obligations may be issued hereunder to evidence any type of obligation, including but not limited to, Indebtedness (other than Non-Recourse Indebtedness), including without limitation any obligation or Indebtedness in a form other than a promissory note. In addition, any Hedging Obligation or Ancillary Obligation may be authenticated as an Obligation hereunder. Consequently, the Supplemental Master Indenture pursuant to which any Obligation is issued may provide for such supplements or amendments to the provisions hereof, including without limitation Articles II and V hereof, as are necessary to permit the issuance of such Obligation hereunder and as are not inconsistent with the intent hereof that, except as otherwise expressly provided herein, all Obligations issued hereunder be equally and ratably secured hereunder, including by the pledge of Gross Revenues created under Section 208 hereof. Any Hedging Obligation or Ancillary Obligation which is authenticated as an Obligation hereunder shall be equally and ratably secured hereunder with all other Obligations issued hereunder, except as otherwise expressly provided herein; provided, however, that any such Hedging Obligation or Ancillary Obligation shall be deemed to be Outstanding hereunder solely for the purpose of receiving payment hereunder and shall not be entitled to exercise any rights hereunder, including but not limited to any rights to direct the exercise of remedies, to vote or to grant consents.

Anything in this Master Indenture to the contrary notwithstanding, the Obligated Group or any Member thereof may issue Hedging Obligations pursuant to this Master Indenture, without designating in such Hedging Obligation or in the Supplemental Master Indenture

pursuant to which such Hedging Obligation is issued, and without regard to, a notional or principal amount, to any provider of one or more interest rate swaps, forward or futures contracts, or options, in order to evidence and secure one or more of such swaps, contracts or options issued by or with the same provider during a single Fiscal Year or calendar year, as designated by the Obligated Group Agent.

Section 210. Substitute Obligations upon Withdrawal of a Member. In the event any Member ceases to be a Member of the Obligated Group in accordance with Section 404 and, in compliance with Section 404(a), another Member issues an Obligation hereunder pursuant to a Supplemental Master Indenture evidencing or assuming the Obligated Group's obligation in respect of Related Bonds, if so provided for in such Obligation originally issued by such withdrawing Member, such Obligation shall be surrendered to the Master Trustee in exchange for a substitute Obligation without notice to or consent of any Related Bondholder, provided that such substitute Obligation provides for payments of principal, interest, premium and other amounts due under such Obligation identical to the surrendered Obligation and sufficient to provide all payments on any Related Bonds.

Section 211. Appointment of Obligated Group Agent. Each Member, by becoming a Member of the Obligated Group, irrevocably appoints the Obligated Group Agent as its agent and true and lawful attorney in fact and grants to the Obligated Group Agent full and exclusive power to (a) authorize, negotiate and determine the terms of, and execute and deliver, Obligations and Supplemental Master Indentures authorizing the issuance of Obligations or series of Obligations; (b) as applicable, negotiate and determine the terms of, approve, execute, deliver, perform, amend, waive provisions of, grant consents related to, extend and terminate: loan agreements, bond indentures, bond purchase agreements related to liquidity or insurance, disclosures, and all such other agreements and instruments as are reasonably related to entering into and managing the specific transactions represented by such Supplemental Master Indentures; (c) negotiate and determine the terms of, approve, execute, deliver, perform, amend, waive provisions of, grant consents related to, extend and terminate certificates and other undertakings as are reasonably necessary or appropriate to entering into and managing the specific transactions represented by such Supplemental Master Indentures and/or Obligations; and (d) manage, oversee, direct, authorize, control, and implement (i) all Outstanding Indebtedness and financial relationships related in any manner to such Indebtedness, including, but not limited to: credit support and liquidity facilities; (ii) swaps, hedges, interest rate exchanges and any other derivative instruments of any classification; (iii) related insurance products and policies; (iv) debt management policy setting and determinations such as the mix of fixed and variable debt and similar determinations; (v) allocation, calculations, accounting for, collections from Obligated Group Members, and payment of debt service, discounts, premiums, costs of issuance and other costs and fees related to Indebtedness, including termination, amendment and similar fees; (vi) planning, authorization and implementation of conversions, refunding, defeasances and other debt management or modification activities; (vii) all waivers, consents or amendments to any document or agreement, directly or indirectly, related to one or more of the Obligations, this Master Indenture and any Supplemental Indenture, including, but not limited to, any of the types of documents or agreements mentioned in subsections (b) and (c) above and this subsection (d); and (viii) direction of agents and control, direction and management of third party relationships (such as trustees, paying agents, registrars, issuing authorities, underwriters, remarketing agents, swap counterparties, financial and other advisors,

and counsel) related to Indebtedness or the issuance of Obligations, The authority granted in this Section shall be and remain irrevocable until and unless any Obligated Group Member is permitted to withdraw from the Obligated Group in accordance with the terms hereof. Notwithstanding the foregoing and for the avoidance of doubt, the provisions of this Section 211 may be amended in accordance with the terms of Article VII hereof.

Section 212. Conditions to Issuance of Obligations Hereunder. With respect to Obligations to be issued hereunder, simultaneously with or prior to the execution, authentication and delivery of Obligations pursuant to this Master Indenture:

(a) All requirements and conditions to the issuance of such Obligations, if any, set forth in the Supplemental Master Indenture or in this Master Indenture shall have been complied with and satisfied, as provided in an Officer's Certificate of the Obligated Group Agent delivered to the Master Trustee; and

(b) The issuer of such Obligations shall have delivered to the Master Trustee an opinion of Counsel to such Member or the Obligated Group to the effect that (1) registration of such Obligations under the Securities Act of 1933, as amended, and qualification of this Master Indenture or the Supplemental Master Indenture under the Trust Indenture Act of 1939, as amended, is not required, or, if such registration or qualification is required, that all applicable registration and qualification provisions of said acts have been complied with, and (2) the Master Indenture and the Obligations are valid, binding and enforceable obligations of the Members of the Obligated Group in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance and other laws affecting creditors' rights generally and usual equity principles and subject to such other exceptions as are not reasonably objected to by the Master Trustee.

ARTICLE III

PREPAYMENT OR REDEMPTION OF OBLIGATIONS

Section 301. Prepayment or Redemption Dates and Prices. Obligations shall be subject to optional and mandatory prepayment or redemption in whole or in part and may be prepaid or redeemed prior to maturity as provided in the Supplemental Master Indenture or the Related Loan Document pertaining to the series of Obligations to be prepaid or redeemed, but not otherwise.

ARTICLE IV

GENERAL COVENANTS

Section 401. Payment of Principal, Premium, if any, and Interest and Other Amounts. Each Member unconditionally and irrevocably (subject to the right of such Member

to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of Section 404 hereof), jointly and severally covenants that it will promptly pay the principal of, premium, if any, and interest on, and all other amounts due under, every Obligation issued under this Master Indenture and any other payments, including the purchase price of Related Bonds tendered or deemed tendered for purchase pursuant to the terms of a Related Bond Indenture or Related Loan Document required by the terms of such Obligations, at the place, on the dates and in the manner provided herein and in said Obligations according to the true intent and meaning thereof. Notwithstanding any schedule of payments upon the Obligations set forth herein or in the Obligations, each Member unconditionally and irrevocably (subject to the right of such Member to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of Section 404 hereof), jointly and severally agrees to make payments upon each Obligation and be liable therefor at the times and in the amounts (including principal, interest and premium, if any, and all other amounts due thereunder) equal to the amounts to be paid as interest, principal at maturity or by mandatory sinking fund redemption, or premium, if any, upon any Related Bonds from time to time outstanding and upon any other financial obligations evidenced or secured by an Obligation. If any Member does not tender payment of any installment of principal, premium or interest on, or any other amounts due under, any Obligation when due and payable, the Master Trustee shall provide prompt written notice of such nonpayment to such Member and the Obligated Group Agent.

Section 402. Performance of Covenants. Each Member covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Master Indenture and in each and every Obligation executed, authenticated and delivered hereunder and will perform all covenants and requirements imposed on the Obligated Group Agent or any Member under the terms of any Related Bond Indenture.

Section 403. Entrance into the Obligated Group. Any Person may become a Member of the Obligated Group if:

(a) Such Person is a corporation or other legal entity;

(b) Such Person shall execute and deliver to the Master Trustee a Supplemental Master Indenture acceptable to the Master Trustee which shall be executed by the Master Trustee and the Obligated Group Agent on behalf of each then current Member of the Obligated Group, containing the agreement of such Person (i) to become a Member of the Obligated Group and thereby to become subject to compliance with all provisions of this Master Indenture, including, but not limited to, agreeing to pledge, and pledging, its Gross Revenues in accordance with Section 208 hereof, and (ii) unconditionally and irrevocably (subject to the right of such Person to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of Section 404 hereof) to jointly and severally make payments upon each Obligation at the times and in the amounts provided in each such Obligation;

(c) The Obligated Group Agent shall have approved the admission of such Person into the Obligated Group, which approval shall be evidenced by the

Obligated Group Agent executing the Supplemental Master Indenture referred to in Section 403(b);

(d) The Master Trustee shall have received (1) an Officer's Certificate which demonstrates that, immediately upon such Person becoming a Member of the Obligated Group, the Members would not, as a result of such transaction, be in default in the performance or observance of any covenant or condition to be performed or observed by them hereunder, (2) an opinion of Counsel to the effect that (x) the instrument described in paragraph (b) above has been duly authorized, executed and delivered and constitutes a legal, valid and binding agreement of such Person, enforceable in accordance with its terms, subject to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors' rights and application of general principles of equity and to such other exceptions as are not reasonably objected to by the Master Trustee and (y) the addition of such Person to the Obligated Group will not adversely affect the status as a Tax-Exempt Organization of any Member which otherwise has such status, and (3) if all amounts due or to become due on all Related Bonds have not been paid to the holders thereof and provision for such payment has not been made in such manner as to have resulted in the defeasance of all Related Bond Indentures, an opinion of nationally recognized municipal bond counsel to the effect that, under then existing law, the consummation of such transaction will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable on such Related Bond to which such Related Bond would otherwise be entitled;

(e) The Obligated Group Agent shall have delivered an Officer's Certificate to the Master Trustee demonstrating that the Transaction Test will be met, assuming the incurrence of $1.00 of additional Indebtedness, after giving effect to the proposed transaction; and

(f) *Exhibit A* to this Master Indenture shall be amended or replaced by the Obligated Group Agent to add such Person as a Member.

Each successor, assignee, surviving, resulting or transferee corporation or other legal entity of a Member must agree to become, and satisfy the above-described conditions to becoming, a Member of the Obligated Group prior to any such succession, assignment or other change in such Member's corporate status.

Section 404. Cessation of Status as a Member of the Obligated Group. Mary Hitchcock shall not withdraw from or cease to be a Member of the Obligated Group. Each Member covenants that it will not take any action, corporate or otherwise, which would cause it or any successor thereto into which it is merged or consolidated under the terms of the Master Indenture to cease to be a Member of the Obligated Group unless:

(a) if the Member proposing to withdraw from the Obligated Group is a party to any Related Loan Documents with respect to Related Bonds which remain outstanding, another Member of the Obligated Group has issued an

Obligation hereunder evidencing or assuming the obligation of the Obligated Group in respect of such Related Bonds;

(b) prior to cessation of such status, there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel to the effect that, under then existing law, the cessation by the Member of its status as a Member will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable on such Related Bond to which such Bond would otherwise be entitled;

(c) immediately after such cessation, no Event of Default exists hereunder and no event shall have occurred which with the passage of time or the giving of notice, or both, would become such an Event of Default;

(d) prior to such cessation there is delivered to the Master Trustee an opinion of Counsel to the effect that the cessation by such Member of its status as a Member will not adversely affect the status as a Tax-Exempt Organization of any Member which otherwise has such status;

(e) The Obligated Group Agent shall have delivered an Officer's Certificate to the Master Trustee demonstrating that the Transaction Test will be met, assuming the incurrence of $1.00 of additional Indebtedness, after giving effect to the proposed transaction;

(f) prior to the cessation of such status, the Obligated Group Agent consents in writing to the withdrawal of such Member; and

(g) *Exhibit A* to this Master Indenture shall be amended or replaced by the Obligated Group Agent to delete such Person as a Member.

Upon the withdrawal of a Member from the Obligated Group, such withdrawing Member shall be released from its pledge of Gross Revenues and from any and all liability under this Master Indenture and any Obligations.

Section 405. General Covenants; Right of Contest. Each Member hereby covenants to:

(a) Except as otherwise expressly provided herein (i) preserve its corporate or other separate legal existence, (ii) preserve all its rights and licenses to the extent necessary or desirable in the operation of its business and affairs as then conducted and (iii) be qualified to do business and conduct its affairs in each jurisdiction where its ownership of Property or the conduct of its business or affairs requires such qualification; provided, however, that nothing contained in this Master Indenture shall be construed to obligate such Member to retain, preserve or keep in effect the rights, licenses or qualifications no longer used or useful in the conduct of its business.

(b) In the case of any Person that is a Tax-Exempt Organization at the time it becomes a Member, so long as all amounts due or to become due on all Related Bonds have not been fully paid to the holders thereof or provision for such payment has not been made, to take no action or suffer any action to be taken by others, including any action which would result in the alteration or loss of its status as a Tax-Exempt Organization, which could result in any such Related Bond being declared invalid or result in the interest on any Related Bond, which is otherwise exempt from federal or state income taxation, becoming subject to such taxation.

(c) At its sole cost and expense, promptly comply with all present and future laws, ordinances, orders, decrees, decisions, rules, regulations and requirements of every duly constituted governmental authority, commission and court and the officers thereof which may be applicable to it or any of its affairs, business, operations and Property, any part thereof, any of the streets, alleys, passageways, sidewalks, curbs, gutters, vaults and vault spaces adjoining any of its Property or any part thereof or to the use or manner of use, occupancy or condition of any of its Property or any part thereof, if the failure to so comply would have a materially adverse affect on the operations or financial affairs of the Obligated Group, taken as a whole.

The foregoing notwithstanding, any Member may (i) cease to be a not for profit corporation or (ii) take actions which could result in the alteration or loss of its status as a Tax-Exempt Organization if prior thereto there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel to the effect that such actions would not adversely affect the validity of any Related Bond, the exemption from federal or state income taxation of interest payable on any Related Bond otherwise entitled to such exemption or adversely affect the enforceability in accordance with its terms of the Master Indenture against any Person.

No Member shall be required to remove any Lien required to be removed under Section 412, pay or otherwise satisfy and discharge its obligations, Indebtedness (other than any Obligations), demands and claims against it or to comply with any Lien, law, ordinance, rule, order, decree, decision, regulation or requirement referred to in Section 412, so long as such Member shall contest, in good faith and at its cost and expense, in its own name and behalf, the amount or validity thereof, in an appropriate manner or by appropriate proceedings which shall operate during the pendency thereof to prevent the collection of or other realization upon the obligation, Indebtedness, demand, claim or Lien so contested, and the sale, forfeiture, or loss of its Property or any part thereof, provided, that no such contest shall subject any Related Issuer, any Obligation holder or the Master Trustee to the risk of any liability. While any such matters are pending, such Member shall not be required to pay, remove or cause to be discharged the obligation, Indebtedness, demand, claim or Lien being contested unless such Member agrees to settle such contest. Each such contest shall be promptly prosecuted to final conclusion (subject to the right of such Member engaging in such a contest to settle such contest), and in any event the Member will save all Obligation holders and the Master Trustee harmless from and against all losses, judgments, decrees and costs (including attorneys' fees and expenses in connection therewith) as a result of such contest and will, promptly after the final determination of such contest or settlement thereof, pay and discharge the amounts which shall be determined to be

payable therein, together with all penalties, fines, interests, costs and expenses thereon or incurred in connection therewith.

Section 406. Insurance; Proceeds; Awards. (a) Each Member shall maintain or cause to be maintained at its sole cost and expense, with financially sound and reputable insurers (which may include Affiliates or other captive insurers), such public liability insurance, third party property damage insurance, business interruption insurance and casualty insurance with respect to liabilities, losses or damage in respect of the assets, properties and businesses of the Obligated Group as may customarily be carried or maintained under similar circumstances by healthcare service providers of established reputation engaged in similar businesses (or, in the case of an Obligated Group Member that is not a healthcare services provider, customarily carried or maintained under similar circumstances by entities of established reputation engaged in similar businesses), in each case in such amounts (giving effect to self-insurance), with such deductibles, covering such risks and otherwise on such terms and conditions as shall be customary for corporations similarly situated in the industry.

(b) Insurance proceeds (including title insurance proceeds) or condemnation awards paid or payable to the Obligated Group, or to the Master Trustee pursuant to, or in connection with, any Related Bond Indenture or any Related Loan Document, shall be applied, at the direction of the Obligated Group Agent (so long as no Event of Default under this Master Indenture is then continuing), either to (i) repair, reconstruct, restore or replace the damaged or condemned Property, or (ii) prepay all Outstanding Obligations pro-rata among all such Outstanding Obligations, or (iii) prepay Outstanding Obligations as may be directed by the Obligated Group Agent. Any such insurance proceeds or condemnation awards remaining after application as provided in the preceding sentence shall be paid or applied as directed by the Obligated Group Agent for any purpose as may be determined by the Obligated Group. Notwithstanding the foregoing, (x) the Obligated Group agrees that it shall not permit or direct the application of any insurance proceeds or condemnation awards received with respect to any Property financed with the proceeds of Related Bonds in any manner that would adversely affect the tax-exempt status of any Related Bonds. Upon the direction of the Obligated Group Agent, the Master Trustee shall deposit or cause to be deposited into an account or accounts, as may be required by any Related Bond Indenture or Related Loan Document, any insurance proceeds or condemnation awards (or allocable portion thereof) to be applied to the restoration, reconstruction or repair of any Property or the prepayment of Related Bonds and (y) if an Event of Default under this Master Indenture is continuing, such insurance proceeds or condemnation awards shall be paid to Master Trustee and applied in accordance with Section 506.

Section 407. Long-Term Debt Service Coverage Ratio. Each Member covenants and agrees to conduct its business on a revenue producing basis and to charge such fees and rates and to exercise such skill and diligence as to provide income from its Property together with other available funds sufficient to pay promptly all payments of principal and interest on its Indebtedness, all expenses of operation, maintenance and repair of its Property and all other payments required to be made by it hereunder to the extent permitted by law. Each Member further covenants and agrees that it will from time to time as often as necessary and to the extent permitted by law, revise its rates, fees and charges in such manner as may be necessary or proper to comply with the provisions of this Section.

The Obligated Group Agent shall calculate the Income Available for Debt Service of the Obligated Group for each Fiscal Year and the Long-Term Debt Service Coverage Ratio of the Obligated Group for such Fiscal Year and deliver a copy of such calculations to the Persons to whom financial statements are required to be delivered under Section 409 hereof.

If in any Fiscal Year the Long-Term Debt Service Coverage Ratio of the Obligated Group is less than 1.10 to 1, the Obligated Group Agent shall at its expense retain a Consultant, in a timely manner but in no event later than ninety (90) days after the date on which the Obligated Group Agent determines that such Long-Term Debt Service Coverage Ratio is less than 1.10 to 1, to prepare a report and make recommendations with respect to the rates, fees and charges of the Obligated Group and the Obligated Group's methods of operation and other factors affecting its financial condition in order to increase such Long-Term Debt Service Coverage Ratio to at least 1.10 to 1. Any Consultant so retained shall be required to submit such report and recommendations within ninety (90) days after being retained. So long as the Obligated Group has retained a Consultant and has followed the report and recommendations of the Consultant to the extent permitted by applicable laws, the Obligated Group shall be deemed to have complied with this Section even if such ratio for any subsequent Fiscal Year is below the required level of 1.10, unless the ratios at the end of any two consecutive subsequent Fiscal Years are less than 1.00, in which case an Event of Default hereunder shall occur. The Obligated Group shall no longer be required to retain such Consultant if and for so long as such ratio is restored to and maintained at not less than 1.10.

A copy of the Consultant's report and recommendations, if any, shall be filed with the Obligated Group Agent and the Master Trustee. Each Member shall follow each recommendation of the Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of such Member) and permitted by law. This Section shall not be construed to prohibit any Person from serving indigent patients to the extent required for such Person to continue its qualification as a Tax-Exempt Organization or from serving any other class or classes of patients without charge or at reduced rates so long as such service does not prevent the Obligated Group from satisfying the other requirements of this Section.

The foregoing provisions notwithstanding, if in any Fiscal Year the Long-Term Debt Service Coverage Ratio of the Obligated Group is less than 1.10 to 1, the Obligated Group Agent shall not be required to retain a Consultant to make such recommendations if: (a) there is filed with the Master Trustee a written report of a Consultant which contains an opinion of such Consultant to the effect that applicable laws or regulations have prevented the Obligated Group from generating Income Available for Debt Service during such Fiscal Year in an amount sufficient to produce a Long-Term Debt Service Coverage Ratio of the Obligated Group of 1.10 to 1 or higher; (b) the report of such Consultant indicates that the fees and rates charged by the Members of the Obligated Group are such that, in the opinion of the Consultant, the Members of the Obligated Group have generated the maximum amount of Revenues reasonably practicable given such laws or regulations; and (c) the Long-Term Debt Service Coverage Ratio of the Obligated Group was at least 1.00 to 1 for such Fiscal Year. The Obligated Group Agent shall not be required to cause the Consultant's report referred to in the preceding sentence to be prepared more frequently than once every two Fiscal Years if at the end of the first of such two Fiscal Years the Obligated Group Agent provides to the Master Trustee an Officer's Certificate

or an opinion of Counsel to the effect that the applicable laws and regulations underlying the Consultant's report delivered in respect of the previous Fiscal Year have not changed in any material way.

Notwithstanding anything else in this Section to the contrary, it shall be an Event of Default under Section 501 hereof if as of the end of any two consecutive Fiscal Years the Long-Term Debt Service Coverage Ratio of the Obligated Group for each of such two Fiscal Years is less than 1.00 to 1.

Section 408. Permitted Reorganizations. (a) Each Member agrees that it will not merge into, or consolidate with, one or more corporations or legal entities that are not Members, or allow one or more of such corporations or legal entities to merge into it, or sell or convey all or substantially all of its Property to any Person who is not a Member, unless in any such case:

(i) In the event that the successor corporation or other legal entity is not the Member, then any successor corporation or other legal entity to such Member (including without limitation any purchaser of all or substantially all the Property of such Member) is a corporation or other legal entity organized and existing under the laws of the United States of America or a state thereof and shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such successor corporation or other legal entity to assume, jointly and severally, the due and punctual payment of the principal of, premium, if any, and interest on, and any other amounts due under, all Obligations according to their tenor and the due and punctual performance and observance of all the covenants and conditions of this Master Indenture to be kept and performed by such Member;

(ii) Immediately after such merger or consolidation, or such sale or conveyance, no Member would be in default in the performance or observance of any covenant or condition of any Related Loan Document or this Master Indenture;

(iii) If all amounts due or to become due on all Related Bonds have not been fully paid to the holders thereof or fully provided for, there shall be delivered to the Master Trustee (i) an opinion of Counsel to the effect that the consummation of such merger, consolidation, sale or conveyance will not adversely affect the status as a Tax-Exempt Organization of any Member which otherwise has such status; and (ii) an opinion of nationally recognized municipal bond counsel to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance would not adversely affect the validity of such Related Bonds or the exemption otherwise available from federal or state income taxation of interest payable on such Related Bonds;

(iv) The Obligated Group Agent shall have consented to such Permitted Reorganization; and

(v) The Obligated Group Agent shall have delivered an Officer's Certificate to the Master Trustee demonstrating that the Transaction Test will be met, assuming the incurrence of $1.00 of additional Indebtedness after giving effect to the proposed Permitted Reorganization.

(b) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation or other legal entity shall succeed to and be substituted for its predecessor, with the same effect as if it had been named herein as such Member and the Member party to such transaction, if it is not the survivor, shall thereupon be relieved of any further obligation or liabilities hereunder or upon the Obligations and such Member as the predecessor or non-surviving corporation may thereupon or at any time thereafter be dissolved, wound up or liquidated. Any successor corporation to such Member thereupon may cause to be signed and may issue in its own name Obligations hereunder and the predecessor corporation shall be released from its obligations hereunder and under any Obligations, if such predecessor corporation shall have conveyed all or substantially all Property owned by it (or all such Property shall be deemed conveyed by operation of law) to such successor corporation. All Obligations so issued by such successor corporation hereunder shall in all respects have the same legal rank and benefit under this Master Indenture as Obligations theretofore or thereafter issued in accordance with the terms of this Master Indenture as though all of such Obligations had been issued hereunder by such prior Member 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 as may be appropriate.

(d) The Master Trustee may rely upon an opinion of Counsel 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 VII and of this Section to join in the execution of any instrument required to be executed and delivered by this Section.

Section 409. Financial Statements, Etc. Each Member covenants that they will keep or cause to be kept proper books of records and accounts in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the Members in accordance with generally accepted accounting principles consistently applied except as may be disclosed in the notes to the audited financial statements referred to in subparagraph (A) below, and the Obligated Group will furnish to the Master Trustee:

(A) As soon as practicable after they are available, but in no event more than 150 days after the last day of each Fiscal Year, a financial report of the Obligated Group for such Fiscal Year (or if the Obligated Group Agent shall so elect, a consolidated financial report of the System or the Obligated Group) certified by a firm of nationally recognized independent certified public accountants selected by the Obligated Group Agent prepared on a combined or consolidated, or combining or consolidating, basis in accordance with generally accepted accounting principles, covering the operations of the Obligated Group

for such Fiscal Year and containing an audited consolidated statement of financial position of the Obligated Group, as of the end of such Fiscal Year and an audited consolidated and an unaudited consolidating statement of changes in net assets and statement of cash flows of the Obligated Group for such Fiscal Year and an audited consolidated and an unaudited consolidating statement of operations of the Obligated Group for such Fiscal Year, showing in each case in comparative form the financial figures for the preceding Fiscal Year.

(B) At the time of delivery of the financial report referred to in subsection (A) above, an Officer's Certificate, stating that the Obligated Group Agent has made a review of the activities of each Member during the preceding Fiscal Year for the purpose of determining whether or not the Members have complied with all of the terms, provisions and conditions of this Master Indenture and that each Member has kept, observed, performed and fulfilled each and every covenant, provision and condition of this Master Indenture on its part to be performed and is not in default in the performance or observance of any of the terms, covenants, provisions or conditions hereof, or if an Event of Default shall have occurred and be continuing such certificate shall specify all such Events of Default and the nature thereof.

Section 410. Permitted Indebtedness. (a) The Members of the Obligated Group covenant that, except for Permitted Indebtedness described in paragraph (b) of this Section 410, the Members of the Obligated Group shall not incur additional Indebtedness, directly, indirectly or contingently.

(b) Permitted Indebtedness shall include only the following:

(1) Long-Term Indebtedness, if prior to the incurrence of such Long-Term Indebtedness there is delivered to the Master Trustee an Officer's Certificate demonstrating that the Transaction Test shall have been met for, and giving effect to, the incurrence of such Indebtedness;

(2) Long-Term Indebtedness, if prior to the incurrence of such Long-Term Indebtedness there is delivered to the Master Trustee an Officer's Certificate to the effect that the total principal amount of Long-Term Indebtedness to be incurred at such time, when added to the aggregate principal amount of all other Long-Term Indebtedness theretofore issued pursuant to this paragraph (b)(2) and then Outstanding, will not exceed thirty-five percent (35%) of the Operating Revenues of the Obligated Group for the Historic Test Period. Any Long-Term Indebtedness or portion thereof incurred under this paragraph (b)(2) which is Outstanding at any time shall be deemed to have been incurred under any one of the paragraphs of the Transaction Test if at any time subsequent to the incurrence thereof there shall be filed with the Master Trustee an Officer's Certificate to the effect that such Outstanding Indebtedness or portion thereof would satisfy such other provision, specifying such other provision, and thereupon the amount deemed to have been incurred and to be Outstanding under

this paragraph (b)(2) shall be deemed to have been reduced by such amount and to have been incurred under such other provision;

(3) Completion Indebtedness, if prior to the incurrence of such Completion Indebtedness there is delivered to the Master Trustee an Officer's Certificate (i) to the effect that the net proceeds of such proposed Completion Indebtedness is needed for the completion of the construction or equipping of the Facilities in question; (ii) to the effect that the original Indebtedness for the Facilities in question when incurred was assumed to be sufficient for the projected costs; (iii) describing the reasons why such Completion Indebtedness is necessary; (iv) certifying as to the amount needed for the completion of the Facilities in question; and (v) certifying that the principal amount of such Completion Indebtedness will not exceed twenty percent (20%) of the initial principal amount of the Indebtedness originally incurred for the Facilities in question;

(4) Long-Term Indebtedness incurred for the purpose of refunding, including advance refunding, any Outstanding Long-Term Indebtedness, if prior to the incurrence of such Long-Term Indebtedness there is delivered to the Master Trustee an Officer's Certificate to the effect that either (i) such refunding will not increase Maximum Annual Debt Service in any year (calculated for the period during which the Indebtedness to be refunded would have been Outstanding but for such proposed refunding) by more than ten percent (10%) or (ii) such refunding will result in a present value savings in the debt service requirements as compared to that of the Outstanding Long-Term Indebtedness being refunded; provided, however, refundings in the nature of the rolling-over of Indebtedness in the form of commercial paper shall be permitted, without limitation and without the need for the delivery of any Officer's Certificate;

(5) Short-Term Indebtedness, provided that immediately after the incurrence of such Indebtedness the aggregate Outstanding principal amount of all Short-Term Indebtedness does not exceed twenty-five percent (25%) of the aggregate Operating Revenues of the Obligated Group for the Historic Test Period;

(6) Non-Recourse Indebtedness, without limitation, so long as such Non-Recourse Indebtedness is: (i) secured by a Lien on Property which is part of the Property, Plant and Equipment; or (ii) secured by a Lien on Property which is inventory or pledges of gifts or grants to be received in the future without limit; provided that such gifts or grants shall be excluded from the calculation of Income Available for Debt Service so long as such Non-Recourse Indebtedness is Outstanding;

(7) Subordinated Indebtedness, without limitation;

(8) Balloon Indebtedness, provided that, after giving effect to the provisions of Section 415 hereof, such Balloon Indebtedness can be incurred under the provisions of Section 410(b)(1) or (2) hereof;

(9) Guarantees, (i) if such Guaranty could then be incurred by the Obligated Group as Long-Term Indebtedness under Section 410(b)(1) or (2) hereof, as Short-Term Indebtedness under Section 410(b)(5) hereof, or as Balloon Indebtedness under Section 410(b)(8) hereof, provided that in each case for purposes of any computations provided for in this paragraph (b)(9)(i), and also for purposes of calculating the Debt Service Requirements with respect to a Guaranty, (A) the aggregate annual principal and interest payments on, and the principal amount of, any indebtedness of a Person which is the subject of a Guaranty hereunder and which would, if such obligation were incurred by the Obligated Group, constitute Long-Term Indebtedness, shall be deemed equivalent to twenty percent (20%) of the actual Debt Service Requirements on, and principal amount of, such indebtedness of the Primary Obligor (assuming the definitions of this Master Indenture apply to such indebtedness), so long as no Event of Default has occurred with respect to such Indebtedness that is the subject of such Guaranty and such Guaranty constitutes a contingent liability under generally accepted accounting principles; and (B) the Debt Service Requirements on, and principal amount of, any Long-Term Indebtedness represented by a Guaranty shall be deemed equivalent to one hundred percent (100%) of the actual Debt Service Requirements on, and principal amount of, such indebtedness of the Primary Obligor, if a payment has been made by the Obligated Group on such Guaranty within one (1) year of the date of any computation to be made under this paragraph (b)(9)(i) (assuming the definitions of this Master Indenture apply to such indebtedness); or (ii) if such Guaranty is of Indebtedness of another Member of the Obligated Group, which Indebtedness has been or could be incurred as Permitted Indebtedness hereunder; or (iii) if such Guaranty is of indebtedness or any other obligation of an Affiliate;

(10) Indebtedness represented by a letter of credit reimbursement agreement or standby bond purchase agreement or other similar agreement entered into by any member of the Obligated Group and a financial institution providing either a liquidity or credit support with respect to any other Indebtedness incurred in accordance with any other provision of this Section 410(b);

(11) Indebtedness in the form of a borrowing from another Member of the Obligated Group or from an Affiliate;

(12) Indebtedness in the form of any other financial obligation to another Member of the Obligated Group or to an Affiliate;

(13) Indebtedness incurred on an interim basis with respect to any construction project for which money is available therefor in the construction fund for such project;

(14) Indebtedness incurred in the ordinary course of business;

(15) Indebtedness in the form of a guaranty or confirmation of liability of an Affiliate incurred directly or indirectly with respect to a self-insurance or captive insurance program benefiting any Member of the Obligated Group;

(16) Indebtedness incurred or deemed incurred by virtue of any recourse obligation associated with any sale or assignment of accounts receivable, but in no event shall such Indebtedness be in a principal amount that exceeds the monetary consideration received from any such sale or assignment by more than twenty percent (20%); and in any event not in excess of twenty percent (20%) of the total amount of accounts receivable (net of contractual allowances) of the Obligated Group as of the end of the Historic Test Period;

(17) Indebtedness in the form of installment purchase contracts, Capitalized Leases, purchase money mortgages, loans, sale agreements or other typical borrowing instruments; provided that the aggregate annual debt service on the Indebtedness permitted under this paragraph (b)(17) shall not in any Fiscal Year exceed fifteen percent (15%) of the Operating Revenues of the Obligated Group for the Historic Test Period;

(18) any Indebtedness (or obligations not for borrowed money), which Indebtedness or obligation is not generally treated as indebtedness, such as obligations to make contributions to employee benefit plans, social security alternative plans, self-insurance programs, captive insurance companies and unemployment insurance liabilities.

Section 411. Permitted Dispositions. (a) The Members of the Obligated Group covenant that, except for Permitted Dispositions described in paragraph (b) of this Section 411, the Members of the Obligated Group shall not sell, lease, remove, release from the lien of this Master Indenture, transfer, assign, convey or otherwise dispose of any Property of the Members of the Obligated Group.

(b) Permitted Dispositions shall include only the following:

(1) the disposition of Property if the Value of such Property disposed of in any one Fiscal Year is not in excess of fifteen percent (15%) of the Value of the Property of the Obligated Group as of the end of the Historic Test Period;

(2) the disposition of Property if the Value of such Property disposed of in any one Fiscal Year exceeds fifteen percent (15%) of the Value of the Property of the Obligated Group as of the end of the Historic Test Period; provided, however, that an Officer's Certificate is delivered to the Master Trustee demonstrating that the Transaction Test shall have been met for, and giving effect to, such proposed Permitted Disposition;

(3) the disposition of real property that is unused or surplus upon which none of the Facilities are situated;

(4) the disposition of Property in the case of any proposed, pending or potential condemnation or taking for public or quasi-public use of the Property or any portion thereof;

(5) the disposition of Property to any Person if such Property has, or within the next succeeding twenty-four (24) calendar months is reasonably expected to, become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property;

(6) the disposition of Property in the ordinary course of business;

(7) the disposition of Property (other than Current Assets or Gross Revenues) that does not constitute part of the health care Facilities of the Obligated Group;

(8) the disposition of Property if such Property is replaced promptly by other Property of comparable utility or worth;

(9) the disposition of Property if the Obligated Group, or any Member thereof, receives fair market value therefor;

(10) the disposition of Property constituting the sale, assignment or other disposition of not in excess of thirty-five percent (35%) of the Obligated Group's accounts receivable in the immediately preceding Fiscal Year, provided that the transaction is commercially reasonable and for consideration deemed fair and adequate in an Officer's Certificate delivered to the Master Trustee (in such case the Master Trustee shall cooperate, at the expense of the Obligated Group, in releasing any accounts receivable from the Lien on Gross Revenues);

(11) the disposition of Property to another Member of the Obligated Group or to an Affiliate;

(12) the disposition of Property in connection with a Permitted Reorganization;

(13) the disposition of Property to any affiliated physician or medical group practice provided that such transfer is used solely to subsidize or support salary and benefits of physician employees and ordinary course operating expenses of such group practice;

(14) The disposition of Property to any self-insurance trust or captive insurance company;

(15) the disposition of Property if such Property is replaced promptly by other Property of comparable utility or worth, evidenced in the case of dispositions of real property with a Value in excess of the greater of twenty million dollars ($20,000,000) or one-half of one percent (0.5%) of the Value of the Property of the Obligated Group, by an appraisal obtained by the Obligated Group Agent filed with the Master Trustee and not more than thirty (30) days prior to such disposition.

Section 412. Permitted Encumbrances. No Material Obligated Group Member shall create or incur or permit to be created or incurred or to exist any Lien on any Property of such Member, except for Permitted Encumbrances.

Section 413. Permitted Releases. (a) The Members of the Obligated Group covenant that, except for Permitted Releases described in paragraph (b) of this Section 413, the Members of the Obligated Group shall not release any of the Gross Revenues from the security interest created by this Master Indenture, or release any of the Property or portions thereof from the covenant against Liens set forth in Section 412 hereof.

(b) Permitted Releases shall include only the following:

(1) a release made with respect to the Property that is to be disposed of in conjunction with a Permitted Disposition of the Property;

(2) a release made with respect to the Property (other than with respect to Property, Plant and Equipment) that is permitted to be disposed of, but in fact is not to be disposed of, in accordance with the provisions of this Master Indenture relating to Permitted Dispositions;

(3) a release made with respect to the Property of a Member upon the withdrawal of such Member from the Obligated Group in accordance with Section 404 hereof.

(c) The Master Trustee is authorized to cooperate with the Obligated Group, at the expense of the Obligated Group, to implement any such Permitted Release.

Section 414. Indemnity. Each Member, jointly and severally, will pay, and will protect, indemnify and save the Master Trustee (and its directors, officers, employees and agents) harmless from and against any and all liabilities, losses, damages, costs and expenses (including reasonable attorneys' fees and expenses of such Member and the Master Trustee), causes of action, suits, claims, demands and judgments of whatsoever kind and nature (including those arising or resulting from any injury to or death of any person or damage to Property) arising from or in any manner directly or indirectly growing out of or connected with the following:

(1) the use, non-use, condition or occupancy of any of the Property of any Member, any repairs, construction, alterations, renovation, relocation, remodeling and equipping thereof or thereto or the condition of any of such Property including adjoining sidewalks, streets or alleys and any equipment or Facilities at any time located on such Property or used in connection therewith but which are not the result of the negligence of the Master Trustee;

(2) violation of any agreement, warranty, covenant or condition of this Master Indenture, except by the Master Trustee;

(3) violation of any contract, agreement or restriction by any Member relating to its Property, which shall have existed at the commencement of this Master Indenture;

(4) violation of any law, ordinance, regulation or court order affecting any Property of any Member or the ownership, occupancy or use thereof;

(5) any statement or information concerning any Member or its officers and members or its Property, contained in any official statement or other offering document furnished to the Master Trustee or the purchaser of any Obligations or any Related Bonds, that is untrue or incorrect in any material respect, and any omission from such official statement or other offering document of any statement or information which should be contained therein for the purpose for which the same is to be used or which is necessary to make the statements therein concerning any Member, its officers and members and its Property not misleading in any material respect, provided that the official statement or other offering document has been approved by a Member of the Obligated Group and the indemnified party did not have knowledge of the omission or misstatement or did not use the official statement or other offering document with reckless disregard of or gross negligence in regard to the accuracy or completeness of the official statement or other offering document; and

(6) the performance by the Master Trustee of its powers, duties and obligations under this Master Indenture except in the case of its gross negligence or willful misconduct.

Such indemnity shall extend to each Person, if any, who "controls" the Master Trustee as that term is defined in Section 15 of the Securities Act of 1933, as amended. The respective obligations of the Members under this Section 414 to indemnify and hold harmless the Master Trustee shall survive satisfaction and discharge of this Master Indenture and the replacement or resignation of the Master Trustee.

In the event of settlement of any litigation commenced or threatened, such indemnity shall be limited to the aggregate amount paid under a settlement effected with the written consent of the Obligated Group Agent.

The Master Trustee shall promptly notify the Obligated Group Agent in writing of any claim or action brought against the Master Trustee, its directors, officers, employees and agents, or any controlling person, as the case may be, in respect of which indemnity may be sought against any Member, setting forth the particulars of such claim or action, and the Obligated Group will assume the defense thereof, including the employment of Counsel satisfactory in the reasonable discretion of the Master Trustee or such controlling person, as the case may be, and the payment of all expenses. The Master Trustee or any such controlling person, as the case may be, may employ separate Counsel in any such action and participate in the defense thereof, and the reasonable fees and expenses of such Counsel shall not be payable by the Obligated Group unless such employment has been specifically authorized by the Obligated Group Agent.

Section 415. Debt Service on Balloon Indebtedness. For purposes of the computation of the Debt Service Requirement, whether historic or projected, Balloon Indebtedness shall, at the election of the Obligated Group Agent, be deemed to be Indebtedness

(a) which was payable over a period of the longer of (I) thirty (30) years from the date of calculation, or (II) the remaining term to maturity of such Indebtedness, or (b) the term of refinancing if such Indebtedness is subject to a binding commitment for the refinancing of such Indebtedness, in each case with level annual debt service, at a rate of interest equal to that derived from the Bond Index, as determined by an Officer's Certificate. In addition, the calculation of the Debt Service Requirements for Outstanding Balloon Indebtedness may be further adjusted upon delivery to the Master Trustee of (A) an Officer's Certificate, dated within 90 days prior to the date of calculation of the Debt Service Requirements, stating that financing of a stated term (which shall not extend beyond thirty (30) years after such date of calculation), amortization, and interest rate of Outstanding Balloon Indebtedness is reasonably attainable by the Obligated Group to refund or otherwise directly or indirectly to refinance any amount of such Balloon Indebtedness, in which case the principal of and premium, if any, and interest and other debt service charges on the amount of such Outstanding Balloon Indebtedness so certified to be refundable or refinanceable (whether or not any such refunding or refinancing is imminent) shall be excluded from the calculation of the Debt Service Requirements and the principal of and premium, if any, and interest and other debt service charges (which need not be based upon level annual debt service) on the theoretical refunding or refinancing Indebtedness as so certified which would result from such theoretical refunding or refinancing if incurred on the first day of the Fiscal Year for which the Debt Service Requirements is being calculated, shall be added to the calculation of such Debt Service Requirements; and (B) an Officer's Certificate, accompanied by a written consent or agreement of the Members of the Obligated Group, or of the Obligated Group Agent on their behalf, agreeing to retire (and such Balloon Indebtedness shall permit the retirement of), or to fund a sinking fund or escrow for, the principal of, such Balloon Indebtedness according to a fixed schedule stated in such consent or agreement ending on or before the Fiscal Year in which such amount is due or could become due or payable in respect of any required purchase or maturity of such Balloon Indebtedness, in which case the principal of (and, in the case of retirement, the premium, if any, and interest and other debt service charges on) such Balloon Indebtedness shall be computed as if the same were due in accordance with such fixed schedule; provided that this clause (B) shall only be applicable to Outstanding Balloon Indebtedness for which the installments of principal previously scheduled have been paid or funded on or before the times required by such previous schedule.

Section 416. Debt Service on Variable Rate Indebtedness. For purposes of the computation of the projected (but not historic) Debt Service Requirement, Variable Rate Indebtedness shall be deemed Indebtedness maturing in accordance with its terms, and which bears interest at a rate equal to that derived from the Bond Index, all as determined by an Officer's Certificate.

Section 417. Debt Service on Discount Indebtedness. For purposes of the computation of the Debt Service Requirement, whether historic or projected, the amount of principal represented by Discount Indebtedness shall, at the election of the Obligated Group Agent, be deemed to be the accreted value of such Indebtedness computed on the basis of a constant yield to maturity.

Section 418. Right to Consent, Etc. Each Member, with the prior written consent of the Obligated Group Agent, shall have the right to agree in any Related Bond Indenture, Related Loan Document or Supplemental Master Indenture pursuant to which an

Obligation is issued that, so long as any Related Bonds remain outstanding under such Related Bond Indenture or such Obligation remains outstanding, any or all provisions of this Master Indenture which provide for approval, consent, direction or appointment by the Master Trustee, provide that anything must be satisfactory or acceptable to the Master Trustee or not unacceptable to the Master Trustee, allow the Master Trustee to request anything or contain similar provisions granting discretion to the Master Trustee may also require or allow, as the case may be, the approval, consent, appointment, satisfaction, acceptance, request or like exercise of discretion by the Related Issuer, the Related Bond Trustee, the credit or liquidity enhancer of any Related Bonds, or the holders of some specified percentage of such Obligations as provided for in such Obligations, or any one thereof, and that all items required to be delivered or addressed to the Master Trustee hereunder may also be delivered or addressed to the Related Issuer, such Obligation holders, the credit or liquidity enhancer of any Related Bonds, and the Related Bond Trustee, or any one thereof, unless waived thereby.

ARTICLE V

REMEDIES

Section 501. Events of Default. Each of the following events is hereby declared an "Event of Default":

(a) failure of the Obligated Group to pay any installment of interest or principal, or any premium, or any other amount due, on any Obligation when the same shall become due and payable, whether at maturity, upon any date fixed for prepayment or by acceleration or otherwise (giving effect to any grace period provided in the Supplemental Master Indenture pursuant to which such Obligation was issued); or

(b) failure of any Member to comply with, observe or perform any other covenants, conditions, agreements or provisions hereof and to remedy such default within 60 days after written notice thereof to such Member and the Obligated Group Agent from the Master Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Debt Obligations; provided, that if such default cannot with due diligence and dispatch be wholly cured within 60 days but can be wholly cured, the failure of the Member to remedy such default within such 60-day period shall not constitute a default hereunder if the Member shall immediately upon receipt of such notice commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, shall thereafter prosecute and complete the same with due diligence and dispatch; and provided, further, that the requirement of written notice and the expiration of a period within which such failure may be remedied shall not apply to (i) the failure of the Obligated Group Agent to retain a Consultant within the period and as otherwise contemplated by Section 407 hereof or (ii) the failure of the Long-Term Debt Service Coverage Ratio of the Obligated Group to be 1.00 to 1 or greater; or

(c) any representation or warranty made by any Member herein or in any Supplemental Master Indenture or in any statement or certificate furnished to the Master Trustee or the purchaser of any Obligation or Related Bond in connection with the delivery of any Obligation or sale of any Related Bond or furnished by any Member pursuant hereto or any Supplemental Master Indenture proves untrue in any material respect as of the date of the issuance or making thereof and shall not be corrected or brought into compliance within 60 days after written notice thereof to the Obligated Group Agent by the Master Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Debt Obligations; or

(d) any event of default under or with respect to any Obligation, including but not limited to any default or event of default, in either case that has not been waived or cured, under any mortgage, loan agreement, reimbursement agreement, or other instrument that is evidenced or secured by any such Obligation; or

(e) any default in the payment of the principal of, premium, if any, or interest on any Indebtedness for borrowed money (other than Non-Recourse Indebtedness) of any Member, including without limitation any Indebtedness created by any Related Loan Document, as and when the same shall become due, or an event of default as defined in any mortgage, indenture, loan agreement or other instrument under or pursuant to which there was issued or incurred, or by which there is secured, any such Indebtedness (including any Obligation) of any Member, and which default in payment or event of default results in the acceleration of such Indebtedness prior to the date on which it would otherwise become due and payable; provided, however, that if such Indebtedness is not evidenced by an Obligation or issued, incurred or secured by or under a Related Loan Document, a default in payment thereunder shall not constitute an Event of Default hereunder unless the unpaid principal amount of such Indebtedness, together with the unpaid principal amount of all other Indebtedness so in default, exceeds the greater of (i) ten percent (10%) of the Value of the Current Assets, or (ii) two percent (2%) of the Value of the Operating Revenues, in each case of the Obligated Group as shown on or derived from the then latest available audited financial statements of the Obligated Group; or

(f) any judgment, writ or warrant of attachment or of any similar process shall be entered or filed against any Member or against any Property of any Member and remains unvacated, unpaid, unbonded, unstayed or uncontested in good faith for a period of 60 days; provided, however, that none of the foregoing shall constitute an Event of Default hereunder unless the amount of such judgment, writ, warrant of attachment or similar process, together with the amount of all other such judgments, writs, warrants or similar processes so unvacated, unpaid, unbonded, unstayed or uncontested, exceeds the greater of (i) ten percent (10%) of the Value of the Current Assets, or (ii) two percent (2%) of the Value of the Operating Revenues, in each case as shown on or derived from the then latest available audited financial statements of the Obligated Group; or

(g) any Material Obligated Group Member admits insolvency or bankruptcy or its inability to pay its debts as they mature, or is generally not paying its debts as such debts become due, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee, custodian or receiver for such Member, or for the major part of its Property; or

(h) a trustee, custodian or receiver is appointed for any Material Obligated Group Member or for the major part of its Property and is not discharged within 60 days after such appointment; or

(i) bankruptcy, dissolution, reorganization, arrangement, insolvency or liquidation proceedings, proceedings under Title 11 of the United States Code, as amended, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors are instituted by or against any Material Obligated Group Member (other than bankruptcy proceedings instituted by any Material Obligated Group Member against third parties), and if instituted against any Material Obligated Group Member are allowed against such Member or are consented to or are not dismissed, stayed or otherwise nullified within 60 days after such institution.

Section 502. Acceleration. If an Event of Default has occurred and is continuing, the Master Trustee may, and if requested by the holders of not less than 25% in aggregate principal amount of Outstanding Debt Obligations shall, by notice in writing delivered to the Obligated Group Agent, declare the entire principal amount of or other amounts evidenced under all Obligations then outstanding hereunder and the interest accrued thereon immediately due and payable, and the entire principal or other amounts and such interest shall thereupon become immediately due and payable, subject, however, to the provisions of Section 510 hereof with respect to waivers of Events of Default.

Section 503. Remedies; Rights of Obligation Holders. Upon the occurrence of any Event of Default hereunder, the Master Trustee may pursue any available remedy including a suit, action or proceeding at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Obligations outstanding hereunder and any other sums due under the Obligations or hereunder and may collect such sums in the manner provided by law out of the Property of any Member wherever situated.

If an Event of default shall have occurred and is continuing, and if it shall have been requested so to do by the holders of 25% or more in aggregate principal amount of Debt Obligations outstanding (and upon the provision of indemnity satisfactory to the Master Trustee in its sole discretion), the Master Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Section 503 as the Master Trustee shall deem most expedient in the interests of the holders of Debt Obligations; provided, however, that the Master Trustee shall have the right to decline to comply with any such request if the Master Trustee shall be advised by Counsel (who may be its own Counsel) that the action so requested may not lawfully be taken or the Master Trustee in good faith shall determine that such action would be unjustly prejudicial to the holders of Obligations not parties to such request.

No remedy by the terms of this Master Indenture conferred upon or reserved to the Master Trustee (or to the holders of Debt Obligations) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Master Trustee or to the holders of Debt Obligations hereunder now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default, or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder, whether by the Master Trustee or by the holders of Debt Obligations, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Section 504. Direction of Proceedings by Holders. The holders of a majority in aggregate principal amount of the Debt Obligations then outstanding which have become due and payable in accordance with their terms or have been declared due and payable pursuant to Section 502 hereof and have not been paid in full in the case of remedies exercised to enforce such payment, or the holders of a majority in aggregate principal amount of the Debt Obligations then outstanding in the case of any other remedy, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Master Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Master Indenture or for the appointment of a receiver, or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of this Master Indenture and that the Master Trustee shall have the right to decline to comply with any such request if the Master Trustee shall be advised by Counsel (who may be its own Counsel) that the action so directed may not lawfully be taken or the Master Trustee in good faith shall determine that such action would be unjustly prejudicial to the holders of the Obligations not parties to such direction.

The foregoing notwithstanding, the holders of a majority in aggregate principal amount of the Debt Obligations then outstanding which are entitled to the exclusive benefit of certain security in addition to that intended to secure all or other Obligations shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Master Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Master Indenture or the Supplemental Master Indentures pursuant to which such Obligations were issued or so secured or any separate security document in order to realize on such security; provided, however, that such direction shall not be otherwise than in accordance with the provisions of law and of this Master Indenture.

Section 505. Appointment of Receivers. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Master Trustee and the holders of Obligations under this Master Indenture, the Master Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the rights and properties pledged hereunder and of the revenues, issues, payments and profits

thereof, pending such proceedings, with such powers as the court making such appointment shall confer. Each Member of the Obligated Group hereby consents and agrees, and will if requested by the Master Trustee consent and agree at the time of application by the Master Trustee for appointment of a receiver of its Property, to the appointment of such receiver of its Property and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of and operate and deal with such Property and the revenues, profits and proceeds therefrom, with like effect as the Member of the Obligated Group could do so, and to borrow money and issue evidences of indebtedness as such receiver.

Section 506. Application of Moneys. All moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of this Article V (except moneys held for the payment of Obligations called for prepayment or redemption which have become due and payable) shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the fees of, expenses, liabilities and advances incurred or made by the Master Trustee, any Related Issuers and any Related Bond Trustees, be applied as follows:

(a) Unless all Obligations shall have become or shall have been declared due and payable, all such moneys shall be applied:

First: To the payment to the persons entitled thereto of all installments of interest then due on the Obligations, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second: To the payment to the persons entitled thereto of the unpaid principal and premium, if any, on the Obligations which shall have become due (other than Obligations called for redemption or payment for payment of which moneys are held pursuant to the provisions of this Master Indenture), in the order of the scheduled dates of their payment, and, if the amount available shall not be sufficient to pay in full Obligations due on any particular date, then to the payment ratably, according to the amount of principal and premium due on such date, to the persons entitled thereto without any discrimination or privilege; and

Third: To the payment to the persons entitled thereto of any other amounts which have become due under any and all Obligations, including but not limited to any payments under Hedging Obligations or Ancillary Obligations.

(b) If all Obligations shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal, premium, if any, and interest and all other amounts then due and unpaid

upon the Obligations without preference or priority of principal, premium, interest or other amounts over the others, 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, premium, if any, interest and all other amounts to the persons entitled thereto without any discrimination or privilege.

(c) If all 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 V, then, subject to the provisions of paragraph (b) of this Section 506 in the event that all 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 506.

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 to be paid on such date 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 or for cancellation if fully paid.

Whenever all Obligations and interest thereon have been paid under the provisions of this Section 506 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 Obligated Group Agent on behalf of the Members. When all Obligations and interest thereon have been paid under the provisions of this Section 506 and all expenses and charges of the Master Trustee have been paid, the Obligated Group Agent shall be authorized to terminate of record any financing statements or other filings or evidence of any Lien granted hereunder.

Section 507. Remedies Vested in Master Trustee. All rights of action including the right to file proof of claims under this Master Indenture or under any of the Obligations may be enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Master Trustee shall be brought in its name as Master Trustee without the necessity of joining as plaintiffs or defendants any holders of the Obligations, and any recovery of judgment shall be for the equal benefit of the holders of the Outstanding Obligations.

Section 508. Rights and Remedies of Obligation Holders. No holder of any Obligation shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Master Indenture or for the execution of any trust hereof or for the

appointment of a receiver or any other remedy hereunder, unless a default shall have become an Event of Default and the holders of 25% or more in aggregate principal amount (i) of the Debt Obligations then Outstanding which have become due and payable in accordance with their terms or have been declared due and payable pursuant to Section 502 hereof and have not been paid in full in the case of powers exercised to enforce such payment, or (ii) the Debt Obligations then outstanding in the case of any other exercise of power, shall have made written request to the Master Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, and shall have offered indemnity to the Master Trustee for its fees and expenses in an amount satisfactory to the Master Trustee in its sole discretion, and unless the Master Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Master Trustee to be conditions precedent to the execution of the powers and trusts of this Master Indenture and to any action or cause of action for the enforcement of this Master Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more holders of the Obligations shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Master Indenture by its, his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the holders of all Obligations outstanding. Nothing in this Master Indenture contained shall, however, affect or impair the right of any holder to enforce the payment of the principal of, premium, if any, and interest on, or any other amounts due under, any Obligation at and after the maturity thereof, or the obligation of the Members to pay the principal, premium, if any, and interest on, or any other amounts due under, each of the Obligations issued hereunder to the respective holders thereof at the time and place, from the source and in the manner in said Obligations expressed.

Section 509. Termination of Proceedings. In case the Master Trustee shall have proceeded to enforce any right under this Master Indenture by the appointment of a receiver, or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Master Trustee, then and in every case the Members and the Master Trustee shall, subject to any determination in such proceeding, be restored to their former positions and rights hereunder with respect to the Property pledged and assigned hereunder, and all rights, remedies and powers of the Master Trustee shall continue as if no such proceedings had been taken.

Section 510. Waiver of Events of Default. If, at any time after all Obligations shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided and before the acceleration of any Related Bond, any Member shall pay or shall deposit with the Master Trustee (in connection with any Event of Default described in Section 501(a) hereof) a sum sufficient to pay all matured installments of interest upon all such Obligations and the principal and premium, if any, of, and any other amounts due under, all such Obligations that shall have become due otherwise than by acceleration (with interest on overdue installments of interest and on such principal and premium, if any, at the rate borne by such Obligations to the date of such payment or deposit, to the extent permitted by law) and the expenses of the Master Trustee, and if any and all Events of Default under this Master Indenture, other than the nonpayment of any amounts due

under such Obligations that shall have become due by acceleration, shall have been remedied, then and in every such case the holders of a majority in aggregate principal amount of all Debt Obligations then outstanding, by written notice to the Obligated Group Agent and to the Master Trustee, may waive all Events of Default and rescind and annul such declaration and its consequences; but no such waiver or rescission and annulment shall extend to or affect any subsequent Event of Default, or shall impair any right consequent thereon.

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.

The Master Trustee 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.

In case of any waiver by the Master Trustee of an Event of Default hereunder, the Members of the Obligated Group, the Master Trustee and the holders shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Section 511. Members' Rights of Possession and Use of Property. So long as no Event of Default shall have occurred and is continuing, each Member shall be suffered and permitted to possess, use and enjoy its Property and appurtenances thereto free of claims of the Master Trustee.

Section 512. Related Bond Trustee or Bondholders Deemed To Be Obligation Holders. For the purposes of this Master Indenture, unless a Related Bond Trustee elects to the contrary or contrary provision is made in a Related Bond Indenture, each Related Bond Trustee shall be deemed the holder of the Obligation or Obligations pledged to secure the Related Bonds with respect to which such Related Bond Trustee is acting as trustee. If such a Related Bond Trustee so elects or the Related Bond Indenture so provides, the holders of each series of Related Bonds (or, in lieu thereof, the credit enhancer for such Related Bonds) shall be deemed the holders of the Obligations to the extent of the principal amount of the Obligations to which such Related Bonds relate. Notwithstanding the above, but subject to any limitations set forth in any Related Bond Indenture, the holder of any Related Bonds, or if there is a credit enhancer for any Related Bond, the credit enhancer for any Related Bonds (i.e., a bond insurer or other financial institution providing a bond insurance policy or surety bond, or a bank or other financial institution providing a letter of credit, in any case securing, insuring or guaranteeing all principal of and interest on any Related Bonds) shall be deemed to be the holder of the Obligation securing such Related Bonds for all purposes of the Master Indenture, including without limitation, all approvals, consents and directions under the Master Indenture.

Section 513. 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 514. Notice of Default. The Master Trustee shall, within ten (10) days after a Responsible Officer 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, notice of such Event of Default known to a Responsible Officer, 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 or any other amounts on any of the Obligations and the Events of Default specified in subsections (g), (h) or (i) of Section 501, 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 Officers of the Master Trustee in good faith determines that the withholding of such notice is in the interests of the holders.

ARTICLE VI

THE MASTER TRUSTEE

Section 601. Acceptance of the Trusts. The Master Trustee accepts and agrees to execute the trusts imposed upon it by this Master Indenture, but only upon the terms and conditions set forth herein. The Master Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Master Indenture and to perform such duties as an ordinarily prudent trustee under a corporate indenture, and no implied covenants or obligations should be read into this Master Indenture against the Master Trustee. If an Event of Default under this Master Indenture shall have occurred and be continuing, the Master Trustee shall exercise such of the rights and powers vested in it by this Master Indenture and shall use the same degree of care as a prudent man would exercise or use in the circumstances in the conduct of his own affairs. The Master Trustee agrees to perform such trusts only upon and subject to the following express terms and conditions:

(a) The Master Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers, or employees but shall be answerable for the conduct of the same in accordance with the standard specified above, and shall be entitled to advice of Counsel concerning all matters of trusts hereof and duties hereunder, and may in all cases pay such reasonable compensation to any attorney, agent, receiver or employee retained or employed by it in connection herewith. The Master Trustee may act upon the opinion or advice of an attorney, surveyor, engineer or accountant selected by it in the exercise of reasonable care or, if selected or retained by any Member, approved by the Master Trustee in the exercise of such care. The Master Trustee shall not be responsible for any loss or damage resulting from any action or nonaction based on its good faith reliance upon such opinion or advice.

(b) The Master Trustee shall not be responsible for any recital herein, or in the Obligations (except with respect to the certificate of authentication of the Master Trustee endorsed on the Obligations), or for the investment of moneys as herein provided (provided that no investment shall be made by the Master Trustee except in compliance with the provisions of this Master Indenture applicable to such investment), or for the recording or re-recording, filing or re-filing of this Master Indenture, or any supplement or amendment thereto, or the filing of financing statements or continuation statements to perfect or to continue the perfection of any security interest hereunder, or for the validity of the execution by any Member of this Master Indenture, or by any Member of any supplemental indentures or instruments of further assurance, or for the sufficiency of the security for the Obligations issued hereunder or intended to be secured hereby, or for the value or title of the Property herein conveyed or otherwise as to the maintenance of the security hereof. The Master Trustee may (but shall be under no duty to) require of any Member full information and advice as to the performance of the covenants, conditions and agreements in this Master Indenture and shall use its best efforts, but without any obligation, to advise the Members of any impending default known to a Responsible Officer. The Master Trustee shall have no obligation to perform any of the duties of the Obligated Group hereunder.

(c) The Master Trustee shall not be accountable for the use or application by the Obligated Group of any of the Obligations or the proceeds thereof or for the use or application of any money paid over by the Master Trustee in accordance with the provisions of this Master Indenture. The Master Trustee may become the owner of Obligations secured hereby with the same rights it would have if it were not Master Trustee, and may enter into other business and financial transactions with any Member.

(d) The Master Trustee shall be protected in acting upon any notice, order, requisition, request, consent, certificate, order, opinion (including an opinion of Counsel), affidavit, letter, telegram, email or other paper or document in good faith reasonably deemed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Master Trustee pursuant to this Master Indenture upon the request or authority or consent of any Person who at the time of making such request or giving such authority or consent is the owner of any Obligation shall be conclusive and binding upon all future owners of the same Obligation and upon Obligations issued in exchange therefor or in place thereof.

(e) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Master Trustee shall be entitled to rely upon an Officer's Certificate as sufficient evidence of the facts therein contained and, prior to the occurrence of a default of which the Master Trustee has been notified as provided in subsection (g) of this Section, or of which by said subsection it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further

evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Master Trustee may accept an Officer's Certificate to the effect that a resolution in the form therein set forth has been adopted by such Member as conclusive evidence that such resolution has been duly adopted, and is in full force and effect.

(f) The permissive right of the Master Trustee to do things enumerated in this Master Indenture shall not be construed as a duty and the Master Trustee shall not be answerable for other than its negligence or willful default.

(g) The Master Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except failure by the Obligated Group to cause to be made any of the payments to the Master Trustee required to be made by Section 202 or Section 401 unless the Master Trustee shall be specifically notified in writing of such default by a Member, by any Related Issuer, by any Related Bond Trustee, or by the holders of at least 25% in aggregate principal amount of all Debt Obligations then outstanding and all notices or other instruments required by this Master Indenture to be delivered to the Master Trustee must, in order to be effective, be delivered at the corporate trust office of the Master Trustee, and in the absence of such notice so delivered, the Master Trustee may conclusively assume there is no default except as aforesaid.

(h) The Master Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(i) Notwithstanding anything contained elsewhere in this Master Indenture, the Master Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Obligation, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Master Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action by the Master Trustee deemed desirable for the purpose of establishing the right of any Member to the authentication of any Obligations, the withdrawal of any cash, the release of any property or the taking of any other action by the Master Trustee.

(j) All moneys received by the Master Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law or by this Master Indenture. The Master Trustee shall not be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(k) No provision of this Master Indenture shall require the Master Trustee to expend or risk its own funds or otherwise incur any financial liability in

the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(l) Whether or not therein expressly so provided, every provision of this Master Indenture relating to the conduct or affecting the liability of or affording protection to the Master Trustee shall be subject to the provisions of this Section 601.

Section 602. Fees, Charges and Expenses of Master Trustee. The Master Trustee shall be entitled to payment and/or reimbursement by the Members for reasonable fees and for its services rendered hereunder and all advances, Counsel fees and expenses and other expenses reasonably and necessarily made or incurred by the Master Trustee in connection with such services. The Master Trustee shall be entitled to payment and reimbursement for the reasonable fees and charges of the Master Trustee and Obligation registrar for the Obligations as hereinabove provided. Upon an Event of Default, but only upon an Event of Default, the Master Trustee shall have a right of payment prior to payment on account of principal of, or premium, if any, or interest on, or any other amounts due under, any Obligation for the foregoing advances, fees, costs and expenses incurred. The respective obligations of the Members under this Section 602 to compensate the Master Trustee to pay or reimburse the Master Trustee for expenses, disbursements or advances, shall survive satisfaction and discharge of this Master Indenture.

Section 603. Notice to Obligation Holders if Default Occurs. If a default occurs of which the Master Trustee is by subsection (g) of Section 601 hereof required to take notice or if notice of default be given as in said subsection (g) provided, then the Master Trustee shall give written notice thereof by mail to the last known owners of all Obligations then outstanding shown by the list of Obligation holders required by the terms of this Master Indenture to be kept at the office of the Master Trustee or its agent.

Section 604. Intervention by Master Trustee. In any judicial proceeding to which any Member is a party and which in the opinion of the Master Trustee and its Counsel has a substantial bearing on the interests of owners of the Obligations, the Master Trustee may intervene on behalf of Obligation holders and shall do so if requested in writing by the owners of at least 25% in aggregate principal amount of all Debt Obligations then outstanding if indemnification satisfactory to the Master Trustee in its sole discretion is provided to the Master Trustee. The rights and obligations of the Master Trustee under this Section 604 are subject to the approval of a court of competent jurisdiction.

Section 605. Successor Master Trustee. Any corporation or association into which the Master Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor Master Trustee hereunder and vested with all of the title to the whole property or trust estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor,

without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 606. Corporate Master Trustee Required; Eligibility. There shall at all times be a Master Trustee hereunder which shall be a bank or trust company organized under the laws of the United States of America or any state thereof, authorized to exercise corporate trust powers, subject to supervision or examination by federal or state authorities, and (except for the Master Trustee initially appointed under this Master Indenture and its successors under Section 605) having a reported combined capital and surplus of at least $50,000,000. If at any time the Master Trustee shall cease to be eligible in accordance with the provisions of this Section 606, it shall resign immediately in the manner provided in Section 607 hereof. No resignation or removal of the Master Trustee and no appointment of a successor Master Trustee shall become effective until the successor Master Trustee has accepted its appointment under Section 610 hereof.

Section 607. Resignation by the Master Trustee. The Master Trustee and any successor Master Trustee may at any time resign from the trusts hereby created by giving thirty days' written notice to the Obligated Group Agent and by registered or certified mail to each registered owner of Obligations then outstanding and to each holder of Obligations as shown by the list of Obligation holders required by this Master Indenture to be kept at the office of the Master Trustee or its agent. Such resignation shall take effect at the end of such thirty days or when a successor Master Trustee has been appointed and has assumed the trusts created hereby, whichever is later, or upon the earlier appointment of a successor Master Trustee by the Obligation holders or by the Obligated Group. Such notice to the Obligated Group Agent may be served personally or sent by registered or certified mail.

Section 608. Removal of the Master Trustee. The Master Trustee may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Master Trustee and to the Obligated Group Agent, and signed by the owners of a majority in aggregate principal amount of all Debt Obligations then outstanding. So long as no Event of Default or event which with the passage of time or giving of notice or both would become such an Event of Default has occurred and is continuing hereunder, the Master Trustee may be removed with or without cause at any time by an instrument or concurrent instruments in writing signed by the Obligated Group Agent, delivered to the Master Trustee.

Section 609. Appointment of Successor Master Trustee by the Obligation Holders; Temporary Master Trustee. In case the Master Trustee hereunder shall resign or be removed, or be dissolved, or shall be in the process of dissolution or liquidation, or otherwise becomes incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the owners of a majority in aggregate principal amount of all Debt Obligations then outstanding, by an instrument or concurrent instruments in writing signed by such owners, or by their attorneys in fact, duly authorized. The foregoing notwithstanding, so long as no Event of Default or event which with the passage of time or giving of notice or both would become such an Event of Default has occurred, the Obligated Group Agent shall have the right to approve any such successor trustee and to appoint any such successor trustee in lieu of the owners of a majority in aggregate principal amount of all Debt Obligations then Outstanding. Every such successor

Master Trustee appointed pursuant to the provisions of this Section shall be a trust company or bank in good standing under the law of the jurisdiction in which it was created and by which it exists, having corporate trust powers and subject to examination by federal or state authorities, and having a reported capital and surplus of not less than $50,000,000. If the Master Trustee has provided written notice of its resignation and no successor Master Trustee has been appointed in accordance with the terms of this Article VI within 30 days after such notice, the Master Trustee may make a request to a court of competent jurisdiction to appoint a successor.

Section 610. Concerning Any Successor Master Trustee. Every successor Master Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Obligated Group Agent an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the Obligated Group Agent, or of its successor, execute and deliver an instrument transferring to such successor Master Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Master Trustee shall deliver all securities and moneys held by it as Master Trustee hereunder to its successor. Should any instrument in writing from any Member be required by any successor Master Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by such Member. The resignation of any Master Trustee and the instrument or instruments removing any Master Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article VI shall be filed and/or recorded by the successor Master Trustee in each recording office, if any, where the Master Indenture shall have been filed and/or recorded.

Section 611. Master Trustee Protected in Relying Upon Resolutions, Etc. The resolutions, opinions, certificates and other instruments provided for in this Master Indenture may be accepted by the Master Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Master Trustee for the release of property and the withdrawal of cash hereunder.

Section 612. Successor Master Trustee as Trustee of Funds and Obligation Registrar. In the event of a change in the office of Master Trustee, the predecessor Master Trustee which has resigned or been removed shall cease to be trustee of any funds provided hereunder and Obligation registrar, and the successor Master Trustee shall become such Master Trustee and Obligation registrar. The resigned or removed Master Trustee shall be responsible for transferring to the successor Master Trustee all books, records and assets (including without limitation the Gross Revenues Account and any balance therein) theretofore maintained by the resigned or removed Master Trustee hereunder.

Section 613. Maintenance of Records. The Master Trustee agrees to maintain such records with respect to any and all moneys or investments held by the Master Trustee pursuant to the provisions hereof as are reasonably requested by the Obligated Group Agent. The Master Trustee shall be entitled to reasonable compensation for its maintenance of any such records.

Section 614. List of Obligation Holders. The Master Trustee will keep on file at its office or at the office of its agent a list of the names and addresses of the last known holders of all Obligations and the serial numbers of such Obligations held by each of such holders. At reasonable times, upon prior written notice, and under reasonable regulations established by the Master Trustee, said list may be inspected and copied by any Member, any Obligation holder or the authorized representative thereof, provided that the ownership of such holder and the authority of any such designated representative shall be evidenced to the satisfaction of the Master Trustee.

Section 615. Master Trustee as Registrar. The Master Trustee is hereby designated and agrees to act as Obligation registrar for and in respect to the Obligations.

ARTICLE VII

SUPPLEMENTAL MASTER INDENTURES

Section 701. Supplemental Master Indentures Not Requiring Consent of Obligation Holders. Subject to the limitations set forth in Section 702 hereof with respect to this Section 701, the Members (or the Obligated Group Agent on their behalf) and the Master Trustee may, without the consent of, or notice to, any of the Obligation holders, amend or supplement this Master Indenture, for any one or more of the following purposes:

(a) To cure any ambiguity or defective provision in or omission from this Master Indenture in such manner as is not inconsistent with and does not impair the security of the Master Indenture or adversely affect the holder of any Obligation;

(b) To grant to or confer upon the Master Trustee for the benefit of the Obligation holders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Obligation holders and the Master Trustee, or either of them, to add to the covenants of the Members for the benefit of the Obligation holders or to surrender any right or power conferred hereunder upon any Member, including, but not limited to, any amendments necessary to establish or maintain any credit ratings applicable to the Obligated Group;

(c) To assign and pledge under this Master Indenture any additional revenues, properties or collateral;

(d) To evidence the succession of another entity to the agreements of a Member or the Master Trustee, or the successor to any thereof hereunder;

(e) To permit the qualification of this Master Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar federal statute hereafter in effect or to permit the qualification of any Obligations for sale under the securities laws of any state of the United States;

(f) To provide for the refunding or advance refunding of any Obligation;

(g) To provide for the issuance of Obligations as permitted hereunder;

(h) To reflect the addition to or withdrawal of a Member from the Obligated Group, including the necessary changes to *Exhibit A* hereto, or to reflect any release of Property to be released from the Lien on Gross Revenues created under this Master Indenture to the extent such release constitutes a Permitted Disposition;

(i) To provide for the issuance of Obligations with original issue discount, provided such issuance would not materially adversely affect the holders of Outstanding Obligations;

(j) To permit an Obligation to be secured by security which is not extended to all Obligation holders;

(k) To permit the issuance of Obligations which are not in the form of a promissory note;

(l) To modify or eliminate any of the terms of this Master Indenture; provided, however, that such Supplemental Master Indenture shall expressly provide that any such modifications or eliminations shall become effective only when there is no Obligation outstanding of any series created prior to the execution of such Supplemental Master Indenture;

(m) To modify, eliminate or add to the provisions of this Master Indenture if the Master Trustee shall have received (i) written confirmation from each rating agency that such change will not result in a withdrawal or reduction of its credit rating assigned to any series of Obligations or Related Bonds, as the case may be, or a report, opinion or certification of a Consultant to the effect that such change is consistent with then current industry standards, and (ii) an Officer's Certificate to the effect that, in the judgment of the Obligated Group Agent, such change is necessary to permit any Member of the Obligated Group to affiliate or merge with, on acceptable terms, one or more corporations that provide health care services and such modification is in the best interests of the holders of the Outstanding Obligations; and

(n) To make any other change which does not materially adversely affect the rights or interests of the holders of any of the Obligations and does not materially adversely affect the rights or interests of the holders of any Related Bonds, including without limitation any modification, amendment or supplement to this Master Indenture or any indenture supplemental hereto in such a manner as to establish or maintain exemption of interest on any Related Bonds under a Related Bond Indenture from federal income taxation under applicable provisions of the Code.

Any Supplemental Master Indenture providing for the issuance of Obligations shall set forth the date thereof, the date or dates upon which principal of, premium, if any, and interest on, and any other amounts due under, such Obligations shall be payable, the other terms and conditions of such Obligations, the form of such Obligations and the conditions precedent to the delivery of such Obligations which shall include, among other things:

(a) delivery to the Master Trustee of an opinion of Counsel acceptable to the Master Trustee to the effect that all requirements and conditions to the issuance of such Obligations, if any, set forth herein and in the Supplemental Master Indenture have been complied with and satisfied; and

(b) delivery to the Master Trustee of an opinion of Counsel acceptable to the Master Trustee to the effect that neither registration of such Obligations under the Securities Act of 1933, as amended, nor qualification of such Supplemental Master Indenture under the Trust Indenture Act of 1939, as amended, is required, or, if such registration or qualification is required, that the Obligated Group has complied with all applicable provisions of said acts.

Section 702. Supplemental Master Indentures Requiring Consent of Obligation Holders. In addition to Supplemental Master Indentures covered by Section 701 hereof and subject to the terms and provisions contained in this Section 702, and not otherwise, the holders of not less than a majority in aggregate principal amount of the Debt Obligations which are outstanding hereunder at the time of the execution of such Supplemental Master Indenture or, in case less than all of the several series of Debt Obligations are affected thereby, the holders of not less than a majority in aggregate principal amount of the Debt Obligations of each series affected thereby which are outstanding hereunder at the time of the execution of such Supplemental Master Indenture, shall have the right, from time to time, anything contained in this Master Indenture to the contrary notwithstanding, to consent to and approve the execution by the Members and the Master Trustee of such Supplemental Master Indentures as shall be deemed necessary and desirable by the Members for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Master Indenture or in any Supplemental Master Indenture; provided, however, that nothing contained in this Section 702 or in Section 701 hereof shall permit, or be construed as permitting, (a) an extension of the stated maturity or reduction in the principal or other amount of or reduction in the rate or extension of the time of paying of interest on or reduction of any premium payable on the redemption of, any Obligation, without the consent of the holder of such Obligation, (b) a reduction in the aforesaid aggregate principal or other amount or percentage of Obligations the holders of which are required to consent to any such Supplemental Master Indenture, without the consent of the holders of all the Obligations at the time outstanding which would be affected by the action to be taken, or (c) modification of the rights, duties or immunities of the Master Trustee, without the written consent of the Master Trustee.

If at any time the Obligated Group Agent shall request the Master Trustee to enter into any such Supplemental Master Indenture for any of the purposes of this Section 702, the Master Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Master Indenture to be mailed by first class mail postage prepaid to each holder of an Obligation or, in case less than all of the series of

Obligations are affected thereby, of an Obligation of the series affected thereby. Such notice shall briefly set forth the nature of the proposed Supplemental Master Indenture and shall state that copies thereof are on file at the corporate trust office of the Master Trustee identified in such notice for inspection by all Obligation holders. The Master Trustee shall not, however, be subject to any liability to any Obligation holder by reason of its failure to mail such notice, and any such failure shall not affect the validity of such Supplemental Master Indenture when consented to and approved as provided in this Section 702. If the holders of not less than a majority in aggregate principal amount of the Debt Obligations or the Debt Obligations of each series affected thereby, as the case may be, which are outstanding hereunder at the time of the execution of any such Supplemental Master Indenture shall have consented to and approved the execution thereof as herein provided, no holder of any Obligation shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Master Trustee or the Members from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Master Indenture as in this Section 702 permitted and provided, this Master Indenture shall be and be deemed to be modified and amended in accordance therewith.

For the purpose of obtaining the foregoing consents, the determination of who is deemed the holder of an Obligation held by a Related Bond Trustee shall be made in the manner provided in Section 512.

Section 703. Document Substitution. (a) This Master Indenture may be amended or supplemented as provided in Sections 701 and 702 of this Master Indenture.

(b) In addition, the Obligated Group and the Master Trustee, may, without the consent of any of the Holders of any Obligations or any Related Bonds, but only upon receipt by the Master Trustee of an Officer's Certificate demonstrating satisfaction of the Substitution Transaction Test (as defined below), enter into one or more supplements, amendments, restatements, replacements or substitutions to this Master Indenture, to modify, amend, restate, supplement, replace, substitute, change or remove any covenant, agreement, term or provision of this Master Indenture, in whole or in part, including, but not limited to, an amendment, restatement or substitution of this Master Indenture, in whole to relate to all Related Bonds, or in part to relate to a portion of the Related Bonds, including but not limited to a series or subseries of the Related Bonds secured by payment obligations of the health care facilities on whose behalf the allocable portion of the proceeds of the Related Bonds were utilized, or an affiliate of such health care facilities, in order to effect (i) the affiliation of the Obligated Group Agent, the Obligated Group or any Members of the Obligated Group with any of the foregoing or with another entity or entities in order to create a new or modified credit group or structure or in order to provide for the inclusion of the Obligated Group Agent, the Obligated Group or any Members of the Obligated Group in another obligated group, combined group or other unified credit group or structure, (ii) the release or discharge of any collateral securing any or all Obligations or any of the Related Bonds, including, but not limited to, the release or discharge of (A) any or all Obligations, in whole or in part, issued pursuant to the Master Indenture and (B) the Obligated Group or any Members of the Obligated Group from any or all liability (whether direct or indirect) with respect to the Related Bonds or a portion thereof, any Related Loan Document, any Related Bond Indenture, the Obligations, or this Master Indenture or any portion of any

thereof, in consideration for the issuance of a note or notes to secure the Related Bonds or portion of the Related Bonds that are to become an obligation of the new affiliated entities or the new obligated group, combined group or other unified credit group, which note or notes would constitute obligations of the new affiliated entities or the members of the new obligated group, combined group or other unified credit group, and (iii) the replacement of all or a portion of the financial and operating covenants and related definitions set forth in this Master Indenture with those of the new affiliated entities or the new obligated group, combined group or other unified credit group, set forth in the new agreement or master indenture (such transaction is referred to collectively herein as the "Substitution Transaction").

(c) The Substitution Transaction Test shall mean, and be satisfied if, the Obligated Group Agent delivers to the Master Trustee either:

(A) Rating Upgrade. An Officer's Certificate demonstrating that, upon consummation of the Substitution Transaction, and after giving effect to such Substitution Transaction, (i) at least one rating agency that has provided a long-term rating on the publicly sold Related Bonds provides written confirmation or other evidence to the effect that the long-term ratings by such rating agency on such Related Bonds will be no less than "A+" or its equivalent or will be a higher rating category or rating modifier than the then-current rating immediately prior to the Substitution Transaction as a result of and giving effect to the implementation of the Substitution Transaction; and (ii) the new obligated group satisfies the Transaction Test, assuming the incurrence of $1.00 of additional Long-Term Indebtedness; or

(B) Coverage Test. An Officer's Certificate demonstrating that, upon consummation of the Substitution Transaction, and after giving effect to such Substitution Transaction, (i) the Long-Term Debt Service Coverage Ratio for the twelve (12) full consecutive calendar months for which there are audited financial statements available, assuming the proposed Substitution Transaction had occurred at the beginning of such twelve (12) calendar month period, is not less than 1.75, and (ii) the Long-Term Debt Service Coverage Ratio for each of the two full Fiscal Years following implementation of the Substitution Transaction is projected to be not less than 1.75, or if less than 1.75 but at least 1.00, is projected to be greater than such ratio would have been if the proposed Substitution Transaction had not been implemented, and (iii) the new obligated group, combined group or unified credit group, as applicable, satisfies the Transaction Test, assuming the incurrence of $1.00 of additional Long-Term Indebtedness; or

(C) Rating Confirmation. In the event that the Obligated Group, after giving effect to the Substitution Transaction, cannot satisfy the requirements of Paragraph (A) or (B) above, an Officer's Certificate demonstrating that, upon consummation of the Substitution Transaction, and after giving effect to such Substitution Transaction, (i) [each/at least one] rating agency that has provided a long-term rating on the publicly sold Related Bonds provides written confirmation or other evidence to the effect that the long-term ratings by each such rating agency on such Related Bonds, as a result of and giving effect to the implementation of the Substitution Transaction, will be no less than the then-current rating on such Related Bonds immediately prior to the implementation of the Substitution Transaction, or the then-current rating will not be decreased or withdrawn (a rating decrease shall include instances where the rating category level remains unchanged but the rating modifier (such as "+" or "-") is decreased as a result of the

implementation of the Substitution Transaction, but a rating decrease shall not include instances where the outlook alone is decreased); (ii) the new obligated group, combined group or unified credit group, as applicable, satisfies the Transaction Test, assuming the incurrence of $1.00 of additional Long-Term Indebtedness; and (iii) the new master indenture contains a pledge of gross revenues similar to the pledge of Gross Revenues established under this Master Indenture to secure all obligations issued under the new master indenture on a parity basis.

(d) Upon the implementation of the Substitution Transaction pursuant to paragraph (c)(A) or (B) above, and concurrently therewith, the Master Trustee shall, as may be directed in writing by the Obligated Group Agent, at the option of the Obligated Group Agent, release and discharge the pledge of and security interest in Gross Revenues or any portions thereof, and file or record or allow to be filed or recorded any termination statements that may be applicable thereto.

(e) If all amounts due or to become due on the Related Bonds have not been fully paid to the Holder thereof, at or prior to the implementation of the Substitution Transaction there shall also be delivered to the Master Trustee: (i) an opinion of nationally recognized bond counsel to the effect that under then existing law the implementation of the Substitution Transaction and the execution of the amendments, supplements, restatements, replacements or substitutions contemplated in this Section, in and of themselves, would not adversely affect the validity of the Related Bonds or, with respect to any Related Bonds the interest on which is intended to be excluded from federal income taxation, the exclusion from federal income taxation of interest payable on the Related Bonds, and (ii) an opinion of counsel to the new affiliated entities or the new obligated group, combined group or other unified credit group to the effect that (1) the note or notes of the new affiliated entities or the new obligated group, combined group or other unified credit group to be delivered to secure the Related Bonds allocable to the Undesignated Affiliates constitute legal, valid and binding obligations of the new affiliated entities or the new obligated group, combined group or other unified credit group enforceable in accordance with their terms, except to the extent that the enforceability of such note or notes may be limited by any applicable bankruptcy, insolvency, liquidation, rehabilitation or other similar laws or enactment affecting the enforcement of creditors' rights, and (2) the issuance of the note or notes will not cause the Related Bonds or such note or notes to become subject to the registration requirements pursuant to the Securities Act of 1933, as amended.

(f) In addition, upon the implementation of the Substitution Transaction, the Obligated Group Agent shall direct the Master Trustee to give written notice thereof, by first-class mail, to the Holders of the Obligations then Outstanding.

(g) Notwithstanding any other provisions of this Section 703, in no event may the implementation of the Substitution Transaction result in a change described in clauses (a) or (b) of Section 702 hereof without the receipt of the applicable level of consents required under such clauses.

Section 704. Execution of Supplemental Master Indentures. The Master Trustee shall not be required to execute any proposed Supplemental Master Indenture pursuant to this Article VII unless it is provided with (i) an opinion of Counsel satisfactory to the Master Trustee to the effect that such proposed Supplemental Master Indenture and its execution by the

Master Trustee are permitted or authorized under this Article VII; and (ii) an opinion of nationally recognized bond counsel to the effect that such Supplemental Master Indenture will not adversely affect the exemption of interest on any Related Bonds from income tax under the Code.

ARTICLE VIII

SATISFACTION OF THE MASTER INDENTURE

Section 801. Defeasance. If the Members shall pay or provide for the payment of the entire indebtedness on all Obligations (including, for the purposes of this Section 801, any Obligations owned by a Member) outstanding in any one or more of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on, and any other amounts due under, all Obligations outstanding, as and when the same become due and payable;

(b) by depositing with the Master Trustee, in trust, at or before maturity, moneys in an amount sufficient to pay or redeem (when redeemable) all Obligations outstanding (including the payment of premium, if any, and interest payable on, and any other amounts due under, such Obligations to the maturity or redemption date thereof), provided that such moneys, if invested, shall be invested at the direction of the Obligated Group Agent in Escrow Securities, in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations outstanding at or before their respective maturity dates; it being understood that the investment income on such Escrow Securities may be used at the direction of the Obligated Group Agent for any other purpose permitted by law;

(c) by delivering to the Master Trustee, for cancellation by it, all Obligations outstanding; or

(d) by depositing with the Master Trustee, in trust, before maturity, non-callable Escrow Securities in such amount as will, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, be fully sufficient to pay or redeem (when redeemable) and discharge the amounts due on all Obligations outstanding at or before their respective maturity or due dates;

and if the Obligated Group shall also pay or cause to be paid all other sums payable hereunder by the Obligated Group and, if any such Obligations are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given in accordance with the requirements of this Master Indenture or provisions satisfactory to the Master Trustee shall have been made for the giving of such notice, then and in that case (but subject to the provisions of Section 803 hereof) this Master Indenture and the estate and rights granted hereunder shall cease, determine, and become null and void, and thereupon the Master Trustee shall, upon written request of the

Obligated Group Agent, and upon receipt by the Master Trustee of an Officer's Certificate and an opinion of Counsel acceptable to the Master Trustee, each stating that in the opinion of the signers all conditions precedent to the satisfaction and discharge of this Master Indenture have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging this Master Indenture and the lien hereof. The satisfaction and discharge of this Master Indenture shall be without prejudice to the rights of the Master Trustee to charge and be reimbursed by the Obligated Group for any expenditures which it may thereafter incur in connection herewith. The foregoing notwithstanding, the liability of the Obligated Group in respect of the Obligations shall continue, but the holders thereof shall thereafter be entitled to payment only out of the moneys or Escrow Securities deposited with the Master Trustee as aforesaid.

Any moneys, funds, securities, or other property remaining on deposit under this Master Indenture (other than said Escrow Securities or other moneys deposited in trust as above provided) shall, upon the full satisfaction of this Master Indenture, forthwith be transferred, paid over and distributed to the Obligated Group Agent.

The Obligated Group may at any time surrender to the Master Trustee for cancellation by it any Obligations previously authenticated and delivered which the Obligated Group may have acquired in any manner whatsoever, and such Obligations, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 802. Provision for Payment of a Particular Series of Obligations or Portion Thereof. If the Obligated Group shall pay or provide for the payment of the entire indebtedness on all Obligations of a particular series or a portion of such a series (including, for the purpose of this Section 802, any such Obligations owned by a Member) in one of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on, and any other amounts due under, all Obligations of such series or portion thereof outstanding, as and when the same shall become due and payable;

(b) by depositing with the Master Trustee, in trust, at or before maturity, moneys in an amount sufficient to pay or redeem (when redeemable) all Obligations of such series or portion thereof outstanding (including the payment of premium, if any, and interest payable on, and any other amounts due under, such Obligations to the maturity or redemption date), provided that such moneys, if invested, shall be invested at the direction of the Obligated Group Agent in Escrow Securities in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations of such series or portion thereof outstanding at or before their respective maturity dates; it being understood that the investment income on such Escrow Securities may be used at the direction of the Obligated Group Agent for any other purpose permitted by law;

(c) by delivering to the Master Trustee, for cancellation by it, all Obligations of such series or portion thereof outstanding; or

(d) by depositing with the Master Trustee, in trust, non-callable Escrow Securities in such amount as will, together with the income or increment to accrue thereon without consideration of any reinvestment thereof, be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations of such series or portion thereof at or before their respective maturity dates;

and if the Obligated Group shall also pay or cause to be paid all other sums payable hereunder by the Obligated Group with respect to such series of Obligations or portion thereof, and, if any such Obligations of such series or portion thereof are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given in accordance with the requirements of the Master Indenture or provisions satisfactory to the Master Trustee shall have been made for the giving of such notice, then in that case (but subject to the provisions of Section 803 hereof) such Obligations shall cease to be entitled to any lien, benefit or security under the Master Indenture except for such Liens solely on amounts held by the Master Trustee for the payment or redemption of such Obligations as may then exist.

Section 803. Satisfaction of Related Bonds. The provisions of Section 801 and Section 802 of this Master Indenture notwithstanding, any Obligation which secures Related Bonds (i) shall be deemed paid and shall cease to be entitled to the lien, benefit and security under the Master Indenture in the circumstances relating to the satisfaction, repayment or defeasance of such Related Bonds described in the definition of "Outstanding" contained in Article I; and (ii) shall not be deemed paid and shall continue to be entitled to the lien, benefit and security under this Master Indenture unless and until such Related Bond shall cease to be entitled to any lien, benefit or security under the Related Bond Indenture pursuant to the provisions thereof.

ARTICLE IX

MANNER OF EVIDENCING OWNERSHIP OF OBLIGATIONS

Section 901. Proof of Ownership. Any request, direction, consent or other instrument provided by this Master Indenture to be signed and executed by the Obligation holders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Obligation holders in person or by an agent appointed in writing. Proof of the execution of any such request, direction 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 of this Master Indenture and shall be conclusive in favor of the Master Trustee and the Obligated Group, with regard to any action taken by them, or either of them, under such request or other instrument, namely:

(a) 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 acknowledgements 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

(b) The ownership of Obligations shall be proved by the registration of such Obligations.

Any action taken or suffered by the Master Trustee pursuant to any provision of this Master Indenture, upon the request or with the assent of any person who at the time is the holder of any Obligation or Obligations, shall be conclusive and binding upon all future holders of the same Obligation or Obligations or any Obligation or Obligations issued in exchange therefor.

ARTICLE X

MISCELLANEOUS

Section 1001. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Master Indenture or the Obligations is intended or shall be construed to give to any Person other than the parties hereto, and the holders of the Obligations, any legal or equitable right, remedy or claim under or in respect to this Master Indenture or any covenants, conditions and provisions herein contained; this Master Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the holders of the Obligations as herein provided.

Section 1002. Unclaimed Moneys. Any moneys deposited with the Master Trustee by the Obligated Group in accordance with the terms and covenants of this Master Indenture, in order to redeem or pay any Obligation in accordance with the provisions of this Master Indenture, and remaining unclaimed by the owners of the Obligation for six years after the date fixed for redemption or of maturity, as the case may be, shall, if the Obligated Group is not at the time to the knowledge of a Responsible Officer in default with respect to any of the terms and conditions of this Master Indenture, or in the Obligations, be repaid by the Master Trustee to the Obligated Group Agent upon its written request therefor on behalf of the Members; and thereafter the registered owners of the Obligation shall be entitled to look only to the Obligated Group for payment thereof. The Obligated Group hereby covenants and agrees to indemnify and save the Master Trustee harmless from any and all losses, costs, liability and expense suffered or incurred by the Master Trustee by reason of having returned any such moneys to the Members as herein provided. If any Obligation or evidence of beneficial ownership of such Obligation shall not be presented for payment when the principal thereof becomes due (whether at maturity, by acceleration, upon call for redemption, upon purchase or otherwise), all liability of the Obligated Group to the registered owner thereof for the payment of such Obligation shall forthwith cease, terminate and be completely discharged if funds sufficient to pay such Obligation and interest due thereon, if any, are held by the Master Trustee uninvested for the benefit of the registered owner thereof. The registered owner shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his or her part under this Master Indenture or on, or with respect to, such Obligation.

Section 1003. Severability. If any provision of this Master Indenture shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or Sections in this Master Indenture contained, shall not affect the remaining portions of this Master Indenture, or any part thereof.

Section 1004. Notices. It shall be sufficient service of any notice, complaint, demand or other paper on the Obligated Group Agent or any other Member if the same shall be delivered in person, by overnight courier, or duly mailed by registered or certified mail addressed as follows: Dartmouth-Hitchcock Health, One Medical Center Drive, Lebanon, New Hampshire 03756, Attention: Chief Financial Officer. It shall be sufficient service of any notice, complaint, demand or other paper on the Master Trustee if the same shall be delivered in person, by overnight courier, or duly mailed by registered or certified mail addressed as follows: U.S. Bank National Association, One Federal Street, Third Floor, Boston, Massachusetts 02110, Attention: Corporate Trust Division.

Section 1005. Counterparts. This Master Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 1006. Applicable Law. This Master Indenture shall be governed exclusively by the applicable laws of the State of New Hampshire.

Section 1007. Immunity of Officers, Employees and Members of Members. No recourse shall be had for the payment of any amounts due under any of the Obligations or for any claim based thereon or upon any obligation, covenant or agreement contained in this Master Indenture against any past, present or future officer, director, trustee, employee, member or agent of any Member, or of any successor corporation or other legal entity, as such, either directly or through any Member or any successor corporation or other legal entity, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officers, directors, trustees, employees, members or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of this Master Indenture and the issuance of such Obligations.

Section 1008. Holidays. If the date for making any payment or the date for performance of any act or the exercising of any right, as provided in this Master Indenture, is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Master Indenture.

IN WITNESS WHEREOF, the current Members of the Obligated Group have caused these presents to be signed in their name and on their behalf and attested by duly authorized officers of the Obligated Group Agent, and to evidence its acceptance of the trusts hereby created the Master Trustee has caused these presents to be signed in its name and on its behalf by its duly authorized officer, all as of the day and year first above written.

DARTMOUTH-HITCHCOCK HEALTH, as Obligated Group Agent on behalf of itself, **MARY HITCHCOCK MEMORIAL HOSPITAL, DARTMOUTH-HITCHCOCK CLINIC, THE CHESHIRE MEDICAL CENTER, THE NEW LONDON HOSPITAL ASSOCIATION, INC.,** and **WINDSOR HOSPITAL CORPORATION**

ATTEST:

By: _____
Name: Tina E. Naimie
Title: Vice President, Corporate Finance

By: _____
Name: Daniel P. Jantzen
Title: Chief Financial Officer

U.S. BANK NATIONAL ASSOCIATION, as Master Trustee

By: _____
Name: Susan Freedman
Title: Vice President

[**Dartmouth-Hitchcock, Series 2018A, Signature Page to the Second Amended and Restated Master Trust Indenture**]

EXHIBIT A

LIST OF MEMBERS OF
THE OBLIGATED GROUP

AS OF FEBRUARY 21, 2018

Dartmouth-Hitchcock Health
Mary Hitchcock Memorial Hospital
Dartmouth-Hitchcock Clinic
The Cheshire Medical Center
The New London Hospital Association, Inc.
Windsor Hospital Corporation

EXHIBIT B

PRE-EXISTING LIENS

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