

Ratings: Moody's: "A3"
S&P: "BBB"
See "Ratings" herein

In the opinion of Bond Counsel, based on existing statutes, regulations, rulings, and court decisions, interest on the Series 2011 Bonds is not includable in gross income for federal income tax purposes assuming continuing compliance with certain covenants and the accuracy of certain representations. In the opinion of Bond Counsel, interest on the Series 2011 Bonds is not an "item of tax preference" for purposes of computing the federal alternative minimum tax on individuals and corporations; however such interest is includable in adjusted current earnings used to calculate the federal alternative minimum tax on corporations. In the further opinion of Bond Counsel, interest on the Series 2011 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York and the City of Yonkers). See "TAX MATTERS" herein for further information.



\$64,280,000
WESTCHESTER COUNTY HEALTH CARE CORPORATION
REVENUE BONDS (SERIES 2011 – SENIOR LIEN)
consisting of

\$48,985,000 Series 2011A
(Tax-Exempt)

\$15,295,000 Series 2011B
(Tax-Exempt)

Dated: Date of Delivery

Due: November 1, as shown on the inside cover

The Series 2011 Bonds are issued under the Master Trust Indenture, dated as of November 1, 2000, as amended (the "Master Indenture"), between the Westchester County Health Care Corporation (the "Corporation") and Deutsche Bank Trust Company Americas, as successor Master Trustee (the "Master Trustee"). The Series 2011 Bonds are special obligations of the Obligated Group under the Master Indenture payable solely from and secured by (i) a pledge of the Gross Receipts of the Obligated Group and (ii) the funds and accounts (other than the Arbitrage Rebate Fund) established under the Master Indenture and the Supplemental Indenture between the Corporation and the Master Trustee (the "Supplemental Indenture"). The Corporation is currently the only Member of the Obligated Group.

The Series 2011 Bonds and the other Outstanding Obligations issued under the Master Indenture are additionally secured by mortgages (collectively, the "Mortgage") on the Corporation's leasehold interest under the Restated and Amended Lease Agreement, dated as of December 30, 1998, between The County of Westchester and the Corporation (the "Lease Agreement"), with all proceeds realized from the Mortgage to be applied proportionally and ratably to all Obligations issued under the Master Indenture.

Pursuant to the Supplemental Indenture, the Obligated Group has unconditionally agreed to pay from funds generated from the operation of its Health Care Facilities prior to each Interest Payment Date, the principal of, Sinking Fund Installments and interest on the Series 2011 Bonds becoming due on such Interest Payment Date and the purchase price or Redemption Price of Series 2011 Bonds to be purchased or called for redemption on or prior to such Interest Payment Date as well as certain other required payments, including any payments necessary to maintain the Debt Service Reserve Fund for the Series 2011 Bonds at its requirement. At the time of delivery of the Series 2011 Bonds, an amount equal to the Debt Service Reserve Fund Requirement for the Series 2011 Bonds will be deposited in the Debt Service Reserve Fund in cash. See "SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS-Security for the Series 2011 Bonds" herein.

The Series 2011 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest on the Series 2011 Bonds will be payable May 1, 2012 and each May 1 and November 1 thereafter by check or draft mailed by the Master Trustee, as Paying Agent. Payment of principal, Sinking Fund Installments and Redemption Price of the Series 2011 Bonds shall be paid upon the surrender of the Series 2011 Bonds at the principal corporate trust office of the Master Trustee by check or draft or if the Series 2011 Bonds are no longer held in book entry only form, then at the option of the registered holder of at least \$1,000,000 principal amount of Series 2011 Bonds, by wire transfer to such registered holder. The Series 2011 Bonds will be issued initially under a Book Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Individual purchases of beneficial interests in the Series 2011 Bonds will be made in book entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2011 Bonds, payments of the principal and Redemption Price of and interest on such Series 2011 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "THE SERIES 2011 BONDS-Book-Entry Only System" herein.

The Series 2011 Bonds are subject to redemption and call for purchase prior to maturity as more fully described herein.

MATURITY SCHEDULES – See Inside Cover Page

The Series 2011 Bonds are offered when, as, and if issued and received by the Underwriters. The offer of the Series 2011 Bonds may be subject to prior sale or withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Winston & Strawn LLP, New York, New York, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Corporation by its General Counsel, Julie Switzer, Esq. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, New York, New York. The Corporation expects to deliver the Series 2011 Bonds in definitive form in New York, New York, on or about December 15, 2011.

Goldman, Sachs & Co.

Morgan Stanley

Wells Fargo Securities

M.R. Beal & Company

J.P. Morgan

TD Securities (USA) LLC

\$64,280,000
REVENUE BONDS, SERIES 2011 - SENIOR LIEN
AMOUNTS, MATURITIES, INTEREST RATES AND YIELDS

\$48,985,000 SERIES 2011A BONDS

\$17,800,000 Serial Bonds

<u>Due (November 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2012	\$ 100,000	2.000%	1.350%	957366CW5
2013	100,000	2.000	1.620	957366CX3
2014	100,000	3.000	1.930	957366CY1
2015	100,000	3.000	2.310	957366CZ8
2016	100,000	3.000	2.640	957366DA2
2017	100,000	3.000	2.950	957366DB0
2018	100,000	3.250	3.270	957366DC8
2019	1,010,000	3.500	3.530	957366DD6
2020	610,000	3.750	3.770	957366DE4
2020	1,400,000	5.000	3.770	957366DP9
2021	100,000	4.000	3.980	957366DF1
2021	2,005,000	5.000	3.980	957366DQ7
2022	2,205,000	4.000	4.140	957366DG9
2023	2,295,000	4.000	4.310	957366DH7
2024	2,385,000	4.250	4.480	957366DJ3
2025	2,490,000	4.500	4.620	957366DK0
2026	2,600,000	4.500	4.740	957366DL8

\$18,485,000 5.000% Term Bonds Due November 1, 2032, Yield 5.180%, CUSIP Number 957366DN4*

\$12,700,000 5.125% Term Bonds Due November 1, 2041, Yield 5.320%, CUSIP Number 957366DM6*

\$15,295,000 SERIES 2011B BONDS

\$15,295,000 5.125% Term Bonds Due November 1, 2041, Yield 5.320%, CUSIP Number 957366DR5*

*CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Corporation and are included solely for the convenience of the Holders of the Series 2011 Bonds. The Corporation is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2011 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2011 Bonds. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2011 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2011 Bonds.

No dealer, broker, salesperson or other person has been authorized by the Corporation or the Underwriters to give any information or to make any representations with respect to the Series 2011 Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by the Corporation or the Underwriters.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2011 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information in this Official Statement has been supplied by other sources. The Corporation believes the sources of such information are reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

References in this Official Statement to the Act (as defined herein), the Master Indenture and the Supplemental Indenture, do not purport to be complete. Refer to the Act, the Master Indenture, and the Supplemental Indenture, for full and complete details of their provisions. Copies of the Act, the Master Indenture and the Supplemental Indenture are on file with the Corporation and the Master Trustee.

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

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

IN CONNECTION WITH THE OFFERING OF THE SERIES 2011 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2011 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Certain statements included in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 27A of the United States Securities Act of 1933, as amended (the “Securities Act”). Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Corporation does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or any events, conditions or circumstances on which such statements are based, occur.

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OFFICIAL STATEMENT RELATING TO

\$64,280,000
WESTCHESTER COUNTY HEALTH CARE CORPORATION
REVENUE BONDS (SERIES 2011 - SENIOR LIEN)
consisting of

\$48,985,000
Series 2011A
(Tax-Exempt)

\$15,295,000
Series 2011B
(Tax-Exempt)

INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement is to provide information about the Westchester County Health Care Corporation (the "Corporation"), a public benefit corporation of the State of New York (the "State") created by the Westchester County Health Care Corporation Act, Chapter 11 of the Consolidated Laws of the State, 1997 (Title 1 of Article 10-C Public Authorities Law section 3301 *et seq.*) (the "Act"), in connection with the offering by the Corporation of \$64,280,000 aggregate principal amount of Revenue Bonds (Series 2011 - Senior Lien) (the "Series 2011 Bonds"). The Series 2011 Bonds consist of the Series 2011A in the aggregate principal amount of \$48,985,000 (the "Series 2011A Bonds"), and the Series 2011B in the aggregate principal amount of \$15,295,000 (the "Series 2011B Bonds").

The following is a brief description of certain information concerning the Series 2011 Bonds and the Corporation. A more complete description of such information and additional information that may affect decisions to invest in the Series 2011 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix C hereto.

Purpose of the Issue

The proceeds of the Series 2011A Bonds, together with other available funds, will be used to (i) finance certain capital projects at the Corporation's facilities that require certificates of need from the Department of Health of the State of New York; (ii) fund a portion of the Debt Service Reserve Fund for the Series 2011 Bonds, and (iii) pay costs related to the issuance of the Series 2011A Bonds. The capital projects to be funded are further described under "THE PLAN OF FINANCE" herein.

The proceeds of the Series 2011B Bonds, together with other available funds, will be used to (i) reimburse the Corporation for prior capital expenditures; (ii) fund a portion of the Debt Service Reserve Fund for the Series 2011 Bonds; and (iii) pay costs related to the issuance of the Series 2011B Bonds.

Concurrently with the issuance of the Series 2011 Bonds, the Corporation is causing the call for purchase in lieu of redemption and remarketing of its Westchester County Health Care Corporation Revenue Bonds, Series 2000A – Senior Lien (the "Series 2000A Bonds") currently outstanding in an aggregate principal amount of \$113,240,000 and the Corporation will reoffer that par amount less amounts to be retired by application of available funds. The Series 2000A Bonds were issued as Senior Obligations under the Master Indenture (as defined herein) and are secured on a parity with other obligations outstanding thereunder, including the Series 2011 Bonds.

See "THE PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Authorization of Issuance

The Series 2011 Bonds will be issued as Senior Obligations pursuant to the Master Trust Indenture, dated as of November 1, 2000, as amended (the "Master Indenture"), between the Corporation and Deutsche Bank Trust Company Americas, as successor Master Trustee (the "Master Trustee"), and the Seventh Supplemental Indenture,

dated as of November 1, 2011 (the “Supplemental Indenture”). Certain of the terms of the Series 2011 Bonds will be set forth in an Obligation Series Certificate relating to the Series 2011 Bonds (the “Obligation Series Certificate”).

The Series 2011 Bonds

The Series 2011 Bonds will be dated their date of delivery, and will bear interest from such date (payable on May 1, 2012 and on each May 1 and November 1 thereafter until maturity or the earlier redemption thereof) at the rates, and will mature at the times, set forth on the inside cover page of this Official Statement. See “THE SERIES 2011 BONDS - Description of the Series 2011 Bonds” herein.

The Corporation

The Corporation is a public benefit corporation of the State, created in 1997 for the purpose of assuming operation of the County’s Department of Hospitals, including the Westchester County Medical Center (the “Medical Center”). The Corporation’s primary purpose is the operation of the Medical Center. See “THE CORPORATION” herein and “APPENDIX A” hereto.

The Obligated Group

The Corporation is currently the only Member of the Obligated Group created pursuant to the Master Indenture. Under certain conditions set forth in the Master Indenture, Persons which are not Members of the Obligated Group may, with the consent of the Corporation, and corporations which are successor corporations to any Member of the Obligated Group may, become Members of the Obligated Group, and Members of the Obligated Group, with the consent of the Corporation, may, upon compliance with certain requirements of the Master Indenture, withdraw from the Obligated Group. The Corporation may not withdraw from the Obligated Group. See “Appendix D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture” herein.

Payment of the Series 2011 Bonds

Pursuant to the Master Indenture, the Obligated Group has unconditionally agreed to pay, so long as any Obligations are Outstanding, to or upon the order of the Master Trustee, from funds generated from the operation of its Health Care Facilities, or any other moneys legally available to it, at the times and in the order of priority set forth in such Master Indenture, amounts sufficient to pay, among other obligations, the interest on and principal and Sinking Fund Installments of Outstanding Bonds, and the purchase price of Outstanding Bonds theretofore contracted to be purchased or called for redemption pursuant to the Supplemental Indenture. See “SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS - Payment of the Series 2011 Bonds” herein.

Security for the Series 2011 Bonds

Obligations issued under the Master Indenture, including the Series 2011 Bonds, are special obligations of the Obligated Group thereunder payable solely from and secured by (i) a pledge of the Gross Receipts of the Obligated Group and (ii) the funds and accounts (other than the Arbitrage Rebate Fund) established under the Master Indenture and the Supplemental Indenture. The Master Indenture pledges and assigns the Gross Receipts of each Obligated Group Member to the Master Trustee as security for the payment of all Obligations issued under the Master Indenture, including the Series 2011 Bonds, and as security for the performance of any other obligation of the Obligated Group under the Master Indenture and under any Obligation in accordance with the provisions of the Master Indenture. The pledge of the funds and accounts established by the Supplemental Indenture with respect to the Series 2011 Bonds relates only to the Applicable Obligation or Series of Obligations authorized by such Supplemental Indenture and not other Obligations or Series of Obligations, and such pledge shall not secure any other Obligations or Series of Obligations other than the Applicable Obligation or Series of Obligations, subject to the ability of the Master Trustee under the Master Indenture under certain circumstances to (i) apply moneys in the Series 2000A account established in the Debt Service Reserve Fund to the payment of the Series 2011 Bonds, and (ii) apply excess moneys in the respective accounts of the Debt Service Reserve Fund to make up deficiencies in any funds or accounts established in connection with the issuance of the Outstanding Bonds. See “SOURCE OF

PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS - Security for the Series 2011 Bonds - Funds and Accounts; Debt Service Reserve Fund” herein.

The Master Indenture

The Master Indenture authorizes the issuance, from time to time, of Obligations or a Series of Obligations, each such Obligation or Series of Obligations to be authorized by a separate Supplemental Indenture. The issuance of Obligations is subject to the satisfaction of certain financial covenants set forth in the Master Indenture which binds all Members of the Obligated Group as described in “SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS - The Master Indenture - Obligations under the Master Indenture” herein and “Appendix D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture” attached hereto.

The Mortgage

The Series 2011 Bonds and the other Outstanding Senior Obligations issued under the Master Indenture are additionally secured by mortgages (collectively, the “Mortgage”) on the Corporation’s leasehold interest under the Restated and Amended Lease Agreement, dated as of December 30, 1998, between the County and the Corporation (the “Lease Agreement”) of real property upon which the facilities constituting the Health Care Facilities of the Medical Center are located, with all proceeds realized from the Mortgage to be applied proportionately and ratably to all Obligations issued under the Master Indenture. The Lease Agreement permits the Corporation, under certain circumstances, to assign, mortgage, pledge or otherwise encumber such leasehold interest. The Mortgage permits the Corporation, under certain circumstances, to obtain a release of a portion of the mortgaged property, other than the improvements constituting the Health Care Facilities of the Medical Center, from the lien of the Mortgage. The Master Indenture provides that the Members of the Obligated Group will not permit the existence of any Lien on Property owned or acquired by it other than the Mortgage and Permitted Liens. See “SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS – The Master Indenture” and “Appendix D – Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture” attached hereto.

Existing Indebtedness

Following a principal payment on November 1, 2011, the Corporation had outstanding \$388,635,000 of indebtedness evidenced by Senior Obligations under the Master Indenture. That amount consists of (i) \$113,240,000 aggregate principal amount of the Corporation’s Revenue Bonds, Series 2000A - Senior Lien; (ii) \$37,390,000 aggregate principal amount of the Corporation’s Revenue Bonds, Series 2010A (Federally Taxable – Direct Placement-Build America Bonds) – Senior Lien; (iii) \$116,865,000 aggregate principal amount of Revenue Bonds, Series 2010B (Tax-Exempt) – Senior Lien; (iv) \$31,450,000 aggregate principal amount of Revenue Bonds, Series 2010C-1 (Federally Taxable – Direct Placement-Build America Bonds) – Senior Lien; (v) \$32,410,000 aggregate principal amount of Revenue Bonds, Series 2010C-2 (Tax-Exempt) – Senior Lien; and (vi) \$57,280,000 aggregate principal amount of Revenue Bonds, Series 2010D (Taxable) – Senior Lien. See “Appendix B - Audited Consolidated Financial Statements of the Westchester County Health Care Corporation as of and for the Years Ended December 31, 2010 and 2009” attached hereto.

The Corporation has a working capital line of credit with a commercial bank with an available capacity of \$25,000,000, which is evidenced by a Senior Obligation under the Master Indenture. Concurrently, there are no outstanding amounts on the line.

For a detailed description of the existing indebtedness, see “Appendix A – FINANCIAL HISTORY OF THE CORPORATION – Outstanding Indebtedness” and “Appendix B – Audited Consolidated Financial Statements of the Westchester County Health Care Corporation as of and for the Years Ended December 31, 2010 and 2009” attached hereto.

Additional Indebtedness

Each of the Members of the Obligated Group, upon compliance with the terms and conditions and for the purposes described in the Master Indenture, may incur Additional Indebtedness. Such Additional Indebtedness, if

evidenced by an Obligation or Series of Obligations issued under the Master Indenture, if issued as a Senior Obligation, would constitute a joint and several obligation of each Member of the Obligated Group and may be secured on a parity with respect to the Gross Receipts pledge and the Mortgage for the Series 2011 Bonds and all other Outstanding Senior Obligations under the Master Indenture or, may be issued as a Subordinate Obligation (as defined in the Master Indenture). See "Appendix D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" attached hereto. Such other indebtedness, if not so evidenced by an Obligation issued under the Master Indenture, would constitute a debt solely of the individual Member of the Obligated Group incurring such indebtedness and any guarantor thereof, and not a joint and several obligation of the Obligated Group.

Certain Additional Indebtedness permitted to be incurred by a Member of the Obligated Group under the Master Indenture may be secured by a lien on accounts receivable within limits established by the Master Indenture. See "Appendix D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" attached hereto. See "SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS - Additional Indebtedness" and "Appendix D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" attached hereto.

SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2011 Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Master Indenture, the Supplemental Indenture and the Series 2011 Bonds. Copies of the Act, the Master Indenture, the Supplemental Indenture and the Series 2011 Bonds are on file with the Corporation and the Master Trustee. See also "Appendix D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2011 Bonds

Pursuant to the Master Indenture, except to the extent that moneys are otherwise available therefor under the Master Indenture including moneys in the Applicable Debt Service Fund, but excluding moneys from the Applicable Debt Service Reserve Fund and interest accrued but unpaid on investments held in the Applicable Debt Service Fund, the Obligated Group has unconditionally agreed to pay, so long as any Obligations are Outstanding, to or upon the order of the Master Trustee, from funds generated from the operation of its Health Care Facilities, or any other moneys legally available to it as follows and in the following order of priority:

First: To the Series 2011 Bonds Account of the Debt Service Fund (a) on the first (1st) day of each month commencing on the first (1st) day of the sixth (6th) month immediately preceding the date on which such interest becomes due, one-sixth (1/6th) of the interest on the Outstanding Series 2011 Bonds payable on the immediately succeeding Interest Payment Date, (b) on the first (1st) day of each month commencing on the first (1st) day of the twelfth (12th) month immediately preceding each maturity date or Sinking Fund Installment Date on which the principal or a Sinking Fund Installment of Series 2011 Bonds becomes due, one-twelfth (1/12th) of the principal or Sinking Fund Installments on the Series 2011 Bonds coming due on such date, and (c) on or prior to the date of redemption or the date set for a purchase in lieu of redemption, the purchase price or Redemption Price of Outstanding Series 2011 Bonds theretofore contracted to be purchased or called for redemption or purchase in lieu of redemption pursuant to the Master Indenture and the Supplemental Indenture; provided, however, that if there are less than six (6) months prior to the first Interest Payment Date or less than twelve (12) months prior to date on which principal or Sinking Fund Installments are to become due, appropriate adjustments may be made to prorate the payments to be made within such periods as provided in the Master Indenture;

Second: To reimburse, pro rata, each Credit Facility Issuer, if any, and Facility Provider, if any, for any obligations due with respect to the Series 2011 Bonds which are then unpaid, in proportion to the respective obligations then unpaid to each Credit Facility Issuer and Facility Provider; provided, however, that a Credit Facility Issuer and Facility Provider shall be

reimbursed only if and to the extent provided in (or determined pursuant to) the Obligation Series Certificate;

Third: Upon the direction of an Authorized Representative of the Corporation, to the Series 2011 Bonds Account of the Arbitrage Rebate Fund in the amount set forth in such direction; and

Fourth: To the Series 2011 Bonds Account of the Debt Service Reserve Fund, such amount, if any, necessary to make the amount on deposit therein equal to the Debt Service Reserve Fund Requirement applicable to the Series 2011 Bonds.

Security for the Series 2011 Bonds

Each Obligation and Series of Obligations, including the Series 2011 Bonds, are special obligations of the Obligated Group payable solely from and secured by a pledge of the Gross Receipts and, as and to the extent provided in the Supplemental Indenture, the funds and accounts established under the Master Indenture and the Supplemental Indenture. The Supplemental Indenture provides that the funds and accounts established under each Supplemental Indenture are pledged as security for the payment of the Obligations to which such Supplemental Indenture relates. The Master Indenture provides that the pledge of Gross Receipts is valid, binding and perfected from the time when made as against all parties having claims of any kind in tort, contract or otherwise against any Member of the Obligated Group irrespective of whether such parties have notice thereof. The Master Indenture also provides that the pledge of the funds and accounts pursuant to a Supplemental Indenture is valid, binding and perfected from the time when the pledge attaches as against all parties having claims of any kind in tort, contract or otherwise against any Member of the Obligated Group irrespective of whether such parties have notice thereof. The Supplemental Indenture provides that the Series 2011 Bonds will be separately secured by all funds and accounts authorized under the Master Indenture and established by the Supplemental Indenture (with the exception of the Arbitrage Rebate Fund). Pursuant to the terms of the Master Indenture, the funds and accounts established and pledged by the Supplemental Indenture secure only the Applicable Obligations issued under such Supplemental Indenture, and do not secure any other Obligation issued under the Master Indenture, regardless of their dates of issue, subject to the ability of the Master Trustee under the Master Indenture to (i) apply moneys in the Series 2000A account established in the Debt Service Reserve Fund to the payment of the Series 2011 Bonds, and (ii) apply excess moneys in the respective accounts of the Debt Service Reserve Fund to make up deficiencies in any funds or accounts established in connection with the issuance of any other bonds. See “SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS - Security for the Series 2011 Bonds - Security for the Series 2011 Bonds –Funds and Accounts; Debt Service Reserve Fund” and “Appendix D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture” attached hereto.

The Corporation and County of Westchester (the “County”) entered into that Cooperation Agreement dated December 15, 1998, as amended by First Amendment to Cooperation Agreement dated December 17, 2009, as further amended by Second Amendment to Cooperation Agreement December 21, 2010 (collectively, the “Cooperation Agreement”). The Cooperation Agreement sets forth the relationship between the County and the Corporation, including certain requirements that the Corporation is required to meet so long as the indebtedness of the Corporation is guaranteed by the County. Pursuant to the Cooperation Agreement, the County was granted a lien on certain collateral of the Corporation, including collateral pledged to the Master Trustee under the Master Indenture. The lien granted to the County secures the Corporation’s obligation to make payments for utilities and other services used in the ordinary course of operating the Medical Center. The Corporation does not have any indebtedness outstanding that is guaranteed by the County and therefore the County’s lien granted pursuant to the Cooperation Agreement no longer supports any obligation of the Corporation to the County. The Corporation has covenanted in the Master Indenture not to incur any new obligations to the County without receiving the agreement of the County to subordinate its lien on collateral. Furthermore, either party, upon 90 days notice, may terminate the Cooperation Agreement as long as there is no outstanding indebtedness of the Corporation guaranteed by the County. See also “APPENDIX A - Financial Difficulties; Restatement of Relationship with County – Cooperation Agreement,” and “- Relationship with the County”.

Security Interest in Gross Receipts

As security for the payment of all Obligations and as security for the performance of any other obligation of the Obligated Group under the Master Indenture and under any Obligation, the Corporation has granted, and each future Member of the Obligated Group, if any, is required to grant, to the Master Trustee a security interest in its Gross Receipts. Gross Receipts are defined to include all receipts, revenues, income and other money received by or on behalf of each Obligated Group Member from Health Care Facilities, including without limitation, contributions, donations and pledges whether in the form of cash, securities or other personal property, and the rights to receive the same whether in the form of accounts receivable, contract rights, general intangibles, chattel paper, instruments and the proceeds thereof, and any insurance or condemnation proceeds thereon, whether now existing or hereafter coming into existence and whether now owned or hereafter acquired, other than (i) gifts, grants, bequests, donations and contributions heretofore or hereafter made, designated at the time of the making thereof by the donor or maker as being for a specific purpose contrary to paying debt service on an Obligation and (ii) all receipts, revenues, income and other moneys received by or on behalf of an Obligated Group Member, and all rights to receive the same, whether in the form of accounts receivable, contract rights, general intangibles, chattel paper, instruments and the proceeds thereof, and any insurance or condemnation proceeds thereon, whether now owned or hereafter derived from the Excluded Property. Excluded Property means any property that is not Health Care Facilities of the Obligated Group. In addition, the Master Indenture permits the pledge, assignment, sale or other disposition or encumbrance of accounts receivable by the Members of the Obligated Group in an amount not to exceed 50% of the three-month average of outstanding accounts receivable that are 120 days old or less, which percentage may be increased to 75% if the Long-Term Debt Service Coverage Ratio is 2.00 or greater. The Master Indenture further provides that Gross Receipts includes the receipt of the subsidy to be paid to the Corporation by the United States Department of the Treasury in connection with the Series 2010A Bonds and Series 2010C-1 Bonds payable pursuant to the “Build America Bonds” program.

Funds and Accounts; Debt Service Reserve Fund

In addition to the pledge of Gross Receipts, the Series 2011 Bonds will be secured by the pledge and assignment made by the Members of the Obligated Group pursuant to the Master Indenture to the Master Trustee of all funds and accounts authorized by the Master Indenture and established with respect to the Series 2011 Bonds, pursuant to the Supplemental Indenture (with the exception of the Arbitrage Rebate Fund), which funds include a Debt Service Reserve Fund. A separate account will be established by the Supplemental Indenture in the Debt Service Reserve Fund for the Series 2011 Bonds. The pledge of the funds and accounts established under the Supplemental Indenture shall relate only to the Series 2011 Bonds authorized by the Supplemental Indenture and shall not secure any other Obligation or Series of Obligations, subject to the ability of the Master Trustee to (i) apply moneys in the Series 2000A account established in the Debt Service Reserve Fund to the payment of the Series 2011 Bonds, and (ii) apply moneys in excess of the Debt Service Reserve Fund Requirement for each account as described below in the last two paragraphs of this section.

Moneys in the Debt Service Reserve Fund, which are to be held by the Master Trustee, are to be applied solely for the purposes specified in the Master Indenture and the Supplemental Indenture and are pledged to secure the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Obligations issued under the Master Indenture. The Supplemental Indenture for the Series 2011 Bonds requires that the Debt Service Reserve Fund for the Series 2011 Bonds be maintained at an amount equal to the Debt Service Reserve Fund Requirement.

The Debt Service Reserve Fund Requirement for the Series 2011 Bonds means, as of the date of issue or the refunding of all or a portion of the Series 2011 Bonds, an amount equal to (A) the lesser of (i) an amount equal to 125% of the combined average annual debt service requirement of the Series 2011 Bonds and the Series 2000A Bonds, (ii) 10% of the combined par amount of the Series 2011 Bonds and the Series 2000A Bonds or 10% of the combined issue price of the Series 2011 Bonds and the Series 2000A Bonds, as applicable, and (iii) an amount equal to the greatest amount required in the then current or any future calendar year to pay the sum of (a) interest on the outstanding Series 2011 Bonds and the Series 2000A Bonds payable during such year, and (b) the principal and sinking fund installments of such Series 2011 Bonds and the Series 2000A Bonds payable on or prior to November 1 of such year, less (B) the then current Debt Service Reserve Fund Requirement for the Series 2000A Bonds.

The Debt Service Reserve Fund Requirement for the Series 2000A Bonds means, as of the date of the mandatory tender date and reoffering of the Series 2000A Bonds, the lesser of (i) an amount equal to 125% of the average annual debt service requirement of the Series 2000A Bonds, (ii) 10% of the par amount of the Series 2000A Bonds or 10% of the issue price of the Series 2000A Bonds, as applicable, and (iii) an amount equal to the greatest amount required in the then current or any future calendar year to pay the sum of (a) interest on the outstanding Series 2000A Bonds payable during such year, and (b) the principal and sinking fund installments of such Series 2000A Bonds payable on or prior to November 1 of such year.

The Supplemental Indenture provides that the Corporation may satisfy part or all of the Debt Service Reserve Fund Requirement for the Series 2011 Bonds, by depositing to the credit of the Series 2011 Account of the Debt Service Reserve Fund a Reserve Fund Facility. No payment under a Reserve Fund Facility will be sought unless and until moneys are not available in the Series 2011 Account of the Debt Service Reserve Fund and the amount required to be withdrawn from such Series 2011 Account pursuant to the Supplemental Indenture cannot be withdrawn therefrom without obtaining payment under such Reserve Fund Facility. The Debt Service Reserve Fund Requirement for the Series 2011 Bonds will be fully funded with cash upon issuance of the Series 2011 Bonds. See “Appendix D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture” attached hereto.

In the event that on any Interest Payment Date the amount in the Debt Service Fund relating to the Series 2011 Bonds is less than the amount required for payment of interest on and the principal and Sinking Fund Installments of the Outstanding Series 2011 Bonds, due and payable on such Interest Payment Date, together with the purchase price or Redemption Price of Outstanding Series 2011 Bonds theretofore contracted to be purchased, purchased in lieu of redemption or called for redemption, plus accrued interest to the date of purchase or redemption, the Master Trustee will withdraw from the Series 2011 Account, and if such account is not sufficient then from the Series 2000A Account of the Debt Service Reserve Fund and deposit to the applicable account of the Debt Service Fund such amount as will increase the amount therein to an amount sufficient to make such payments. The amounts so withdrawn shall be used and applied solely for the purpose of paying the principal of, Sinking Fund Installments, if any, and the purchase price or Redemption Price of and interest on the Series 2011 Bonds or the Series 2000A Bonds when due, whether at their maturity or upon their redemption or purchase in lieu of redemption, whenever there are insufficient moneys in the Series 2011 Account of the Debt Service Fund.

The Supplemental Indenture provides that moneys held for the credit of the Series 2011 Account in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement therefor will be applied first, to make up any deficiency in any fund or account established in connection with the issuance of Senior Obligations and second, to make up any deficiency in any fund or account established in connection with the issuance of Subordinate Obligations as provided in the Supplement authorizing such Obligations, and thereafter, will be withdrawn by the Master Trustee and (i) deposited in the Series 2011 Bonds Account of the Arbitrage Rebate Fund, the Debt Service Fund or the Construction Fund each established with respect to Senior Bonds or (ii) paid to the Corporation. See “Appendix D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture - Debt Service Reserve Fund” attached hereto.

The Master Indenture

The issuance of Obligations is subject to the satisfaction of certain financial covenants set forth in the Master Indenture. The Master Indenture authorizes the issuance, from time to time, of Obligations or a Series of Obligations, each such Obligation or Series of Obligations to be authorized by a separate Supplemental Indenture. See “Appendix D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture” attached herein.

Subject to the terms of the Master Indenture, any persons which are not Members of the Obligated Group and corporations which are successor corporations to any Member of the Obligated Group through merger or consolidation as permitted by the Master Indenture may become an additional Member of the Obligated Group. Pursuant to the Master Indenture, the Members of the Obligated Group and any subsequent Member of the Obligated Group are subject to covenants under the Master Indenture relating to maintenance of a Long-Term Debt Service Coverage Ratio and a Cushion Ratio, and restricting, among other things, incurrence of indebtedness,

existence of liens on Property, consolidation and merger, disposition of assets, addition of Members of the Obligated Group and withdrawal of Members from the Obligated Group.

The Master Indenture permits each Member of the Obligated Group to encumber its Property with Permitted Liens, as such term is defined in the Master Indenture. Permitted Liens include other liens on real and personal property which may be used to secure borrowings other than pursuant to the Master Indenture. The enforcement of the Obligations may be limited by the following: (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any federal or State statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction and (v) federal bankruptcy laws, State receivership or fraudulent conveyance laws or similar laws affecting creditors' rights that may affect the enforceability of the Master Indenture. See "BONDHOLDER'S RISKS – Certain Matters Affecting the Enforceability of the Master Indenture" herein.

Additional Indebtedness

The Master Indenture provides that, subject to the terms, limitations and conditions established in the Master Indenture and with the consent of the Corporation, each Member of the Obligated Group may incur Indebtedness, by issuing Obligations under the Master Indenture or by creating Indebtedness under any other document. The principal amount of Indebtedness created under other documents and the number and principal amount of Obligations evidencing Indebtedness that may be created under the Master Indenture are subject to certain limitations set forth in the Master Indenture. See "Appendix D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" attached hereto.

Each Obligation and Series of Obligations shall be special obligations of the Obligated Group payable solely from and secured by the pledge of the Gross Receipts and, as and to the extent provided in the Supplemental Indenture, the funds and accounts established pursuant to the Master Indenture and pursuant to the Supplemental Indenture. Such additional Obligations will not be secured by the money or investments in any fund or account held by the Master Trustee for the security of the Series 2011 Bonds. The Series 2011 Bonds are not secured by the moneys or investments in any fund or account held by the Master Trustee for the security of any other Obligations. The Obligated Group may, in accordance with the provisions of the Master Indenture, issue a Refunding Obligation or Refunding Obligations of a Series in an aggregate principal amount sufficient, together with other moneys available therefore, to refund all or a portion of all Outstanding Obligations.

Members of the Obligated Group are permitted to incur Indebtedness in accordance with the debt limitations set forth in the Master Indenture. Such borrowing may be secured by Obligations issued under the Master Indenture, liens on Property permitted under the Master Indenture, including liens on Excluded Property, without limit, or accounts receivable as described above. See "Appendix D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" attached hereto.

Events of Default and Acceleration under the Master Indenture

The Master Indenture provides that the following constitute events of default under the Master Indenture: (i) the Members of the Obligated Group shall fail to make any payment of the principal of, the premium, if any, or interest on any Obligation issued and Outstanding under the Master Indenture when and as the same shall become due and payable, whether at maturity, by proceedings for redemption, by acceleration or otherwise, in accordance with the terms thereof, of the Master Indenture, the Applicable Supplement or the Applicable Series Certificate; (ii) any Member of the Obligated Group shall fail to duly perform, observe or comply with any covenant or agreement on its part under the Master Indenture for a period of 30 days after the date on which written notice of such failure shall have been given as provided in the Master Indenture; provided, however, that the Master Indenture provides for certain curative actions by the Obligated Group which would avoid declaration of such an Event of Default; (iii) any Member of the Obligated Group shall fail to make any required payment with respect to, or there shall occur an event of default in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any Indebtedness (other than Obligations issued and Outstanding under the Master Indenture), which Indebtedness is in an aggregate principal amount greater than 2% of Total Operating Revenues for the most recent Fiscal Year, and, as a result, such Indebtedness shall have been accelerated, unless the obligation to

pay such Indebtedness is being contested or any judgment relating thereto has been stayed or sufficient moneys are escrowed with a bank or trust company for the payment of such Indebtedness, as provided in the Master Indenture; or (iv) proceedings under the United States Bankruptcy Code or other similar applicable federal or State law shall have been instituted by or against any Member of the Obligated Group, as provided in the Master Indenture. Further, the Supplemental Indenture provides that a failure of the Obligated Group to maintain a Long-Term Debt Service Coverage Ratio of 1.00 shall be an Event of Default under the Master Indenture.

The Master Indenture provides that if an event of default occurs and continues, the Master Trustee may and, upon the written request of the Holders (subject to certain provisions of the Master Indenture with regard to the rights of any Credit Facility Issuer or the County, including the right of the County to approve acceleration of Subordinate Obligations which are benefited by a County Guaranty, as described in Appendix A hereto) of not less than 25% in aggregate principal amount of all Senior Obligations Outstanding, shall, by notice to the Members of the Obligated Group declare all Obligations Outstanding immediately due and payable. At any time after the principal of the Obligations shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, if (i) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee moneys sufficient to pay all matured installments of interest and interest on installments of principal and interest and principal or redemption prices then due (other than the principal then due only because of such acceleration), (ii) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee moneys sufficient to pay the expenses of the Master Trustee, (iii) all other amounts then payable by the Obligated Group under the Master Indenture shall have been paid or a sum sufficient to pay the same shall have been deposited with the Master Trustee, and (iv) every Event of Default (other than a default in the payment of such Obligations then due only because of such acceleration) shall have been remedied, or waived, then the Master Trustee, upon the written request of the Holders (subject to the provisions of the Master Indenture with regard to the rights of any Credit Facility Issuer or the County) of not less than a majority of the aggregate principal amount of Senior Obligations then Outstanding (or the Holders of not less than a majority in aggregate principal amount of Subordinate Obligations Outstanding if no Senior Obligations are any longer Outstanding), shall annul such declaration and its consequences with respect to any Obligation or portions thereof not then due by their terms. Upon the occurrence of an Event of Default, the County shall have the right, but not the obligation to cure such Event of Default on the same terms and conditions as the Obligated Group may do so under the Master Indenture.

The Master Indenture provides that the Master Trustee shall give notice in accordance with the Master Indenture of each Event of Default known to the Master Trustee to each Credit Facility Issuer, the Ratings Services, the County and all Holders of Bonds within 10 days after it has actual knowledge of the occurrence thereof unless such default has been remedied or cured before the giving of such notice; provided, however, that, except in the case of default in the payment of principal, Sinking Fund Installment, if any, or Redemption Price of, or interest on, any of the Series 2011 Bonds or in the case of default relating to the commencement of bankruptcy proceedings, the Master Trustee shall be protected in withholding such notice (but not with respect to notice to the County) if the Master Trustee in good faith determines that the withholding of such notice is in the best interests of the Credit Facility Issuer and the Holders.

THE SERIES 2011 BONDS

Description of the Series 2011 Bonds

The Series 2011 Bonds will be issued pursuant to the Master Indenture and Supplemental Indenture. The Series 2011 Bonds will be dated as of their date of delivery, and will bear interest from such date (payable on May 1, 2012 and on each May 1 and November 1 thereafter until final maturity thereof) at the rates set forth on the inside cover page of this Official Statement.

The Series 2011 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Series 2011 Bonds will be registered in the name of Cede & Co., as nominee of DTC, pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the Series 2011 Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2011 Bonds, the Series 2011 Bonds will be exchangeable for other fully registered certificated Series 2011 Bonds of the same Series, maturity and interest rate, in any authorized denominations. See "Book-Entry Only

System” herein. The Master Trustee may impose a charge sufficient to reimburse the Corporation or the Master Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a Series 2011 Bond. The cost, if any, of preparing each new Series 2011 Bond issued upon such exchange or transfer, and any other expenses of the Corporation or the Master Trustee incurred in connection therewith, will be paid by the person requesting such exchange or transfer.

Interest on the Series 2011 Bonds will be payable by check mailed to the registered owners thereof. However, interest on the Series 2011 Bonds will be paid to any owner of \$1,000,000 or more in aggregate principal amount of a Series of Series 2011 Bonds by wire transfer to a wire transfer address within the continental United States upon the written request of such owner received by the Master Trustee not less than five days prior to the Record Date. As long as the Series 2011 Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See “Book-Entry Only System” herein.

Redemption Provisions

Optional Redemption

The Series 2011 Bonds maturing prior to November 1, 2022 are not subject to optional redemption prior to maturity. The Series 2011 Bonds maturing on or after November 1, 2022 are subject to optional redemption prior to maturity, at the election or direction of the Corporation, on or after November 1, 2021 in any order, as a whole or in part at any time at a Redemption Price of par plus accrued interest to the redemption date.

Extraordinary Optional Redemption

The Series 2011 Bonds are also subject to extraordinary redemption, in whole or in part at any time prior to maturity, at 100% of the principal amount to be redeemed plus interest accrued to the redemption date, at the option of the Corporation, from the proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Health Care Facilities financed with the proceeds of the Series 2011 Bonds.

Mandatory Redemption

The Series 2011 Bonds described below are also subject to redemption prior to maturity, in part, on each November 1 of the years and in the respective principal amounts set forth below, at 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on November 1 of each year the principal amount of the Series 2011 Bonds specified for each of the years shown below:

Series 2011A Term Bond Maturing on November 1, 2032

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2027	\$2,715,000	2030	\$3,145,000
2028	2,855,000	2031	3,305,000
2029	2,995,000	2032*	3,470,000

* Final Maturity

Series 2011A Term Bond Maturing on November 1, 2041

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2033	\$1,145,000	2038	\$1,470,000
2034	1,205,000	2039	1,550,000
2035	1,265,000	2040	1,625,000
2036	1,330,000	2041*	1,710,000
2037	1,400,000		

* Final Maturity

Series 2011B Term Bond Maturing on November 1, 2041

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2031	\$1,070,000	2037	\$1,445,000
2032	1,125,000	2038	1,515,000
2033	1,180,000	2039	1,595,000
2034	1,245,000	2040	1,675,000
2035	1,305,000	2041*	1,765,000
2036	1,375,000		

* Final Maturity

The Corporation may from time to time, but not less than 45 days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, direct the Master Trustee to purchase, with moneys on deposit in the Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Series 2011 Bonds authorized under the Supplemental Indenture to be redeemed from such Sinking Fund Installment. Such Series 2011 Bond shall be cancelled upon receipt thereof by the Master Trustee and the principal amount thereof shall be credited against the Applicable Sinking Fund Installment due on such date. To the extent the Corporation's obligation to make Sinking Fund Installments in a particular year is fulfilled through such purchase, the likelihood of redemption through mandatory Sinking Fund Installments of any Holder's Series 2011 Bonds of the maturity so purchased will be reduced for such year.

Call for Purchase of Bonds

The Series 2011 Bonds maturing on or after November 1, 2022 are subject to call for purchase, at the option of the Corporation, in whole or in part at any time on or after November 1, 2021, at 100% of the principal amount thereof, plus accrued interest to the date set for the purchase.

In order to implement any such call for purchase, the Corporation shall so direct the Trustee in writing, to give notice of the call for purchase to the Holders of the Series 2011 Bonds, which notice shall be given by mail, postage prepaid, not less than thirty (30) days prior to the purchase date, to the registered owners of the Series 2011 Bonds or portions thereof to be called for purchase at their last addresses, if any, appearing upon the registry books. Such notice may state that the call for purchase shall be conditional upon the deposit of all funds necessary for such purchase, including accrued interest, if any, with the Trustee not later than the date established for such purchase. The Trustee is authorized and directed, upon receipt of such notice from the Corporation, to implement any such call for purchase.

In connection with any such call for purchase of less than all of each series of the outstanding Series 2011 Bonds, the portion of the Series 2011 Bonds to be called for purchase shall be selected by the Corporation, by notice to the Trustee, in any customary manner.

The Corporation shall deposit with the Trustee, or cause there to be deposited with the Trustee, not later than the date established for the purchase of the Series 2011 Bonds, all funds necessary for such purchase, including accrued interest, if any, and the Trustee shall be provided with a certificate of the Corporation providing instruction as to the registration and re-delivery of any Series 2011 Bond to be so purchased. On the date fixed for purchase, the Trustee shall pay, from funds provided by or on behalf of the Corporation that constitute immediately available funds on the purchase date, the purchase price to the Holders of such Series 2011 Bonds to be purchased against delivery of such Series 2011 Bonds. Following such purchase, the Trustee shall cause such Series 2011 Bonds so purchased to be registered and delivered to or at the direction of the Corporation as set forth in the certificate of the Corporation described above. Notwithstanding any provision of the Master Indenture to the contrary, any such deposit shall be to the credit of a Call for Purchase Fund to be established and held by the Trustee outside of the trust estate created under the Master Indenture, any such deposit shall be held separate and apart from any other funds held under the Master Indenture, and any such purchase shall be made with such funds deposited into such Call for Purchase Fund.

Notwithstanding any provision of the Master Indenture or the First Supplemental Indenture, no purchase of such Series 2011 Bonds pursuant to a call for purchase under this Section shall operate to extinguish the indebtedness of the Corporation evidenced thereby or modify the terms of any Series 2011 Bond. The Series 2011 Bond so called for purchase need not be cancelled but may remain Outstanding under the Master Indenture and in such case shall continue to bear interest.

Selection of Series 2011 Bonds to Be Redeemed

In the event of redemption of less than all of the outstanding Series 2011 Bonds, the Master Trustee shall assign to each such outstanding Series 2011 Bond and maturity to be redeemed a distinctive number for each unit of the principal amount of such Series 2011 Bond equal to the lowest denomination in which the Series 2011 Bonds are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Series 2011 Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Series 2011 Bonds are authorized to be issued for each number, shall equal the principal amount of such Series 2011 Bonds to be redeemed. In making such selections, the Master Trustee may draw such Series 2011 Bonds by lot (i) individually or (ii) by one or more groups the grouping for the purpose of such drawing to be by serial numbers (or, in the case of Series 2011 Bonds of a denomination of more than the lowest denomination in which the Series 2011 Bonds are authorized to be issued, by the numbers assigned thereto) which end in the same digit or in the same two digits. In case, upon any drawing by groups, the total principal amount of Series 2011 Bonds drawn shall exceed the amount to be redeemed, the excess may be deducted from any group or groups so drawn in such manner as the Master Trustee may determine. The Master Trustee may in its discretion assign numbers to allocate portions of such Series 2011 Bonds and select part of any such Series 2011 Bond for redemption.

Notice of Redemption

The Master Trustee is to give notice of the redemption of the Series 2011 Bonds in the name of the Obligated Group by mailing a notice of redemption, by first class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the redemption date, to the registered owners of the Series 2011 Bonds which are to be redeemed, at their last known addresses appearing on the registration books not more than 10 business days prior to the date such notice is given, but the failure of any such registered owner to receive such notice will not affect the validity of the proceedings for the redemption of the Series 2011 Bonds.

If on the redemption date moneys for the redemption of the Series 2011 Bonds of like maturity to be redeemed, together with interest thereon to the redemption date, are held by the Master Trustee so as to be available for payment of the Redemption Price, then interest on the Series 2011 Bonds of such maturity will cease to accrue on the redemption date and such Series 2011 Bonds will no longer be considered to be Outstanding under the Master Indenture.

For a more complete description of the redemption and other provisions relating to the Series 2011 Bonds, see "Appendix D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" attached hereto. For a discussion of certain provisions applicable to the Series 2011 Bonds while they are registered

in the name of DTC or its nominee, including provisions relating to required notices and the selection of Series 2011 Bonds to be redeemed, see “THE SERIES 2011 BONDS - Book-Entry Only System” herein.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2011 Bonds. The Series 2011 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2011 Bond certificate will be issued for each maturity of each series of the Series 2011 Bonds, totaling in the aggregate the principal amount of the Series 2011 Bonds, and will be deposited with DTC.

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

Purchases of the Series 2011 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2011 Bonds (“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, however, are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2011 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 a particular Series 2011 Bonds, except in the event that use of the book-entry system for the Series 2011 Bonds is discontinued.

To facilitate subsequent transfers, the Series 2011 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2011 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 Series 2011 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2011 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 Series 2011 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2011 Bonds, such as redemptions, tenders, defaults and

proposed amendments to the documents relating to the Series 2011 Bonds. For example, Beneficial Owners of the Series 2011 Bonds may wish to ascertain that the nominee holding the Series 2011 Bonds for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of any series of the Series 2011 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2011 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2011 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2011 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 Master Trustee on a 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 Underwriters, the Master Trustee or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Master Trustee or the Corporation, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to any series of the Series 2011 Bonds at any time by giving reasonable notice to the Corporation or the Master Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2011 Bond certificates for such Series are required to be printed and delivered.

The Corporation (on behalf of the Obligated Group Members) may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) for any series of the Series 2011 Bonds. In that event, Series 2011 Bond certificates will be printed and delivered to DTC.

NEITHER THE CORPORATION NOR THE MASTER TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT OR INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2011 BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES 2011 BONDHOLDERS; (IV) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A SERIES 2011 BONDHOLDER; OR (V) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2011 BONDS.

Each person for whom a Participant acquires an interest in the Series 2011 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. **NEITHER THE CORPORATION NOR THE MASTER TRUSTEE WILL HAVE ANY**

RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS, INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2011 BONDS.

For every transfer and exchange of beneficial ownership of the Series 2011 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

The Corporation (on behalf of the Obligated Group Members), in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to any series of the Series 2011 Bonds if the Corporation determines that (i) DTC is unable to discharge its responsibilities with respect to such Series 2011 Bonds or (ii) a continuation of the requirement that all of Outstanding Series 2011 Bonds be registered in the registration books kept by the Master Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of the Beneficial Owners. In the event that no substitute securities depository is found by the Corporation or restricted registration is no longer in effect, Bond certificates will be delivered as described in the Master Indenture.

State Pledge and Agreement

As authorized by the Act, the Corporation has included in the Master Indenture the pledge and agreement of the State that the State will not alter, limit or impair the rights vested in the Corporation to purchase, construct, own and operate, maintain, repair, improve, reconstruct, renovate, rehabilitate, enlarge, increase and extend, or dispose of any project, or any part thereof for which Bonds of the Corporation shall have been issued, to establish and collect rates, rents, fees and other charges referred to in the Act, to fulfill the terms of any contracts made with or for the benefit of the holders of Bonds or with any person or public corporation with reference to such project or part thereof, or in any way to impair the rights and remedies of the holders of Bonds, until the Bonds, together with interest thereon, including interest on any unpaid installments of interest, and all cost and expenses in connection with any action or proceeding by or on behalf of holders of Bonds, are fully met and discharged and such contracts are fully performed on the part of the Corporation.

THE PLAN OF FINANCE

Generally

The proceeds of the Series 2011A Bonds, together with other available funds, will be used to (i) finance certain capital projects at the Corporation's facilities that require certificates of need from the Department of Health of the State of New York (the "Series 2011 Projects"); (ii) fund a portion of the Debt Service Reserve Fund for the Series 2011 Bonds, and (iii) pay costs related to the issuance of the Series 2011A Bonds.

The proceeds of the Series 2011B Bonds, together with other available funds, will be used to (i) reimburse the Corporation for prior capital expenditures; (ii) fund a portion of the Debt Service Reserve Fund for the Series 2011 Bonds; and (iii) pay costs related to the issuance of the Series 2011B Bonds.

The Projects anticipated to be funded with the proceeds of the Series 2011A Bonds and Series 2011B Bonds consist of the costs of certain capital projects at the Corporation's facilities, including, but not limited to, the following: (i) renovation and expansion of the Neurosciences intensive care unit in the Main Tower; (ii) floor renovations and operating room renovations and expansions; (iii) replacement of a linear accelerator and renovation of the radiation medicine suite in the Main Tower; (iv) acquisition of certain major medical equipment and information technology; (v) renovation of one electrophysiology laboratory; (vi) construction of a new nine bed unit in the Maria Fareri Children's Hospital; (vii) upgrading of the Main Tower emergency exits to meet certain safety requirements; and (viii) replacement of an electrical switchboard. The Corporation has not received certificates of need from the Department of Health of the State of New York for all of the Projects. The Corporation expects to receive these certificates of need in due course. The Supplemental Indenture provides that the Corporation may substitute projects in accordance with the provisions thereof.

Reoffering of Series 2000A Bonds

Concurrently with the issuance of the Series 2011 Bonds, the Corporation is causing the purchase in lieu of redemption and remarketing of its Series 2000A Bonds currently outstanding in an aggregate principal amount of \$113,240,000 and the Corporation will reoffer that par amount less amounts to be retired by application of available funds. The Series 2000A Bonds were issued as Senior Obligations under the Master Indenture and are secured on a parity with other obligations outstanding thereunder, including the Series 2011 Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds related to the Series 2011 Bonds:

<u>Sources of Funds:</u>	<u>Series 2011A Bonds</u>	<u>Series 2011B Bonds</u>
Principal Amount	\$48,985,000	\$15,295,000
(Less Net Original Issue Discount)	(734,760)	(444,932)
Other Available Moneys ¹	<u>8,996</u>	<u>--</u>
Total Sources of Funds	<u>\$48,259,236</u>	<u>\$14,850,068</u>
<u>Uses of Funds:</u>		
Deposit to the Construction Fund ²	\$45,101,840	\$14,001,863
Deposit to the Debt Service Reserve Fund	1,731,873	540,757
Costs of Issuance ³	<u>1,425,523</u>	<u>307,448</u>
Total Uses of Funds	<u>\$48,259,236</u>	<u>\$14,850,068</u>

¹ Estimated Construction Fund earnings.

² Series 2011B amount represents reimbursement for prior capital expenditures. This amount is expected to be reimbursed to the Corporation on or about the closing date of the Series 2011 Bonds.

³ Costs of Issuance include the Underwriters' discount, certain fees and expenses of counsel, rating agency fees, bond issuance charges and master trustee and paying agent fees.

**PRINCIPAL, SINKING FUND INSTALLMENTS AND
INTEREST REQUIREMENTS FOR THE SERIES 2011 BONDS**

The following table sets forth the amount required to be paid by the Obligated Group during each twelve-month period ending November 1 of the years shown for the payment of the interest on any Outstanding Senior Bonds and each Series of Series 2011 Bonds payable on May 1 and November 1 of such year and the principal and Sinking Fund Installments of any Outstanding Senior Bonds and each Series of the Series 2011 Bonds payable on November 1 of such year and the aggregate payments to be made during each such period with respect to all obligations.

Total Debt Service on the Obligations

Year Ended November 1,	Series 2011A Bonds			Series 2011B Bonds			Outstanding Bonds*	Total Debt Service**
	Principal	Interest	Total	Principal	Interest	Total		
2012	\$ 100,000	\$ 2,051,597	\$ 2,151,597	\$	\$ 688,063	\$ 688,063	\$ 26,781,421	\$ 29,621,080
2013	100,000	2,335,263	2,435,263		783,869	783,869	27,249,319	30,468,451
2014	100,000	2,333,263	2,433,263		783,869	783,869	27,242,358	30,459,490
2015	100,000	2,330,263	2,430,263		783,869	783,869	27,171,608	30,385,740
2016	100,000	2,327,263	2,427,263		783,869	783,869	27,166,647	30,377,779
2017	100,000	2,324,263	2,424,263		783,869	783,869	27,161,694	30,369,826
2018	100,000	2,321,263	2,421,263		783,869	783,869	27,174,983	30,380,115
2019	1,010,000	2,318,013	3,328,013		783,869	783,869	25,766,483	29,878,365
2020	2,010,000	2,282,663	4,292,663		783,869	783,869	24,532,522	29,609,054
2021	2,105,000	2,189,788	4,294,788		783,869	783,869	23,187,557	28,266,213
2022	2,205,000	2,085,538	4,290,538		783,869	783,869	23,185,646	28,260,052
2023	2,295,000	1,997,338	4,292,338		783,869	783,869	23,174,096	28,250,302
2024	2,385,000	1,905,538	4,290,538		783,869	783,869	23,173,335	28,247,741
2025	2,490,000	1,804,175	4,294,175		783,869	783,869	23,161,457	28,239,501
2026	2,600,000	1,692,125	4,292,125		783,869	783,869	23,159,796	28,235,790
2027	2,715,000	1,575,125	4,290,125		783,869	783,869	23,154,196	28,228,190
2028	2,855,000	1,439,375	4,294,375		783,869	783,869	23,145,985	28,224,229
2029	2,995,000	1,296,625	4,291,625		783,869	783,869	23,139,007	28,214,501
2030	3,145,000	1,146,875	4,291,875		783,869	783,869	22,785,096	27,860,840
2031	3,305,000	989,625	4,294,625	1,070,000	783,869	1,853,869	21,860,346	28,008,840
2032	3,470,000	824,375	4,294,375	1,125,000	729,031	1,854,031	22,049,917	28,198,323
2033	1,145,000	650,875	1,795,875	1,180,000	671,375	1,851,375	22,258,399	25,905,649
2034	1,205,000	592,194	1,797,194	1,245,000	610,900	1,855,900	22,548,171	26,201,265
2035	1,265,000	530,438	1,795,438	1,305,000	547,094	1,852,094	22,599,283	26,246,815
2036	1,330,000	465,606	1,795,606	1,375,000	480,213	1,855,213	22,602,546	26,253,365
2037	1,400,000	397,444	1,797,444	1,445,000	409,744	1,854,744	22,600,171	26,252,358
2038	1,470,000	325,694	1,795,694	1,515,000	335,688	1,850,688	22,578,212	26,224,593
2039	1,550,000	250,356	1,800,356	1,595,000	258,044	1,853,044	22,568,983	26,222,383
2040	1,625,000	170,919	1,795,919	1,675,000	176,300	1,851,300	22,560,694	26,207,912
2041	1,710,000	87,638	1,797,638	1,765,000	90,456	1,855,456		3,653,094
Total**	<u>\$48,985,000</u>	<u>\$43,041,510</u>	<u>\$92,026,510</u>	<u>\$15,295,000</u>	<u>\$19,890,413</u>	<u>\$35,185,413</u>	<u>\$695,739,928</u>	<u>\$822,951,850</u>

* Includes debt service on the reoffered Series 2000A Bonds, Series 2010A Bonds, Series 2010B Bonds, Series 2010C-1 Bonds, Series 2010C-2 Bonds and Series 2010D described under the caption "INTRODUCTION – Existing Indebtedness". Assumes 2.00% interest for the Series 2010D Bonds. Actual interest rates may be higher.

** Total may not add due to rounding.

CORPORATION

The Corporation

The sole member of the Westchester County Health Care Corporation Obligated Group (the “Obligated Group”) is the Westchester County Health Care Corporation (the “Corporation”). THE CORPORATION IS CURRENTLY THE SOLE MEMBER OF THE OBLIGATED GROUP AND, AS SUCH, IS SOLELY RESPONSIBLE FOR PAYMENT OF DEBT SERVICE ON ALL SERIES OF BONDS ISSUED PURSUANT TO THE MASTER INDENTURE.

The Corporation is a New York public benefit corporation, exempt from federal income tax, and operates a hospital established under Article 28 of the New York Public Health Law. The Corporation was created by virtue of an amendment to the New York State Public Authorities Law by adding a new Article 10-C, Title 1. The statute specifically provides that the Corporation’s corporate existence shall continue until terminated by law; provided, however, that no such termination shall take effect so long as the Corporation shall have bonds or other obligations outstanding, unless adequate provision has been made for the payment or satisfaction thereof. The Corporation’s powers, duties and functions are as set forth in the statute and other applicable laws.

The Corporation’s primary purpose is the operation of the Medical Center described in Appendix A.

The Medical Center History

The Medical Center opened in 1918 as a United States Army Base Hospital. In 1920, the U.S. government transferred the facilities to County and the County reopened and operated the facilities as Grasslands Hospital. As the County’s only public hospital, the hospital has grown significantly since its establishment. In the 1970’s, the nature of the institution changed from a prototypical public hospital to a tertiary care hospital and academic medical center. During this period, a new 670-bed acute care hospital was constructed and New York Medical College relocated its educational facilities from New York City to the grounds of the hospital. Grasslands Hospital was renovated fully in 1977 and renamed the “Westchester County Medical Center.” The County operated the Westchester County Medical Center through 1997, at which time it transferred responsibility for the Medical Center to the Corporation.

The Corporation commenced its operation of the Medical Center on January 1, 1998. The Corporation now does business under the name “Westchester Medical Center.” The County has provided various forms of financial support to the Corporation since its inception in 1998 based on a combination of legally required as well as moral obligations. That relationship is more fully described in Appendix. See “Appendix A - FINANCIAL HISTORY-Relationship with the County” attached hereto.

BONDHOLDERS’ RISKS

The revenue and expenses of the Obligated Group are affected by the changing health care environment. These changes are a result of efforts by the federal and state governments, managed care organizations, private insurance companies and business coalitions to reduce and contain health care costs, including, but not limited to, the costs of inpatient and outpatient care, physician fees, capital expenditures and the costs of graduate medical education. In addition to matters discussed elsewhere herein, the following factors may have a material effect on the operations of the Obligated Group to an extent that cannot be determined at this time. This discussion of risks to holders of the Series 2011 Bonds is not intended to be exhaustive, but rather to summarize certain matters which could affect payment of the Series 2011 Bonds, in addition to other risks described throughout this Official Statement.

General

The Series 2011 Bonds are special obligations of the Obligated Group payable solely from and secured by a pledge of the Gross Receipts and, as and to the extent provided in the Supplemental Indenture, the respective funds and accounts (other than the respective Arbitrage Rebate Accounts) established by the Master Indenture and

pursuant to the Supplemental Indenture. The Corporation has no taxing power. No representation or assurance can be made that Gross Receipts will be realized from the Obligated Group in amounts sufficient to provide funds for payment of debt service on the Series 2011 Bonds when due and to make other payments necessary to meet the obligations of the Obligated Group. Further, there is no assurance that the Gross Receipts of the Obligated Group can be increased sufficiently to match increased costs that may be incurred.

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

Future economic conditions which may include an inability to control expenses in periods of inflation, and other conditions such as demand for health care services, the availability and affordability of insurance, including without limitation, malpractice and casualty insurance, availability of nursing and other professional personnel, the capability of the management of Members of the Obligated Group, the receipt of grants and contributions, referring physicians' and self-referred patients' confidence in the Obligated Group, increased use of health maintenance organizations ("HMOs") and preferred provider organizations ("PPOs") with discounted payment schedules, economic and demographic developments in the United States and in the service areas in which facilities of the Obligated Group are located, competition from other health care institutions, changes in interest rates which affect the investment results, and changes in rates, costs, third-party payments and governmental regulations concerning payment, are among other factors which may adversely affect revenues and expenses and, consequently the Obligated Group's ability to make payments under the Series 2011 Obligations. See "CORPORATION" herein and "Appendix B - Audited Consolidated Financial Statements of the Westchester County Health Care Corporation as of and for the Years Ended December 31, 2010 and 2009" attached hereto.

Proposed Legislation Affecting Tax Exempt Bonds

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or State level, may adversely affect the tax-exempt status of interest on the Series 2011 Bonds under Federal or State law or otherwise prevent beneficial owners of the Series 2011 Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2011 Bonds. For example, on September 12, 2011, President Obama sent to Congress draft legislation entitled the "American Jobs Act of 2011" (the "Proposed Act"). On September 13, 2011, Senate Majority Leader Reid introduced the Proposed Act in the Senate (S.1549). The Proposed Act includes a provision that, if enacted as proposed, would limit the amount of exclusions (including tax-exempt interest, such a interest on the Series 2011 Bonds) and deductions certain high income taxpayers could use to reduce their income tax liability for taxable years after 2012, and accordingly the Proposed Act could affect the market price or marketability of the Series 2011 Bonds.

Prospective purchasers of the Series 2011 Bonds should consult their own tax advisors regarding the foregoing matters.

Health Care Reform and Other Government Initiatives

On March 23, 2010, President Obama signed into law H.R. 3590, the Patient Protection and Affordable Care Act (the "PPACA"), a sweeping measure designed to expand access to health insurance, reduce health care spending, expand federal fraud and abuse authorities and transparency requirements, impose new taxes and fees on health industry sectors, and institute a variety of other health policy reforms. The President signed a second, related bill into law on March 30, 2010 – H.R. 4872, the Health Care and Education Affordability Reconciliation Act of 2010 (the "Reconciliation Bill") – which includes a series of "fixes" to the PPACA (collectively the "Health Care Reform Act"). The following is a discussion of the Health Care Reform Act, including the Reconciliation Bill as signed into law.

Some of the provisions of the Health Care Reform Act will take effect immediately or within a few months of final approval, while others will be phased in over time, ranging from one year to ten years. Because of the complexity of the Health Care Reform Act generally, additional legislation is likely to be considered and enacted over time. The Health Care Reform Act will also require the promulgation of substantial regulations with significant effects on the health care industry. Thus, the health care industry will be subjected to significant new statutory and regulatory requirements and consequently to structural and operational changes and challenges for a substantial period of time.

Management of the Corporation is analyzing the Health Care Reform Act and will continue to do so in order to assess the effects of the legislation on current and projected operations, financial performance and financial condition. However, management cannot predict with any reasonable degree of certainty or reliability any interim or ultimate effects of the legislation.

A significant component of the Health Care Reform Act is reformation of the sources and methods by which consumers will pay for health care for themselves and their families and by which employers will procure health insurance for their employees and dependents and, as a consequence, expansion of the base of consumers of healthcare services. One of the primary drivers of the Health Care Reform Act is to provide or make available, or subsidize the premium costs of, health care insurance for some of the millions of currently uninsured (or underinsured) consumers who fall below certain income levels. The Health Care Reform Act proposes to accomplish that objective through various provisions, summarized as follows: (i) the creation of active markets (referred to as exchanges) in which individuals and small employers can purchase health care insurance for themselves and their families or their employees and dependents, (ii) providing subsidies for premium costs to individuals and families based upon their income relative to federal poverty levels, (iii) mandating that individual consumers obtain and certain employers provide a minimum level of health care insurance, and providing for penalties or taxes on consumers and employers that do not comply with these mandates, (iv) establishment of insurance reforms that expand coverage generally through such provisions as prohibitions on denials of coverage for pre-existing conditions and elimination of lifetime or annual cost caps, and (v) expansion of existing public programs, including Medicaid, for individuals and families. To the extent all or any of those provisions produce the intended result, an increase in utilization of health care services by those who are currently avoiding or rationing their health care can be expected and bad debt expenses may be reduced.

Some of the specific provisions of the Health Care Reform Act that may affect hospital operations, financial performance or the financial condition are described below. This listing is not intended to be, nor should be considered by the reader as, comprehensive. The Health Care Reform Act is complex and comprehensive, and includes a myriad of new programs and initiatives and changes to existing programs, policies, practices and laws.

- With varying effective dates, the annual Medicare market basket updates for many providers, including hospitals, would be reduced, and adjustments to payment for expected productivity gains would be implemented.
- Commencing in federal fiscal year 2014, Medicare disproportionate share hospital (DSH) payments will be reduced initially by 75% and increased thereafter to account for the national rate of consumers who do not have healthcare insurance and are provided uncompensated care. Commencing in 2014, a state's Medicaid DSH allotment from federal funds will also be reduced.
- Expansion of Medicaid programs to a broader population with incomes up to 133% of federal poverty levels.
- Commencing in federal fiscal year 2012, Medicare payments that would otherwise be made to hospitals would be reduced by specified percentages to account for excess and "preventable" hospital readmissions.
- Commencing in federal fiscal year 2015, Medicare payments to certain hospitals for hospital-acquired conditions will be reduced by 1%. Commencing in federal fiscal year 2011, federal payments to states for Medicaid services related to hospital-acquired conditions will be prohibited.

- Effective in 2012, a value-based purchasing program will be established under the Medicare program designed to pay hospitals based on performance on quality measures.

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

- Effective for tax years commencing immediately after approval, additional requirements for tax-exemption will be imposed upon tax-exempt hospitals, including obligations to conduct a community needs assessment every three years; adopt an implementation strategy to meet those identified needs; adopt and publicize a financial assistance policy; limit charges to patients who qualify for financial assistance to not more than the amount generally billed to insured individuals for such care; prohibit the use of “gross charges”; and control the billing and collection processes. Failure to satisfy these conditions may result in the imposition of an excise tax. See the information herein under the caption “BONDHOLDERS RISKS – Provider Specific Taxes” herein.

- The establishment of an Independent Payment Advisory Board to develop proposals to improve the quality of care and limitations on cost increases. Those proposals would be automatically implemented if Congress does not act to invalidate them.

The Health Care Reform Act also provides for the implementation of various demonstration programs and pilot projects to test, evaluate, encourage and expand new payment structures and methodologies to reduce health care expenditures while maintaining or improving quality of care, including bundled payments under Medicare and Medicaid, and comparative effectiveness research programs that compare the clinical effectiveness of medical treatments and develop recommendations concerning practice guidelines and coverage determinations. Other provisions encourage the creation of new health care delivery programs, such as accountable care organizations, or combinations of provider organizations, that voluntarily meet quality thresholds to share in the cost savings they achieve for the Medicare program. The outcomes of these projects and programs, including their effect on payments to providers and financial performance, cannot be predicted.

Recent Economic and Legislative Development Affecting the Health Care Industry

The current economic turmoil, including the recent downgrade of the long term credit rating of the United States by one rating agency, has had and will continue to have negative repercussions upon the United States and global economies. In the last few years, this turmoil has particularly affected the financial sector, prompting a number of banks and other financial institutions to seek additional capital, to merge, and, in some cases, to cease operating. These events collectively have led to a scarcity of credit, lack of confidence in the financial sector, volatility in the financial markets, fluctuations in interest rates, reduced economic activity, increased business failures and increased consumer and business bankruptcies.

Hospitals are required to provide emergency care without regard to a patient’s ability to pay. Poor economic conditions and increased unemployment can enlarge the population that does not have health care coverage and thus cannot pay for care out-of-pocket, which in turn can increase the uncompensated care that the Corporation provides. Tax-exempt hospitals, in particular, often treat large numbers of indigent patients who are unable to pay in full, or perhaps at all, for their medical care. In addition, poor economic conditions and increased unemployment can lead patients to postpone or forego elective procedures, thereby reducing volume and revenue.

If the current economic turmoil continues and the economy further weakens, health care providers could be materially and adversely impacted in a number of ways, including reduced investment income, reduced philanthropic donations, reduced access to the credit markets, difficulties in obtaining new liquidity facilities or extensions of existing liquidity facilities, significant draws on internal liquidity due to difficulties with remarketing existing variable rate bonds and commercial paper, increased risk of acceleration on variable rate bonds, increase in

bad debt expense and charity care write-offs, and increased borrowing costs, any of which may negatively affect the operations or financial condition of a provider.

In 2009, President Obama signed into law economic recovery legislation that provided a temporary increase in federal Medicaid payments, which was effective until June 30, 2011, to the states, including New York, to enable states to maintain Medicaid benefits, as well as an increase in state DSH allotments allowing states to assist providers in continuing to care for the uninsured. The legislation also provides temporary federal subsidies to individuals who have lost their jobs to maintain their employer-based benefits through the Consolidated Omnibus Budget Reconciliation Act (“COBRA”) program.

In recent years, the Congress of the United States (the “Congress”) and the New York State Legislature have considered a number of legislative proposals to regulate, control or alter the methods of financing and delivering health care. Although there are wide variations among these bills and proposals, the common theme is to make a material reduction in the rate of growth of health care expenditures by third-party payors and individuals. Although the ultimate adoption and the specific impact of these initiatives on the health care delivery system cannot be determined at this time, any significant decrease in the level of payments by third-party payors (their “reimbursement”) will have an adverse impact on the financial condition of health care providers generally and the Corporation in particular.

State Budget

On February 1, 2011, Governor Andrew M. Cuomo proposed his 2011-2012 Executive Budget. The 2011 Executive Budget reflects savings anticipated from the proposals of the Medicaid Redesign Team, established pursuant to Executive Order No. 7. The Medicaid Redesign Team, comprised of health care professionals, stakeholders in the industry and legislators, was charged with reducing Medicaid costs and improving patient care. On February 24, 2011, the Medicaid Redesign Team issued a report containing findings and recommendations for cost reductions of over \$2.3 billion to the Governor for consideration in the budget negotiation process. Specifically, the Medicaid Redesign Team identified cost-containment measures of approximately \$2.85 billion in gap-closing savings in 2011-2012, and stated that growth in Department of Health Medicaid State funds spending for future years should be limited to the ten-year average change of the medical component of the Consumer Price Index (currently estimated at approximately four percent annually).

The Executive Budget was adopted on March 31, 2011 and included as part of its gap-closing plan, a series of changes and cost-containment measures such as programmatic reforms to Medicaid payments and program structures; the elimination of annual statutory inflation factors for hospitals, nursing homes and home and personal care providers (\$185 million); a two percent across-the-board rate reduction and other industry-specific measures (\$345 million); the acceleration of certain payments to take advantage of additional enhanced Federal Medical Assistance Percentage payments (\$66 million); and a healthcare industry-led effort to generate additional savings (\$640 million). The Executive Budget assumes a targeted growth rate for Medicaid equal to the ten-year average change in the medical component of the Consumer Price Index (currently four percent). According to the “Enacted Budget Financial Plan”, dated May 6, 2011, statutory changes adopted with the Executive Budget grant the Executive authority to hold Medicaid spending to this rate. This authority expires after two years; however, the cap remains in place and the Executive Budget assumes that statutory authority will be extended in subsequent years.

Although the 2011-2012 Executive Budget includes the statutory tools necessary to implement the recommendations of the Medicaid Redesign Team, there can be no assurance that these proposals will achieve the level of gap-closing savings anticipated in 2011-12 or limit the rate of annual growth in Department of Health State Funds Medicaid spending. In addition, according to the Enacted Budget Financial Plan, these recommendations are dependent upon timely Federal approvals, appropriate amendments to the existing systems and processes, and a collaborative working relationship with health care industry stakeholders.

In connection with the adoption of the budget for the State’s fiscal year 2005-2006, the Legislature authorized the creation of a “Commission on Health Care Facilities in the Twenty-First Century” charged with studying the State’s hospital and nursing home systems and making recommendations for closure, resizing, conversion, consolidation and restructuring (commonly referred to as the “Berger Commission”). In making recommendations, the Berger Commission considered hospital and nursing home capacity in each region of the

State, the economic impact of rightsizing actions, capital debt of affected facilities, the existence of other health care providers in the region, the availability of services for the uninsured, underinsured, and Medicaid populations, and additional factors as determined by the Commissioner of Health or the Berger Commission. The Berger Commission recommended that the Corporation downsize the Taylor Care Center (“TCC”), which at the time was a skilled nursing facility operated by the Medical Center. The Corporation followed the Berger Commission’s recommendations and downsized TCC in phases. Due to continued operating losses, in 2009, the Corporation opted to close TCC. See “APPENDIX A – THE MEDICAL CENTER – General – The Taylor Care Center at Westchester” attached hereto.

State reimbursement methodologies include a system of state-imposed assessments and surcharges on various categories of third-party payors for healthcare services that fund annual state-operated pools for indigent care, healthcare initiatives, and professional education. Other funding stems from conversion proceeds generated by the privatization of Empire Blue Cross/ Blue Shield and revenues from cigarette taxes. The Corporation receives significant payments from such pools, and no assurances can be given that substantial changes in these programs will not occur, nor that subsequent payments will remain at levels comparable to the present level. See “APPENDIX A - FINANCIAL HISTORY OF THE CORPORATION – Reimbursement Methodologies” attached hereto.

Managed Care and Other Private Initiatives

Managed care programs, which include various payment methodologies and utilization controls through the use of primary care physicians, are increasingly being offered by traditional insurance companies and managed care organizations in the State. Payment methodologies include per diem rates, per discharge rates, discounts from established charges, fee schedules and capitation payments. Enrollment in managed care programs has increased, and managed care programs are expected to have a greater influence on the manner in which health care services are delivered and paid for in the future. Managed care programs are expected to reduce significantly the utilization of health care services, and inpatient services in particular. In addition, some managed care organizations have been delaying reimbursements to hospitals thereby affecting institution cash flows. The Obligated Group’s financial condition may be adversely affected by these trends.

Federal Reimbursement Generally

Medicare and Medicaid are the commonly used names for hospital reimbursement or payment programs governed by certain provisions of the federal Social Security Act. Medicare is an exclusively federal program and Medicaid is jointly funded by federal and state government. Medicare provides certain health care benefits to beneficiaries who are 65 years of age or older or disabled, or qualify for the End Stage Renal Disease Program. Medicaid is designed to pay providers for care given to the medically indigent, is funded by federal and state appropriations, and is administered by the individual states. Hospital benefits are available under each participating state’s Medicaid program, within prescribed limits, to persons meeting certain minimum income or other eligibility requirements including children, the aged, the blind and/or disabled.

Health care providers have been and will be affected significantly by changes in the last several years in federal health care laws and regulations, particularly those pertaining to Medicare and Medicaid. The purpose of much of the recent statutory and regulatory activity has been to reduce the rate of increase in health care costs, particularly costs paid under the Medicare and Medicaid programs. Diverse and complex mechanisms to limit the amount of money paid to health care providers under both the Medicare and Medicaid programs have been enacted, and have caused severe reductions in reimbursement from the Medicare and Medicaid programs.

Medicare

Medicare reimburses acute care hospitals for services provided on an inpatient basis according to the inpatient prospective payment system (PPS). Under PPS, payments are based on a standard national amount (adjusted for local area wage levels), depending on the patient’s diagnosis (Diagnosis Related Group or DRG) adjusted for regional wage differences between localities without regard to each hospital’s actual inpatient operating and capital costs. Hospitals receive additional payment for cases that exceed DRG-specific cost thresholds, referred to as “outlier payments,” as well as the costs of organ procurement. The standardized rates are updated annually (the update factor) based on a statistical estimate of the increase in the cost of goods and services used by hospitals

in providing care (the market basket). Currently, the update factor equals the percentage increase in the market basket, but from time to time Congress has set updates legislatively that are less than the market basket. In addition, hospitals receive a predetermined amount per discharge for Medicare inpatient related capital costs.

Hospitals receive additional Medicare payments for training physicians and other medical professionals (graduate medical education (GME) payments), as well as for providing care to a high level of Medicaid and disabled patients (disproportionate share payments or DSH payments). There are two forms of payment for GME: Direct Graduate Medical Education (DGME) and Indirect Medical Education (IME) payments. DGME payments support the direct costs of training (*e.g.*, resident stipends, supervision), while IME payments support the higher infrastructure relating to teaching, greater patient acuity and their extensive “stand-by” capabilities.

Hospital outpatient services also are reimbursed by Medicare according to a prospective payment system for hospital outpatient services (OPPS). Under OPPS, most outpatient services are grouped into one of approximately 450 Ambulatory Patient Classifications and paid a uniform national payment amount adjusted for area wage differences and the average amount of resources required to provide the service (*e.g.*, visit, chest x-ray, surgical procedure). OPPS applies to most hospital outpatient services, other than ambulance and rehabilitation services, clinical diagnostic laboratory services, dialysis for end-stage renal disease, non-implantable durable medical equipment, prosthetic devices and orthotics. Outpatient services not covered by OPPS are reimbursed on the basis of fee schedules, the lower of costs or charges, or a blend of fee schedules and costs.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) further altered Medicare’s reimbursement of acute care hospitals, including standardization of payment for rural and urban hospitals, and increases to IME and GME funding and Medicare DSH payments. Before the implementation of the MMA, hospitals in large urban areas received 1.6% more in Medicare payments for inpatient services than hospitals in rural or smaller urban areas. In addition, DSH hospitals not located in large urban centers are now eligible for the same DSH adjustment factor as large urban hospitals (subject to a 12% cap).

New provisions in the MMA allow teaching hospitals to receive upwards of \$400 million over five years to help train doctors. The MMA schedules a series of increases of the adjustment factor for IME through 2007, but then increases were scaled back beginning in 2008. The MMA also reclassifies GME programs in Geriatrics and Family Practice in order to make up for the costs of additional residency requirements and non-hospital training requirements.

The Medicare program has encouraged the development of managed care products for Medicare beneficiaries. Enrollment in a Medicare managed care product is voluntary and enrollees may disenroll and re-enroll in the traditional fee-for-service Medicare system. Medicare managed care products can be offered only by a licensed HMO or a specially approved network called a Provider Sponsored Organization (“PSO”). At this time, the New York region has a limited number of approved PSOs.

The federal Medicare program pays the HMO a pre-established monthly premium for each Medicare beneficiary who voluntarily enrolls in an HMO product. The premium levels are set at a regional average price adjusted by each enrollee’s age, gender and other considerations. In return for the premium, the HMO pays for all the covered and medically necessary services delivered to the enrollee in the month. The HMO is at full financial risk for costs incurred for caring for its enrollees in the given month, as described above.

The Medicare program has experienced frequent legislative, regulatory and administrative revisions in its payment methodologies and other provisions, many of which have sought to reduce the rate of increase in the cost of the program. It is likely that revisions will continue, some of which may adversely affect the Medicare reimbursement which members of the Obligated Group receive.

Medicaid

Medicaid is the joint federal/state program, created under the Social Security Act, by which hospitals receive reimbursement for services provided to eligible infants, children, adolescents and indigent adults. In order to control Medicaid expenditures, the State has sought to enroll large numbers of Medicaid patients in managed care

programs because experience in other states has shown that inpatient utilization decreases for Medicaid recipients who are enrolled in such programs. The rules for the enrollment of Medicaid patients in managed care programs, premium payments to managed care organizations, and the resulting and potential financial risks to the Corporation are similar to those described above for Medicare managed care programs.

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

Medicare and Medicaid Audits and Withholds

Hospitals participating in Medicare and Medicaid are subject to audits and retroactive audit adjustments with respect to reimbursement claimed under those programs. Although management of the Corporation believes reserves are adequate for the purpose, any such future adjustments could be material. Both Medicare and Medicaid regulations also provide for withholding payments in certain circumstances. Any such withholding with respect to the Corporation could have a material adverse effect on the financial condition and results of operations of the Corporation. In addition, contracts between hospitals and third-party payors often have contractual audit, setoff and withhold language that may cause substantial, retroactive adjustments. Such contractual adjustments also could have a material adverse effect on the financial condition and results of operations of the Hospital. Management of the Obligated Group is not aware of any situation in which a Medicare or other payment is being, or may in the future be, withheld that would materially and adversely affect the financial condition or results of operations of the Hospital.

Federal Regulatory and Contractual Matters

Existing United States laws governing Medicare and state health care programs such as Medicaid, as well as similar laws enacted in many states, impose a broad variety of prohibitions on soliciting, receiving, offering or paying, directly or indirectly, any form of remuneration, payment or benefit for the referral of a patient for services or products reimbursable by Medicare or a state health care program. The federal government has published regulations that provide exceptions or “safe harbors” for business transactions that will be deemed not to violate these prohibitions. Violation of these prohibitions may result in civil and criminal penalties and exclusion from participation in Medicare and state health care programs.

Members of the Obligated Group are also subject to strict licensing and safety requirements by the federal government and the State of New York. Furthermore, state laws prohibit physicians from sharing professional fees with non-physicians and prohibit non-physician entities, such as the Members of the Obligated Group, from practicing medicine and from directly employing physicians to practice medicine.

Below is a brief description of several of the regulatory or statutory requirements that relate to healthcare providers such as the members of the Obligated Group. If the Obligated Group fails to comply with the laws and regulations relevant to its health care business, the Obligated Group could be subject to civil and/or criminal penalties, demands from the government for refunds or recoupment of amounts previously paid to the Obligated Group by the government, facility shutdowns and possible exclusion from participation in federal health care programs such as Medicare and Medicaid, any of which could have a significant negative impact on the operations of the Obligated Group. Some statutory and regulatory provisions, principally in the area of billing, have not been interpreted by the courts and may be interpreted or applied in a manner that might adversely affect the Obligated Group. Changes in health care laws or new interpretations of existing laws may have a dramatic effect on the business and results of operations of the Obligated Group.

False Claims Act

The criminal False Claims Act (“criminal FCA”) makes it illegal to submit or present a false, fictitious or fraudulent claim to the federal government. Violation of the criminal FCA can result in imprisonment and/or a fine.

The civil False Claims Act (“civil FCA”), one of the government’s primary weapons against health care fraud, allows the United States government to recover significant damages from persons or entities that submit fraudulent claims for payment to any federal agency through actions taken by the United States Attorney’s Office or the Department of Justice. The civil FCA also permits individuals to initiate actions on behalf of the government in lawsuits called qui tam actions. These qui tam plaintiffs, or “whistleblowers,” can share in the damages recovered by the government.

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

Violations of the civil FCA can result in penalties up to triple the actual damages incurred by the government and also monetary penalties. To avoid or reduce civil FCA liability, health care providers may choose to maintain a corporate culture of compliance with all applicable legal requirements, establish systems that enable them to learn of potential problems before a qui tam plaintiff files suit, consider making voluntary disclosures of information to the government if they discover wrongdoing or attempt to persuade the government not to proceed by cooperating with the government’s investigation.

Anti-Kickback Law

The federal Anti-Kickback Law is a criminal statute that prohibits anyone from knowingly or willfully soliciting, receiving, offering or paying any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, in return for a referral (or to induce a referral) for any item or service that is covered by any federal or state health care program. The Anti-Kickback Law applies to virtually every person and entity with which a hospital does business. Activities subject to the Anti-Kickback Law 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. Such arrangements may involve physicians (*e.g.*, practice acquisitions, physician recruiting and retention programs, various forms of hospital assistance to individual physicians, medical practices or physician contracting entities, physician referral services, hospital-physician service or management contracts and space or equipment rentals between hospitals and physicians), other providers or suppliers (*e.g.*, referral arrangements with nursing homes or home health agencies) or vendors. In recent years, the Anti-Kickback Law has been aggressively enforced. Health care providers, their subsidiaries, affiliates and physicians all have some exposure relating to the Anti-Kickback Law.

Violation of the Anti-Kickback Law is a felony, subject to a maximum fine of \$25,000 for each criminal act, imprisonment for up to five years and exclusion from the Medicare and Medicaid programs. The Office of the Inspector General (“OIG”), the enforcement arm of the United States Department of Health and Human Services (“DHHS”), can also initiate an administrative exclusion of a provider from the Medicare and Medicaid programs. In addition, civil monetary penalties of \$50,000 for each act in violation of the Anti-Kickback Law or damages equal to three times the amount of prohibited remuneration may be imposed.

The outcome of any government efforts to enforce the Anti-Kickback Law against health care providers is difficult to predict due, in part, to government discretion in pursuing enforcement and the lack of significant case law. Health care providers may act to reduce their financial exposure for Anti-Kickback violations through prompt repayment of sums received as a result of inaccurate claims, prompt voluntary reporting to the government of illegal arrangements, implementation of effective corporate compliance programs and by taking steps to require that their subsidiaries and affiliates do the same.

Stark Law and State Practitioners Referral Act

The Federal Ethics in Patient Referrals Act (known as the “Stark Law”) prohibits the referral of Medicare and Medicaid patients for certain “designated health services” to entities with which the referring physician (or an immediate family member of such physician) has a financial relationship. The statute also prohibits the entity furnishing the “designated health services” from billing the Medicare or Medicaid program for designated health services furnished pursuant to a prohibited referral. The designated health services subject to these prohibitions are clinical laboratory services, physical and occupational therapy services, radiology services (including magnetic resonance imaging, computerized tomography and ultrasound), radiation therapy services and supplies (not including nuclear medicine), durable medical equipment and supplies, parenteral and enteral nutrients (including equipment and supplies), orthotic and prosthetic devices and supplies, speech language pathology, home health services, outpatient prescription drugs and inpatient and outpatient hospital services (not including lithotripsy).

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

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

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

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

Civil Monetary Penalty Act

The federal Civil Monetary Penalty Act (“CMPA”) provides for administrative sanctions against health care providers for a broad range of billing and other abuses. A health care provider is liable under the CMPA if it knowingly presents, or causes to be presented, improper claims for reimbursement under Medicare, Medicaid and other federal health care programs. A hospital that participates in arrangements known as “gainsharing” by paying a physician to limit or reduce services to Medicare fee-for-service beneficiaries also would be subject to CMPA penalties. A health care provider that provides benefits 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 also would be subject to CMPA penalties. The CMPA authorizes imposition of a civil money penalty and treble damages.

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

HIPAA

The Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) established criminal sanctions for health care fraud and applies to all health care benefit programs, whether public or private. HIPAA also provides for punishment of a health care provider for knowingly and willfully embezzling, stealing, converting or intentionally misapplying any money, funds, securities, premiums, credits, property or other assets of a health care benefit program. A health care provider convicted of health care fraud could be subject to mandatory exclusion from the Medicare program.

HIPAA also required DHHS to adopt national standards for electronic health care transactions, including federal privacy standards for the protection of health information kept by health care providers that conduct certain financial and administrative transactions electronically (the “Privacy Rule”) and standards relating to the security of such health information. Compliance with the requirements of the Privacy Rule and other HIPAA requirements has required the Obligated Group to develop and use policies and procedures designed to inform patients about their privacy rights and how their protected health information may be used, to keep protected information secure, to train employees so that they understand the privacy procedures and practices of the Obligated Group and to designate a privacy officer responsible for seeing that privacy procedures are adopted and followed.

HIPAA imposes civil monetary penalties for violations and criminal penalties for knowingly obtaining or using individually identifiable health information. The penalties range from \$50,000 to \$250,000 or imprisonment if the information was obtained or used with the intent to sell, transfer or use the information for commercial advantage, personal gain or malicious harm.

The American Recovery and Reinvestment Act of 2009 (the “Stimulus Act”)

The Stimulus Act includes several provisions that are intended to provide financial relief to the health care sector, including \$86.6 billion in federal payments to states to fund the Medicaid program and \$24.7 billion to provide a 65% subsidy to the recently unemployed for health insurance premium costs. The Stimulus Act also includes: \$19 billion to establish a framework for the implementation of a nationally-based health information technology (“HIT”) program, including incentive payments to hospitals commencing fiscal year 2011; \$10 billion for health research and construction of NIH facilities; and \$1 billion for prevention and wellness programs. As a component of the federal objective of implementing electronic health records (“EHRs”) for all Americans by 2014, the Health Information Technology for Economic and Clinical Health Act (“HITECH Act”) included in the Stimulus Act requires the development of regulations to establish HIT standards to which the Obligated Group’s physicians and acute care hospitals will be subject. Compliant physicians and acute care hospitals that are also “meaningful users” of EHRs will be eligible for Medicare and Medicaid incentive payments generally beginning in fiscal year 2011. However, physicians must choose between receiving payments through the Medicare or Medicaid program, and hospital-based physicians are not eligible for the incentives. Hospitals and eligible physicians that do not comply will face Medicare penalties beginning in fiscal year 2015. The effect of the Stimulus Act and any future regulatory actions on the Corporation cannot be determined at this time.

In addition, the Stimulus Act provided substantial assistance to Medicaid programs through enhanced federal medical assistance percentages, which determine the federal and state share of the Medicaid program. The expiration of the enhanced Medicaid funding at the end of June 2011 could have a significant adverse affect on the state’s fiscal status relative to prior years.

Exclusions from Medicare or Medicaid Participation

The Secretary of DHHS is required to exclude from governmental program participation (including Medicare and Medicaid) for not less than five years any individual or entity who has been convicted of a criminal offense relating to the delivery of any item or service reimbursed under Medicare or a state health care program, any criminal offense relating to patient neglect or abuse in connection with the delivery of health care, felony fraud against any federal, state or locally financed health care program or an offense relating to the illegal manufacture, distribution, prescription or dispensing of a controlled substance. DHHS also may exclude individuals or entities under certain other circumstances, such as an unrelated conviction of fraud, theft, embezzlement, breach of fiduciary

duty or other financial misconduct relating either to the delivery of health care in general or to participation in a federal, state or local government program.

Enforcement Activity

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

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

Market Dynamics

In providing health care services, each Member of the Obligated Group competes with a number of other providers in its service area, including for-profit and nonprofit providers of acute health care services.

In addition, other affiliations among health care providers in the service areas of the Members of the Obligated Group may be either in a formative phase or under negotiation. Competition could also result from certain health care providers that may be able to offer lower priced services to the population served by the Members of the Obligated Group. These services could be substituted for some of the revenue generating services currently offered by the Members of the Obligated Group. The services that could serve as substitutes for hospital treatment include skilled, specialized and residential nursing facilities, home care, drug and alcohol abuse programs, ambulatory surgical centers, expanded preventive medicine and outpatient treatment, freestanding independent diagnostic testing facilities, increasingly sophisticated physician group practices and specialty hospitals, such as cardiac care hospitals and children's hospitals. Certain of such forms of healthcare delivery are designed to offer comparable services at lower prices, and the federal government and private third-party payors may increase their efforts to encourage the development and use of such programs. In addition, future changes in state and federal law may have the effect of increasing competition in the healthcare industry. The effect on the Members of the Obligated Group of any such affiliations or entry into the market by alternative providers of health care services, if completed, cannot be determined at this time.

Regulation of Patient Transfer

Federal and State laws require hospitals in the State to provide emergency treatment to all persons presenting themselves with emergency medical conditions. Federal laws also prohibit hospitals from transferring a patient who is medically unstable or is in labor, unless the patient asks to be transferred or a physician certifies that the benefits of the transfer outweigh the risks. The receiving hospital must agree to accept the transfer. Hospitals that violate the ban on inappropriate transfer may be expelled from the Medicare and/or Medicaid programs and are subject to fines of up to \$50,000 per violation. Management of the Corporation believes that it is in compliance with these requirements.

Department of Health and Other Governmental Regulations

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

The Corporation is subject to regulatory actions and policy changes by those governmental and private agencies that administer the Medicare and Medicaid programs and actions by professional and industrial relations of staff and employees, applicable professional review organizations, the Joint Commission on Accreditation of Healthcare Organizations, and various federal, State and local agencies.

The Corporation, as are many other medical centers throughout the nation, is frequently subject to audits and other investigations relating to various segments of their operations. The management of each of the Members does not believe that any such audits or investigations will result in a liability which would have a material adverse impact on the business, operations or financial condition of the Obligated Group.

Nationwide Nursing Shortage

Healthcare providers depend on qualified nurses to provide quality service to patients. There is currently a nationwide shortage of qualified nurses. This shortage and the more stressful working conditions it creates for those remaining in the profession are increasingly viewed as a threat to patient safety and may trigger the adoption of state and federal laws and regulations intended to reduce that risk. For example, some states are considering legislation that would prohibit forced overtime for nurses. In response to the shortage of qualified nurses, health care providers have increased and could continue to increase wages and benefits to recruit or retain nurses and have had to hire more expensive contract nurses.

Employees

The ability of the Members of the Obligated Group to employ and retain qualified employees, and their ability to maintain good relations with such employees and the unions (if any) they may be represented by, affect the quality of services to patients and the financial condition of the Members of the Obligated Group.

Antitrust

Enforcement of the antitrust laws against health care providers is becoming more common. Antitrust liability may arise in a wide variety of circumstances including medical staff privilege disputes, payor contracting, physician relations, joint ventures, merger, affiliation and acquisition activities, and certain pricing and salary setting activities. Actions can be brought by federal and State enforcement agencies seeking criminal and civil penalties and, in some instances, by private litigants seeking damages for harm from allegedly anticompetitive behavior. Common areas of potential liability include joint action among providers with respect to payor contracting, medical staff credentialing and issues relating to market share. Liability in any of these or other trade regulation areas may be substantial, depending on the facts and circumstances of each case. With respect to payor contracting, the Obligated Group, from time to time, may be involved in joint contracting activity with hospitals or other providers. The degree to which these or similar joint contracting activities may expose a participant to antitrust risk from governmental or private sources are dependent on a myriad of factors which may change from time to time. If any provider with which the Obligated Group is or becomes affiliated is determined to have violated the antitrust laws, the Obligated Group may be subject to liability as a joint actor.

Some judicial decisions have permitted physicians who are subject to disciplinary or other adverse actions by a hospital at which they practice, including denial or revocation of medical staff privileges, to seek treble damages from the hospital under the federal antitrust laws. The Federal Health Care Quality Improvement Act of 1986 provides immunity from liability for discipline of physicians by hospitals under certain circumstances, but

courts have differed over the nature and scope of this immunity. In addition, hospitals occasionally indemnify medical staff members who incur costs as defendants in lawsuits involving medical staff privilege decisions. Some court decisions have also permitted recovery by competitors claiming harm from a Hospital's use of its businesses. Antitrust liability in any of these contexts can be substantial, depending on the circumstances involved.

While management of the Obligated Group believes that the Obligated Group is in compliance with relevant antitrust laws, there can be no assurance that a third party reviewing the activities of the Obligated Group would find such activities to be in full compliance with the antitrust laws.

Environmental Laws and Regulations

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

In its role as an owner and operator of properties or facilities, each Member of the Obligated Group may be subject to liability for investigating and remedying any hazardous substances that may be present on or have migrated off of its property or facilities. Typical hospital operations include, but are not limited to, in various combinations, the handling, use, storage, transportation, disposal and discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. As such, hospital operations are particularly susceptible to the practical, financial and legal risks associated with compliance with such laws and regulations. Such risks may result from damage to individuals, property or the environment and include an interruption of operations, an increase in operating costs, legal liability, damages, injunctions or fines and investigations, administrative proceedings, penalties or other governmental agency actions. The Members of the Obligated Group expect to continue to encounter such risks in the future, and exposure to such risks could materially adversely affect the future financial condition or results of operations of individual Members of the Obligated Group and of the Obligated Group, taken as a whole.

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

Provider-Specific Taxes

The Medicaid Voluntary Contribution and Provider-Specific Tax Amendments of 1991 established standards which govern how states can impose and use provider-specific taxes. In general, states are allowed to impose broad-based, provider-specific taxes that are redistributive and do not contain "hold harmless" provisions. The law also limits Medicaid payment adjustments for hospitals that service a disproportionate number of low income patients to 12% of each state's gross Medicaid expenditures.

Affiliation, Merger, Acquisition and Divestiture

As part of its ongoing planning and property management functions, the Obligated Group reviews the use, compatibility and financial viability of many of their operations and, from time to time, may pursue changes in the use of, or disposition of, their facilities. Likewise, the Corporation may receive offers from or conduct discussions with third parties about the potential acquisition of operations or properties that may become part of the Corporation in the future, or about the potential sale of some of the Corporation operations and properties. Discussions with respect to affiliation, merger, acquisition, disposition, or change of use, including those that may affect the Obligated Group, are held on an intermittent, and usually confidential, basis. As a result, it is possible that the assets currently

owned by the Members may change from time to time, subject to the provisions in the financing documents that apply to merger, sale, disposition or purchase of assets and subject to provisions of law applicable to the Corporation as a public benefit corporation of the State.

Private Third-Party Reimbursement

A significant portion of the patient service revenue of some Members of the Obligated Group is received from private entities, such as insurance companies which provide third-party reimbursement for patient care on the basis of negotiated payments or make payment based on the charges of the Obligated Group. Renegotiations of such negotiated payments and changes in such reimbursement systems and methods may reduce this category of revenue or prevent Members of the Obligated Group from receiving adequate reimbursement for their costs.

Licensing, Accreditations, Investigations and Audits

On a regular basis, health care facilities, including those of the Members 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 payment, state licensing agencies, private payers, the Joint Commission and other accrediting bodies. Renewal and continuance of certain of these licenses, certifications and accreditation are based on inspections, surveys, audits, investigations or other reviews, some of which may require or include affirmative action or response by the Members of the Obligated Group. These activities generally are conducted in the normal course of business of health care facilities. Nevertheless, an adverse result could result in a loss or reduction in the scope of licensure, certification or accreditation of the Members of the Obligated Group, or could reduce the payment received or require repayment of amounts previously remitted.

Each Member of the Obligated Group is subject to periodic review by the Joint Commission, and the various federal, state and local agencies created by the National Health Planning and Resources Development Act of 1974. From time to time, accrediting bodies may review their accreditations of Members of the Obligated Group and recommend certain actions or impose conditions on an existing accreditation. Management of the Corporation currently anticipates no difficulty renewing or continuing currently held licenses, certifications or accreditations. Nevertheless, actions in any of these areas could result in the loss of utilization or revenues, or the ability of the Members of the Obligated Group to operate all or a portion of their facilities, and, consequently, could adversely affect the ability of the Members of the Obligated Group to pay principal, interest and premium, if any, with respect to the Series 2011 Bonds. Management of the Corporation does not expect any such review to require actions or impose conditions that could not be satisfied or to adversely affect the continuing accreditation of any Member of the Obligated Group. No assurance can be given as to the effect on future operations of existing laws, regulations and standards for certification or accreditation or of any future changes in such laws, regulations and standards.

Increased Costs and State-Regulated Reimbursement

In recent years, substantial cutbacks in personnel and other cost-cutting measures have been instituted at hospitals throughout the State. Generally, these cutbacks have been instituted to address the disparity between rising medical costs and State-regulated reimbursement formulas, including those for Medicaid, Blue Cross and Blue Shield, and other third-party payors. Rising health care costs resulted from, among other factors, increased salaries for nurses, employee benefits, greater depreciation and interest expense associated with plant modernization, new medical equipment, and modernizing of buildings. The Obligated Group has been affected by the impact of such rising costs, and there can be no assurance that the Members would not be similarly affected by the impact of additional unreimbursed costs in the future.

Secondary Market

There can be no assurance that there will be a secondary market for the purchase or sale of the Series 2011 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 make the secondary market, the evaluation of the Obligated Group's capabilities and the financial conditions and results of operations of the Obligated Group.

Additional Risk Factors

The following factors, among others, may also adversely affect the operation of health care facilities, including the facilities of the Members of the Obligated Group, to an extent that cannot be determined at this time:

- Increased efforts by insurers and governmental agencies to limit the cost of hospital services (including, without limitation, the implementation of a system of prospective review of hospital rate changes and negotiating discounted rates), to reduce the number of hospital beds and to reduce utilization of hospital facilities by such means as preventive medicine, improved occupational health and safety, and outpatient care.
- Cost increases without corresponding increases in revenue could result from, among other factors: increases in the salaries, wages, and fringe benefits of hospital and clinic employees; increases in costs associated with advances in medical technology or with inflation; or future legislation which would prevent or limit the ability of the Members of the Obligated Group to increase revenues.
- Any termination or alteration of existing agreements between a Member of the Obligated Group and individual physicians and physician groups who render services to the patients of a Member of the Obligated Group or any termination or alteration of referral patterns by individual physicians and physician groups who render services to the patients of a Member of the Obligated Group with whom the Obligated Group does not have contractual arrangements.
- Future contract negotiations between public and private insurers, employers and participating hospitals, including the hospitals of the Members of the Obligated Group, and other efforts by these insurers and employers to limit hospitalization costs and coverage could adversely affect the level of reimbursement to the Members of the Obligated Group.
- An inflationary economy and difficulty in increasing room charges and other fees charged while at the same time maintaining the amount or quality of health services may affect the operating margins of the Members of the Obligated Group.
- The cost and effect of any future unionization of employees of the Members of the Obligated Group.
- The possible inability to obtain future governmental approvals to undertake projects necessary to remain competitive both as to rates and charges as well as quality and scope of care could adversely affect the operations of the Members of the Obligated Group.
- Imposition of wage and price controls for the health care industry, such as those that were imposed and adversely affected health care facilities in the early 1970s.
- Limitations on the availability of and increased compensation necessary to secure and retain nursing, technical or other professional personnel.
- Changes in law or revenue rulings governing the nonprofit or tax-exempt status of charitable corporations such as the Members of the Obligated Group, such that nonprofit corporations, as a condition of maintaining their tax-exempt status, are required to provide increased indigent care at reduced rates or without charge or discontinue services previously provided.
- Efforts by taxing authorities to impose or increase taxes related to the property and operations of nonprofit organizations or to cause nonprofit organizations to increase the amount of services provided to indigents to avoid the imposition or increase of such taxes.
- Proposals to eliminate the tax-exempt status of interest on bonds issued to finance health facilities, or to limit the use of such Series 2011 Bonds, have been made in the past, and may be made again in the future. The adoption of such proposals would increase the cost to the Members of the Obligated

Group of financing future capital needs. See “Proposed Legislation Affecting Tax-Exempt Bonds” herein.

- Trends in delivery of health care services with more procedures becoming noninvasive and not requiring inpatient care. This creates an increased focus on delivery of outpatient care which typically is a more competitive environment for hospitals.
- Increased unemployment or other adverse economic conditions which could increase the proportion of patients who are unable to pay fully for the cost of their care. In addition, increased unemployment caused by a general downturn in the economy of the service areas of the Members of the Obligated Group or by the closing of operations of one or more major employers in such service areas may result in a significant change in the demographics of such service areas, such as a reduction in the population.

In the future, other events may adversely affect the operations of the Members of the Obligated Group, as well as other health care facilities, in a manner and to an extent that cannot be determined at this time.

Project Risks

Cost overruns resulting from design changes, unforeseen occurrences, or delays in the construction and installation of any of the Projects could cause the cost of the Project to exceed the aggregate funds available therefor. Such cost overruns could impact upon the revenues otherwise available to make payments on the Series 2011 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Matters Relating to Security Interests in Gross Receipts

The effectiveness of the security interest in the Gross Receipts of the Obligated Group pursuant to the Master Indenture may be limited by a number of factors, including: (i) provisions prohibiting the direct payment of amounts due to health care providers from Medicare, Medicaid and certain other programs to persons other than such providers; (ii) present or future prohibitions against assignments contained in any applicable statutes or regulations; (iii) commingling of proceeds of Gross Receipts with other moneys which are not subject to the security interests in Gross Receipts or gross revenues, respectively; (iv) statutory liens; (v) rights arising in favor of the United States or any agency thereof; (vi) federal bankruptcy laws which may affect the enforceability of the security interest in the Gross Receipts; (vii) rights of third parties in Gross Receipts converted to cash and not in the possession of the Master Trustee; and (viii) claims that might arise if appropriate financing or continuation statements are not filed or extended in accordance with the applicable Uniform Commercial Code in effect from time to time.

Matters Relating to Mortgage

There are certain risks associated with the Mortgage granted by the Corporation. In particular, the improvements on the mortgaged property are designed specifically for use as hospital related facilities and may not have significant liquidation value in the event the mortgagee seeks to foreclose the lien of the Mortgage. Furthermore, realizing the value of the Mortgage may be subject to certain regulatory approvals. The value of the lien of the Mortgage could also be substantially and adversely affected by releases of mortgaged property made in accordance with the Mortgage.

In addition, the property mortgaged under the Mortgage consists of a leasehold interest. Leasehold mortgages are subject to certain risks not associated with mortgage liens on a fee estate. For example, if the related mortgagor’s leasehold were to be terminated upon a lease default, the mortgagee would lose its security in the leasehold interest. The Lease Agreement requires the County, as lessor, to provide the mortgagee with notice of the Corporation’s defaults under the Lease Agreement and an opportunity to cure them, permits the leasehold interest to be assigned to the mortgagee or its nominee or designee and contains certain other protective provisions typically included in a “mortgageable” ground lease.

The value of the lien of the Mortgage could also be substantially and adversely affected by restrictions contained in the Lease Agreement, including, but not limited to, restrictions relating to the use of the mortgaged property and assignment of the Lease Agreement to a third party. In addition, there are no assurances that the Corporation or the mortgagee (to the extent it can obtain standing to intervene) will be able to recoup the full value of the leasehold interest in a bankruptcy.

Considerations Relating to Additional Debt

Subject to the coverage and other tests set forth in the Master Indenture, the Master Indenture permits the Obligated Group to incur additional indebtedness, including Additional Obligations. Such indebtedness would increase the Obligated Group's debt service and repayment requirements and may adversely affect debt service coverage on the Series 2011 Bonds.

LEGALITY OF THE SERIES 2011 BONDS FOR INVESTMENT AND DEPOSIT

Under State law, the Series 2011 Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control. However, enabling legislation or bond resolutions of individual authorities and public benefit corporations of the State may limit the investment of funds of such authorities and corporations in the Series 2011 Bonds.

NEGOTIABLE INSTRUMENTS

The Series 2011 Bonds shall be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Master Indenture and in the Series 2011 Bonds.

TAX MATTERS

Summary of Certain Federal Tax Requirements; Compliance

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Series 2011 Bonds in order that interest on the Series 2011 Bonds will be and remain not includable in gross income under Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use of proceeds of the Series 2011 Bonds and the facilities financed or refinanced by such proceeds, restrictions on the investment of such proceeds and other amounts, the rebate to the United States of certain earnings with respect to investments, and required ownership by a governmental unit of the facilities financed or refinanced by the Series 2011 Bonds. Failure to comply with the continuing requirements may cause interest on the Series 2011 Bonds to be includable in gross income for federal income tax purposes retroactive to the date of their issuance irrespective of the date on which such noncompliance occurs. The Corporation has made representations, certifications and covenants designed to assure compliance with the requirements of the Code. The opinion of Bond Counsel assumes and is dependent upon compliance with such covenants and the accuracy, in all material respects, of such representations and certifications, which Bond Counsel has not independently verified.

Opinion of Bond Counsel

In the opinion of Winston & Strawn LLP, New York, New York ("Bond Counsel") based on existing statutes, regulations, rulings and court decisions and assuming compliance with the covenants and the accuracy of the representations and certifications referred to above, interest on the Series 2011 Bonds is not includable in gross income for federal income tax purposes. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

Bond Counsel expresses no opinion as to the effect on the exclusion of interest on the Series 2011 Bonds from gross income for federal income tax purposes (i) in the event that the Master Indenture or the Supplemental

Indenture shall be modified or amended in any manner without the approval of Winston & Strawn LLP, or (ii) in the event there occurs any change or other action permitted by the documents executed and delivered in connection with the authorization, sale or issuance of all or any portion of the Series 2011 Bonds, if such change occurs or such action is taken upon the approval of counsel other than Winston & Strawn LLP.

Bond Counsel is further of the opinion that interest on the Series 2011 Bonds is not an “item of tax preference” for purposes of the federal alternative minimum tax on individuals and corporations. Interest on the Series 2011 Bonds will be includable in adjusted current earnings used to calculate the federal alternate minimum tax on corporations. Corporate purchasers of the Series 2011 Bonds should consult their tax advisors concerning the computation of any alternative minimum tax.

In the opinion of Bond Counsel, the interest on the Series 2011 Bonds is exempt under existing statutes from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York and the City of Yonkers).

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel’s legal judgment as to the exclusion of interest on the Series 2011 Bonds from gross income for federal income tax purposes, but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service (“IRS”) or any court. Bond Counsel expresses no opinion about the effect on the tax-exempt treatment of interest on the Series 2011 Bonds of (i) future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2011 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification”, or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding”, which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2011 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2011 Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the IRS.

Original Issue Discount

Certain maturities of the Series 2011 Bonds have been initially offered to the public at prices less than the principal amount thereof payable at maturity. If the first price at which a substantial amount of the Series 2011 Bonds of the same maturity is sold in the initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) is less than the principal amount thereof payable at maturity, the difference between such price and principal amount constitutes original issue discount with respect to each Series 2011 Bond of the same maturity (the “OID Series 2011 Bonds”). Bond Counsel is of the opinion that original issue discount, as it accrues, is excludable from gross income for federal income tax purposes and is subject to the alternative minimum tax to the same extent as is interest on the Series 2011 Bonds. Original issue discount accrues in each taxable year over the term of the OID Series 2011 Bonds under the “constant yield method” described in regulations interpreting Section 1272 of the Code, with certain adjustments. Original issue discount may be treated as continuing to accrue in each taxable year even if payment of the OID Series 2011 Bonds becomes doubtful. Accruals of original issue discount are treated as tax-exempt interest earned by owners on the accrual basis of tax accounting and as tax-exempt interest received by owners on the cash

basis of tax accounting even though no cash corresponding to the accrual is received in the year of accrual. The tax basis of an OID Series 2011 Bond if held by an original purchaser, can be determined by adding to such owner's purchase price of such OID Series 2011 Bond the original issue discount that has accrued. Holders of OID Series 2011 Bonds should consult their own tax advisors with respect to the calculation of the amount of the original issue discount that will be treated for federal income tax purposes as having accrued for any taxable year (or portion thereof) of such owners and with respect to other federal, state and local tax consequences of owning and disposing of the OID Series 2011 Bonds.

Original Issue Premium

Certain maturities of the Series 2011 Bonds have been initially offered to the public at prices in excess of their principal amounts (the "Premium Series 2011 Bonds"). An initial purchaser (other than a purchaser who holds such Premium Series 2011 Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) with an initial adjusted basis in a Premium Series 2011 Bond in excess of its principal amount will have amortizable bond premium that is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of such Premium Series 2011 Bond based on the purchaser's yield to maturity (or, in the case of Premium Series 2011 Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Series 2011 Bond, an initial purchaser is required to decrease such purchaser's adjusted basis in such Premium Series 2011 Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning Premium Series 2011 Bonds. Owners of Premium Series 2011 Bonds are advised that they should consult with their own advisors with respect to the federal, state and local tax consequences of owning Premium Series 2011 Bonds.

Other Considerations

Prospective purchasers of the Series 2011 Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of tax-exempt obligations may have collateral federal income tax consequences for certain taxpayers, including financial institutions, certain subchapter S corporations, United States branches of foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, taxpayers eligible for the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. The foregoing is not intended as an exhaustive list of potential tax consequences. Prospective purchasers should consult their tax advisors regarding any possible collateral consequences with respect to the Series 2011 Bonds. Bond Counsel expresses no opinion regarding any such collateral consequences.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2011 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2011 Bonds. Future tax legislation, administrative actions taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2011 Bonds under federal or state law. For example, the President of the United States has submitted to Congress a legislative proposal (the "Proposal") named the American Jobs Act of 2011, which includes a provision that, in general, would impose federal income tax at a rate equal to the excess of an individual investor's marginal tax bracket over the 28% tax bracket on all tax-exempt bond interest, including interest on the Series 2011 Bonds, received by individual taxpayers with an adjusted gross income of \$200,000 (\$250,000 in the case of married individuals filing jointly), effective for taxable years beginning on or after January 1, 2013. Bills seeking enactment of the Proposal have been introduced into the Senate and the House of Representatives, but no action has been taken on such bills. Senate Majority Leader Reid has introduced a bill (S. 1660) similar to the Proposal, but which replaces the Proposal's tax provisions (including the above described provision regarding tax-exempt bond interest) with an income tax rate increase beginning in 2012 on the portion of an individual's modified adjusted gross income that exceeds \$1,000,000. However, on October 11, 2011, the Senate failed to pass a motion that would have allowed a vote on S. 1660. There can be no assurance that the Proposal, S. 1660, or a modified version thereof, or other future proposals for federal or state tax legislation will not be enacted. Further, no assurance can be given that the introduction or enactment of any proposed legislation will not affect the

market price and the marketability of the Series 2011 Bonds. Prospective purchasers of the Series 2011 Bonds should consult their own tax advisers regarding any pending or proposed federal or state tax legislation and prospective purchasers of the Series 2011 Bonds at other than their original issuance at the respective prices or yields indicated on the inside cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Series 2011 Bonds ends with the issuance of the Series 2011 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Corporation or the beneficial owners regarding the tax status of interest on the Series 2011 Bonds in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includable in gross income for federal income tax purposes. If the IRS does audit the Series 2011 Bonds, under current IRS procedures, the IRS will treat the Corporation as the taxpayer and the beneficial owners of the Series 2011 Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Series 2011 Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market prices for the Series 2011 Bonds.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services ("S&P") have assigned ratings of "A3" and "BBB", respectively, to the Series 2011 Bonds. Such ratings reflect only the respective views of Moody's and S&P and do not constitute a recommendation to buy, sell or hold the Series 2011 Bonds. Generally, rating agencies base their ratings on information and material furnished by the Corporation and on investigations, studies and assumptions made by the rating agencies. The ratings reflect only the views of such organizations and an explanation of the significance of such rating may be obtained from the respective rating agencies at: Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, telephone: (212) 553-0300; and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041, telephone: (212) 438-2124. There is no assurance that any rating will continue for any given period of time or that it will not be revised or withdrawn entirely by such rating agency, if, in the judgment of such rating agency, circumstances so warrant. Any such revision or withdrawal of such rating may have an effect on the market price of the Series 2011 Bonds.

LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2011 Bonds by the Corporation are subject to the approval of Winston & Strawn LLP, New York, New York, Bond Counsel, whose approving opinions will be delivered with the Series 2011 Bonds. The proposed form of Bond Counsel's opinion is set forth in Appendix E hereto.

Certain legal matters will be passed upon for the Corporation by its General Counsel, Julie Switzer, and for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, New York, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2011 Bonds or questioning or affecting the validity of the Series 2011 Bonds or the proceedings and authority under which they are to be issued.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2011 Bonds from the Corporation at an aggregate purchase price, exclusive of accrued interest, of \$62,737,126.55, which purchase price represents a net original issue discount of \$1,179,691.45 and Underwriters' discount of \$363,182.00, and to make a public offering of the Series 2011 Bonds at prices that are not in excess of the public offering prices or yields stated on the inside cover of this Official Statement plus accrued interest. The Underwriters will be obligated to purchase all such Series 2011 Bonds if any Series 2011 Bonds are purchased.

The Series 2011 Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank National Association.

J.P. Morgan Securities (“JPMS”), one of the Underwriters of the Series 2011 Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of UBS Financial Services Inc. (“UBSFS”) and Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings, including the Series 2011 Bonds, at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of the UBSFS and CS&Co. will purchase Series 2011 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2011 Bonds that such firm sells.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, one of the Underwriters of the Series 2011 Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. LLC will distribute municipal securities, including the Series 2011 Bonds, to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2011 Bonds.

TD Securities (USA) LLC, one of the Underwriters of the Series 2011 Bonds, has entered into a negotiated dealer agreement (the “TD Dealer Agreement”) with TD Ameritrade for the retail distribution of certain securities offerings, including the Series 2011 Bonds, at the original issue prices. Pursuant to the TD Dealer Agreement, TD Ameritrade will purchase Series 2011 Bonds from TD Securities (USA) LLC at the original issue prices less a negotiated portion of the selling concession applicable to any Series 2011 Bonds that TD Ameritrade sells.

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. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Corporation, 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) and financial instruments (which may include bank loans and/or credit default swaps) 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 Corporation.

FINANCIAL ADVISOR

Lamont Financial Services Corporation has served as the Financial Advisor to the Corporation with respect to the sale of the Series 2011 Bonds. The Financial Advisor has assisted in various matters relating to the planning, structuring and issuance of the Series 2011 Bonds. The Financial Advisor has not independently verified the information contained in this official statement and does not assume responsibility for the accuracy, completeness or fairness of such information.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (“Rule 15c2-12”), the Corporation, on behalf of the Members of the Obligated Group, has undertaken in a written agreement (the “Agreement”) for the benefit of the Holders of the Series 2011 Bonds to provide to the Master Trustee, with respect to the Obligated Group on or before 165 days after the fiscal year of the Corporation, commencing with the fiscal year ending December 31, 2011, for filing by the Master Trustee with the

Municipal Securities Rulemaking Board through its EMMA System (the “MSRB”), on an annual basis, financial and operating information of the type hereinafter described in this Official Statement and Appendix A and described below as “Annual Information,” together with the audited consolidated financial statements of the Corporation, including to the extent available audited financial statements of each Member of the Obligated Group, prepared in accordance with generally accepted accounting principles and audited by an independent firm of certified public accountants in accordance with generally accepted auditing standards.

If, and only if, and to the extent that it receives the Annual Information relating to the Obligated Group and annual financial statements described above from each Member of the Obligated Group, the Master Trustee has undertaken in a written agreement for the benefit of the Holders of each of the Series 2011 Bonds, on behalf of and as agent for the Members of the Obligated Group, to provide such information and financial statements, as promptly as practicable but no later than 3 business days after receipt of the information by the Master Trustee from the Members of the Obligated Group, to the MSRB. In addition, the Master Trustee has undertaken, for the benefit of the Holders of the Series 2011 Bonds, to provide to the MSRB, in a timely manner, the Notices described below.

The Annual Information means, with respect to the Corporation, annual information concerning the Obligated Group consisting of (1) financial and operating data of the type included in this Official Statement, which shall include information as described in Appendix A herein relating to the following: (i) utilization statistics of the type set forth under the heading “UTILIZATION”; (ii) revenue and expense data of the type set forth under the heading “FINANCIAL HISTORY OF THE CORPORATION -Summary of Historical Revenues and Expenses”; (iii) data of the type set forth under the headings “FINANCIAL HISTORY OF THE CORPORATION” “- Historical Debt Service Coverage,” “Liquidity” and “Outstanding Indebtedness”; (iv) sources of patient service revenue of the type set forth under the heading “Payor Mix”; together with (2) such narrative explanation, as may be necessary to avoid misunderstanding, and to assist the reader in understanding the presentation of financial and operating data concerning the Obligated Group and in judging the financial and operating condition of the Obligated Group.

The Notices that the Corporation will undertake to provide as described above include notices of any of the following events with respect to the Series 2011 Bonds not later than 10 business days after the occurrence of such event (each of which is described in more detail in the Agreement): (1) principal and interest payment delinquencies; (2) unscheduled draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) adverse tax opinions or issuance by the IRS of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB); (6) tender offers; (7) defeasances; (8) rating changes; or (9) bankruptcy, insolvency, receivership or similar event of the obligated person; and of the following events, if material: (1) unless described in the preceding clause (5) of this paragraph, material notices or determinations by the IRS with respect to the tax status of the Series 2011 Bonds or other material events affecting the tax status of the Series 2011 Bonds; (2) modifications to rights of Series 2011 Bondholders; (3) unscheduled or contingent bond calls; (4) release, substitution, or sale of property securing repayment of the Series 2011 Bonds; (5) non-payment related defaults; (6) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or (7) appointment of a successor or additional trustee or the change of name of a trustee. In addition, the Master Trustee will undertake, for the benefit of the Holders of the Series 2011 Bonds, to provide to the MSRB, in a timely manner, notice of any failure by each Member of the Obligated Group to provide the Annual Information and annual financial statements by the date required in the undertakings of the Obligated Group described above.

The sole and exclusive remedy for breach or default under the agreements to provide continuing disclosure described above is an action to compel specific performance of the undertakings of each Member of the Obligated Group and no person, including any Holder of the Series 2011 Bonds, may recover monetary damages thereunder under any circumstances. Each Member of the Obligated Group may be compelled to comply with its obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required under the Continuing Disclosure Agreement, by an owner of Outstanding Series 2011 Bonds or, with respect to the undertaking relating to the Corporation, by the Master Trustee on behalf of the owners of Outstanding Series 2011 Bonds, or (ii) in the case of challenges to the adequacy of the information provided pursuant to the undertaking relating to the Corporation, by the Master Trustee on behalf of the owners of

Outstanding Series 2011 Bonds; provided, however, that the Master Trustee shall not be required to take any enforcement action except at the direction of the owners of not less than 25% in aggregate principal amount of the Series 2011 Bonds at the time Outstanding. A breach or default under the agreements shall not constitute an Event of Default under the Master Indenture. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided. The Corporation has not failed to comply with any previous undertaking in a written contract to provide continuing disclosure pursuant to Rule 15c2-12.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The agreement, however, may be amended or modified without the consent of the Holders of the Series 2011 Bonds under certain circumstances set forth therein. Copies of the agreement when executed by the parties thereto upon the delivery of the Series 2011 Bonds will be on file at the principal office of the Corporation.

MISCELLANEOUS

References in this Official Statement to the Act, the Master Indenture, the Supplemental Indenture and the Series 2011 Bonds do not purport to be complete. Refer to the Act, the Master Indenture, the Supplemental Indenture and the Series 2011 Bonds for full and complete details of their provisions. Copies of the Master Indenture and the Series 2011 Bonds are on file with the Corporation and the Master Trustee.

The agreements of the Corporation with Holders of the Series 2011 Bonds are fully set forth in the Master Indenture. Neither any advertisement of the Series 2011 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2011 Bonds.

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

“Appendix C - Certain Definitions,” “Appendix D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture” and “Appendix E - Proposed Form of Approving Opinion of Bond Counsel” have been prepared by Winston & Strawn LLP, New York, New York, Bond Counsel.

The financial statements as of 2010 and 2009 and for each of the two years in the period ended 2009, included in this Official Statement, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

The Corporation shall certify as of the date hereof and as of the date of delivery of the Series 2011 Bonds that the Official Statement does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

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

The Corporation has agreed to furnish, no later than sixty (60) days subsequent to the last day of each of the first three quarters in each fiscal year and ninety (90) days subsequent to the last day of the fourth quarter in each fiscal year to the Master Trustee, the MSRB and each Bondholder who is the registered owner of in excess of an aggregate \$1 million principal amount of Series 2011 Bonds who has so requested, the following information: (a) the unaudited financial statements of the Corporation, including the balance sheet as of the end of such quarter, the statement of operations, changes to net assets and cash flows; (b) utilization statistics of the Corporation for such

quarter, including aggregate discharges, patient days, average length of stay, average daily census, emergency room visits, ambulatory surgery visits and home care visits (if applicable); and (c) discharges of the Corporation by major payor mix for such quarter. In addition, the Corporation has agreed to furnish, or cause to be furnished, to each of the parties identified above the audited financial statements of the Corporation, within 165 days after the completion of the Corporation's fiscal year.

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

WESTCHESTER COUNTY
HEALTH CARE CORPORATION

By: /s/ Gary F. Brudnicki
 Senior Executive Vice President and
 Chief Financial Officer/Chief Operating Officer

APPENDIX A

WESTCHESTER COUNTY HEALTH CARE CORPORATION

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INTRODUCTION

The Corporation

The sole member of the Westchester County Health Care Corporation Obligated Group (the “Obligated Group”) is the Westchester County Health Care Corporation (the “Corporation”). THE CORPORATION IS CURRENTLY THE SOLE MEMBER OF THE OBLIGATED GROUP AND, AS SUCH, IS SOLELY RESPONSIBLE FOR PAYMENT OF DEBT SERVICE ON ALL SERIES OF BONDS ISSUED PURSUANT TO THE MASTER INDENTURE.

The Corporation is a New York public benefit corporation, exempt from federal income tax, and operates a hospital established under Article 28 of the New York Public Health Law. The Corporation was created by virtue of an amendment to the New York State Public Authorities Law by adding a new Article 10-C, Title 1. The statute specifically provides that the Corporation’s corporate existence shall continue until terminated by law; provided, however, that no such termination shall take effect so long as the Corporation shall have bonds or other obligations outstanding, unless adequate provision has been made for the payment or satisfaction thereof. The Corporation’s powers, duties and functions are as set forth in the statute and other applicable laws.

The Corporation’s primary purpose is the operation of the Westchester Medical Center (the “Medical Center”) as described in this Appendix A.

The Medical Center History

The Medical Center opened in 1918 as a United States Army Base Hospital. In 1920, the U.S. government transferred the facilities to Westchester County (the “County”) and the County reopened and operated the facilities as Grasslands Hospital. As the County’s only public hospital, the hospital has grown significantly since its establishment. In the 1970’s, the nature of the institution changed from a prototypical public hospital to a tertiary care hospital and academic medical center. During this period, a new 670-bed acute care hospital was constructed and New York Medical College relocated its educational facilities from New York City to the grounds of the hospital. Grasslands Hospital was renovated fully in 1977 and renamed the “Westchester County Medical Center.” The County operated the Westchester County Medical Center through 1997, at which time it transferred responsibility for the Medical Center to the Corporation.

The Corporation commenced its operation of the Medical Center on January 1, 1998. The Corporation now does business under the name “Westchester Medical Center.” The County has provided various forms of financial support to the Corporation since its inception in 1998 based on a combination of legally required as well as moral obligations. That relationship is more fully described herein. See “FINANCIAL HISTORY OF THE CORPORATION” herein.

THE MEDICAL CENTER

General

The Medical Center is an academic medical center and the region's only advanced care and Level 1 trauma center, serving more than 3.6 million people in the seven-county Hudson Valley region, northern New Jersey and lower Connecticut. The Medical Center is located on an approximately 87-acre campus in suburban Westchester County, New York. The campus is leased from the County pursuant to the Lease Agreement (defined herein). The Medical Center campus consists of three major facilities with approximately 643 total beds. The major facilities comprising the Medical Center are: the Main Hospital (the "Main Hospital"), the Behavioral Health Center at Westchester ("BHC") and the Maria Fareri Children's Hospital (the "Children's Hospital"). See "FINANCIAL HISTORY OF THE CORPORATION" herein for details of the Lease Agreement.

Main Hospital

The Medical Center's provision of advanced care and specialty services has made it the primary referral hospital for physicians and patients in the region. (See "SERVICE AREA AND MARKET ENVIRONMENT - Competition" herein). The Main Hospital is a receiving hospital specializing in tertiary and quaternary care. As a receiving hospital, the Medical Center receives over five hundred patients per month whose conditions require that they be transferred to the Medical Center from area community hospitals. Additionally, the Medical Center admits over 50% of its inpatients through its Emergency Department ("ED"). The Main Hospital also provides medevac helicopter service for the region that provides transportation for critically ill patients throughout the region, including transfer patients to the Medical Center. As an academic affiliate of New York Medical College, resident training programs are provided in various medical services. See "AFFILIATIONS AND RELATED ENTITIES- Affiliations – *New York Medical College*" herein.

The Children's Hospital

In 2004, the Children's Hospital opened as a regional facility for pediatric and advanced neonatal services. The Children's Hospital provides a full range of medical and surgical subspecialties to its patients, including cardiac surgery, neurosurgery and bone marrow transplant services.

Patient demand at the Children's Hospital has outpaced capacity for the last five years. In response, the Children's Hospital constructed 8 additional pediatric beds in 2010 to increase its pediatric bed complement to a total of 60 beds. Additionally, there are 18 pediatric intensive care unit beds (the "Pediatric ICU" beds). Plans to add 9 more pediatric beds were approved, construction has commenced and is expected to be completed by the first quarter of 2012. Upon completion, the Corporation projects that patient demand will still exceed capacity, in line with a strategic planning study for the Children's Hospital conducted by the Medical Center. The Medical Center is addressing the need for additional capacity as part of its long-term master facility planning process. See "STRATEGY AND FUTURE PLANS - Future Plans" herein.

Behavioral Health Center at Westchester

BHC has 101 acute care psychiatric beds as licensed by the New York State Office of Mental Health. BHC has provided inpatient mental health services in the County for over 75 years. Within BHC there are six distinct care units, each with a different specialty and clinical program, which care for children, adolescents and adults suffering from mental illness and in need of short-term acute care services. BHC's comprehensive array of outpatient services generates an active caseload of more than 20,000 visits per year.

Taylor Care Center at Westchester

The Taylor Care Center ("TCC") closed in 2009. TCC was a skilled nursing facility operated by the Medical Center. Originally a 399 bed facility in approximately 250,000 square feet of space, due to the oversupply of skilled nursing beds in the County, TCC was downsized in phases over a number of years to 91 beds in 2008. The Corporation decided in December, 2008, to close TCC due to continuing operating losses and the oversupply of beds and in light of the recommendation of the Berger Commission. See "- The Berger Commission" herein. All residents were successfully relocated to other facilities during the first quarter of 2009 and TCC officially closed on April 1, 2009.

The Hospital is currently expanding outpatient services in the space vacated by TCC. Additionally, various administrative and support services are being relocated to this space. Further reuse will be identified as part of the long-term master facility plan. See "STRATEGY AND FUTURE PLANS - Strategic Plan" herein.

Scope of Services

The Medical Center's strategic positioning is based on its model as a regional resource with a strict focus on tertiary and quaternary care. By drawing patients in need of specialized care from a broad geographic area, the Medical Center does not compete with hospitals from the region, but, instead, relies on and partners with them. This is evident as the Medical Center has the region's only Level I trauma center, organ transplant center, full service heart center, pediatric ICU, Level IV neonatal ICU, burn center and children's hospital. Resources are focused and directed toward the services that are most needed and have the highest potential for success. With one of the highest case mix indices in New York State and in the United States, the Medical Center's technological capabilities and professional strengths allow for a strong long-term competitive position.

Currently, the Medical Center is licensed to operate beds as shown below:

<u>Service</u>	<u>Licensed Beds</u>
Adult Medical-Surgical	267
Adult Intensive Care	58
Coronary Care	8
AIDS	<u>21</u>
Total Medical-Surgical	354
Pediatric*	60
Pediatric ICU	18
Maternity	24
Psychiatric	101
Physical Medicine and Rehabilitation	18
Neonatal Intensive Care	40
Correctional Unit	14
Burn Care	10
Bone Marrow Transplant	<u>4</u>
Total Other	<u>289</u>
Total Beds	<u>643</u>

Source: Hospital Operating Certificate

* Construction is currently in progress to increase the number of non-ICU pediatric beds to 69.

Licensure and Accreditation

The Medical Center is licensed by the New York State Department of Health, New York State Department of Mental Hygiene, New York State Office for People with Developmental Disabilities and accredited by The Joint Commission. The Medical Center also is certified by the United States Department of Health and Human Services for participation in the Medicare and Medicaid programs. The American College of Surgeons has accredited the Medical Center's Cancer Program and Trauma Program.

The Berger Commission

The report by the Berger Commission in July, 2008 (the "Berger Commission Report"), recommended that the Medical Center conduct strategic planning processes to evaluate its clinical services mix and identify opportunities for reconfiguration that were non-duplicative of services provided in community hospitals. The Berger Commission's Final Report (the "Final Report") noted that the Medical Center is "The Hudson Valley region's specialty referral center for all tertiary and quaternary levels of care, including organ transplantation. It has the region's only Level I trauma center, the region's only burn center, the Maria Fareri Children's Hospital and the state-funded regional resource center for training and preparedness against terrorist attacks and natural disaster". The Commission went on to state, "The vision of the Medical

Center is to serve as a non-duplicative, tertiary referral center for all counties in the Hudson Valley. Although community hospitals have increased their provision of tertiary services, this goal has been largely realized. Today, the Medical Center has among the highest case mix indices in New York State, which reflects the acuity of its patients.” In their Final Report, the Commission made three recommendations to the Medical Center: develop a formal strategic plan; reduce the number of beds in the Taylor Care Center; and complete an organization/governance study of the Maria Fareri Children’s Hospital. All three of these projects have been completed. See “STRATEGY AND FUTURE PLANS - Future Plans” herein.

Facilities

The thirteen campus buildings are utilized for a mix of inpatient, outpatient, diagnostic, residential and support service functions. One of the largest of these buildings is the seven-story Main Hospital, which provides the facilities for the acute adult inpatients. The following table lists the Medical Center’s main buildings, their year of construction, approximate gross square footage and principal facilities or services, if applicable:

<u>Building</u>	<u>Approximate Square Footage (Gross)</u>	<u>Year of Construction</u>	<u>Major Facilities and Services</u>
Main Hospital	401,541	1977	Inpatient units, ICU units, laboratories, food services and diagnostic and clinical support service
Macy Pavilion	328,200	1917	Operating rooms, outpatient department, nuclear medicine, Endoscopy, Radiation, Medical, clinical and administrative support functions
Taylor Pavilion (formerly Taylor Care Center)	417,460	1936	Administrative and clinical support services, inpatient/outpatient psychiatry including the Behavioral Health Center/Psychiatric Institute
Children's Hospital	226,000	2004	Inpatient units, emergency department
Elmwood Hall	94,270	1925	Support services department
Beechwood Hall*	39,100	1961	Staff housing
Maplewood Hall*	38,800	1963	Staff housing
Cedarwood Hall	101,900	1969	Developmental disabilities and outpatient programs as well as administrative support
Orchard Parking Structure	1,100 spaces (approximately)	1993	Parking facilities
Bradhurst Medical Arts Building*	220,000	1990	Outpatient and administrative support
Medical Records Annex	9,700	2002	Medical records

* Not included as a Health Care Facility under the Master Indenture, the revenues of which are pledged to the repayment of any Series of the Bonds. Additionally, the Bradhurst Medical Arts Building is a leased office building not located on the Medical’s Center campus.

Certificates and Awards

The Medical Center has been certified for certain specialties and has received a number of awards, including the following:

- Medicare-accredited for Heart Transplant Program
- Joint Commission granted Special Certification for Mechanical Circulatory Support devices as “destination therapy”

- Named one of 100 Most Improved Hospitals by Annual Thomson Reuters Study
- Press Ganey Compass Award – Top 3 Most Improved Hospitals in the United States
- 5-Star rating from Healthgrades for Bariatric and Cardiovascular Services
- American Heart Association Triple Performance Award for Cardiovascular & Stroke – one of only 21 hospitals in the nation
- Westchester’s Most Preferred Hospital for Overall Quality & Image from the National Research Corporation

GOVERNANCE, MANAGEMENT, MEDICAL STAFF AND EMPLOYEES

The Board of Directors

The Corporation is governed by fifteen (15) voting directors, eight of whom are appointed by the Governor of the State of New York and seven of whom are appointed by the Legislature of the County, subject to the approval of the County Executive. In addition, there are four non-voting representatives on the Board of Directors, which include the Chief Executive Officer of the Corporation, one representative selected by the County Executive of the County, one selected by the majority leader of the County Board of Legislators and one selected by the minority leader of the County Board of Legislators. One of the four non-voting representative positions is currently vacant. The non-voting representatives have all the rights and powers of the voting directors except the right and power to vote. The Board of Directors adopted an initial set of bylaws on December 17, 1997, which, as amended, provide that the officers of the Board of Directors of the Corporation shall be a Chair, a First Vice Chair, two Vice Chairs, a Secretary and Treasurer, all of whom shall be voting directors and shall be elected at the Annual Meeting of the Board of Directors. In addition, the bylaws were amended in 2008, and the Chief Executive Officer, Chief Financial Officer, and General Counsel and Assistant Secretary were designated as additional officers of the Corporation. The bylaws provide for several standing committees, including an Executive Committee, Finance Committee, Audit and Compliance Committee, Personnel and Compensation Committee, Governance Committee, Strategic Planning Committee and Quality Care Committee.

The Board of Directors exercises direction over all of the matters specified by the statute, bylaws or applicable law. In addition, pursuant to the Procurement Policies and Procedures adopted by the Board of Directors, the following are also subject to the approval of the Board of Directors: (i) any contract with a term in excess of five years, (ii) any academic affiliation with an accredited medical school, (iii) any contract to borrow on behalf of or loan monies of the Corporation, (iv) any contract for the purchase or sale of real property, (v) any lease by the Corporation for real property from others with an initial term in excess of five years, (vi) any installment purchase contract as defined under Section 109-b of the New York General Municipal Law, and (vii) any contract for the Annual Audit and examination of the accounts of the Corporation.

The following is a list of the members of the Board of Directors of the Corporation as of September 30, 2011, including their business affiliation/occupation and date of term expiration:

<u>Member</u>	<u>Title</u>	<u>Occupation</u>	<u>Term Expiration</u>
Orlando Adamson, M.D.	Director	Physician NYU Medical Center New York, NY	12/31/14
Claudia Edwards, PhD	Vice Chair	Education Consultant College of New Rochelle New Rochelle, NY	07/29/11*
William Frishman, M.D.	Director	Physician New York Medical College Valhalla, NY	Serves at the pleasure of the appointing authority
Renee Garrick, M.D.	Director	Chief Medical Officer Westchester Medical Center Valhalla, NY	04/27/14
Herman Geist	Director	Senior Advisor to the Chair of Westchester County Board of Legislators White Plains, NY	04/27/14
Susan Gevertz	Secretary	Healthcare Consultant Scarsdale, NY	12/03/13
John Heimerdinger	Director	Director Cooperstown Corporation White Plains, NY	05/29/15
Mitchell Hochberg	First Vice Chair	Executive Managing Director Madden Capital LLC New York, NY	09/02/15
Michael Israel	Ex-Officio	President / CEO Westchester Medical Center Valhalla, NY	Serves during his term as President/CEO
Patrick McCoy	Director	Director of Finance Metropolitan Transit Authority New York, NY	12/31/14
Alfredo Quintero	Director	Managing Director Ramirez & Co. Inc. New York, NY	10/09/12
Stephen Rogowsky	Director	Attorney 125 North Main Street Port Chester, NY	06/02/12

<u>Member</u>	<u>Title</u>	<u>Occupation</u>	<u>Term Expiration</u>
Zubeen Shroff	Vice Chair	Healthcare Consultant Galen Partners Stamford, CT	12/02/11
Emmeline Rocha-Sinha	Treasurer	Retired Former Managing Director MBIA Insurance Corporation	04/27/15
John Spicer	Director	President / CEO Sound Shore Medical Center New Rochelle, NY	04/27/13
Michael Staib	Director	Senior Technology Executive Mastercard International Purchase, NY	12/31/14
Mark Tulis	Chair	Attorney-at-Law Oxman, Tulis, Kirkpatrick, Whyatt and Geiger White Plains, NY	07/14/16
James Vodola	Director	Certified Public Accountant Pascorp White Plains, NY	Serves at the pleasure of the appointing authority

* Holds office until successor is appointed and has qualified.

Officers of the Corporation

The officers of the Board of Directors of the Corporation as of September 2011 are:

Chairman of the Board of Directors	Mark Tulis
First Vice Chairman of the Board of Directors	Mitchell Hochberg
Vice Chairman of the Board of Directors	Zubeen Shroff
Vice Chairman of the Board of Directors	Claudia Edwards
Secretary	Susan Gevertz
Treasurer	Emmeline Rocha-Sinha

Executive Staff of the Corporation

The key members of the executive staff of the Corporation as of September 2011 are as follows:

Michael D. Israel

Michael D. Israel is the President and CEO of the Corporation. Mr. Israel has served as the Medical Center's President and CEO since August 2005 and brings more than 30 years of healthcare experience to the organization. Prior to becoming the CEO of the Corporation, Mr. Israel worked at the Corporation in a consulting role with Pitts Management Associates, Inc.

Mr. Israel previously served as the COO of the North Shore Long Island Jewish System based in Great Neck, New York, where he was responsible for the operational performance of the system's hospitals. From 1993 to 2002 at Duke University he served as the CEO of Duke University Hospital, the University's Vice Chancellor for Health Affairs and as Vice President of the Duke University Health System. Prior to Duke, he served in operational and financial leadership positions at St. Luke's Episcopal Hospital/Texas Heart Institute in Houston, Texas, and hospitals and healthcare organizations in Pennsylvania and New Jersey.

Mr. Israel holds a Master of Public Health, Hospital Administration from Yale University, where he received a United States Public Health Services Fellowship, and a Bachelor of Arts, Business Administration, from Rutgers College. He is a Fellow of the American College of Healthcare Executives.

Gary F. Brudnicki

Gary F. Brudnicki is Senior Executive Vice President and CFO/COO of the Corporation. With more than 30 years of healthcare experience, Mr. Brudnicki joined the Medical Center in 2005. Prior to becoming the CFO/COO of the Corporation, Mr. Brudnicki worked at the Corporation in a consulting role with Pitts Management Associates, Inc. Mr. Brudnicki previously served as the CFO and Senior Vice President of Saint Raphael Healthcare System. For 19 years, Mr. Brudnicki was a member of the management team at Episcopal Health Service, serving for most of that time as Senior Operating Executive and Chief Financial Officer.

Mr. Brudnicki holds a Bachelor of Science Degree, *magna cum laude*, from Boston College. A Certified Public Accountant, he is a member of the American College of Healthcare Executives and the Healthcare Financial Management Association.

Marsha Casey

Marsha Casey is Executive Vice President of Professional and Clinical Services of the Corporation. Ms. Casey has served as Executive Vice President at WMC since July 2008 and brings more than 30 years of healthcare experience to the Medical Center.

Ms. Casey previously served as the President of Trinity Health, Michigan, a national not-for-profit Catholic Health Care System with headquarters in Novi, Michigan, where she was responsible for the strategy and operational performance of system hospitals of Michigan. Prior to that role she served as the Executive Vice President of the Western Region of Trinity Health from 2004 to 2007. Previous to that role, she served as President and CEO of St. Vincent Health in Indianapolis, Indiana. Prior to St. Vincent Health, she was President and CEO of Vanderbilt University Medical Center in Nashville, Tennessee. Prior to that she served in operational

leadership positions at St. Luke's Episcopal Hospital/Texas Heart Institute in Houston, Texas, and has served in operational roles in other hospitals and healthcare organizations in Texas.

Ms. Casey holds a Master of Arts, in Health Care Administration from The University of Texas at Tyler and a Bachelor of Science, Nursing, from Ball State University. She is a Fellow of the American College of Healthcare Executives.

Julie Switzer

Julie Switzer is Executive Vice President and General Counsel of the Corporation. Ms. Switzer has served as General Counsel since March 2007, and brings more than 20 years of healthcare and hospital law experience to the Corporation. Ms. Switzer is a member of the Medical Center's senior management team and works closely with Mr. Israel and Mr. Brudnicki on their strategic initiatives, provides them with legal counsel and serves as counsel to the Corporation's Board of Directors. Under Ms. Switzer's leadership, the Corporation's Department of Legal Affairs is a team of six (6) attorneys handling, among others, corporate, real estate, litigation, regulatory, labor and employment, managed care, and patient care matters.

Ms. Switzer previously served as the Senior Vice President and Deputy General Counsel of the North Shore Long Island Jewish System based in Great Neck, New York, where she supervised a thirteen (13) member legal department from 1999 to 2007. From 1994 to 1999, she was at New York Presbyterian Hospital, where she served as the Vice President of Legal Affairs, as well as the General Counsel of the New York Hospital Medical Center of Queens. Prior to joining New York Presbyterian Hospital, Ms. Switzer was a partner in the healthcare law firm Kalkine, Arky, Zall & Bernstein in New York City, New York.

Ms. Switzer holds a Juris Doctor from Columbia University School of Law, a B.A. from Columbia University, and a degree in Nursing. Ms. Switzer was a coronary intensive care unit nurse at Mt. Sinai prior to becoming an attorney. Ms. Switzer is a member of the New York State Bar and the American Health Lawyers Association.

Corporate Compliance

The Corporation has a robust, comprehensive Corporate Compliance Program in accordance with all applicable legal and regulatory requirements and industry practices and standards, which operates under the Corporation's Corporate Compliance Officer. There also is a senior management level corporate compliance committee. Consistent with such requirements, the Corporation's Board of Directors has approved a written code of conduct ("Code of Conduct") that serves as a guide and directs the behavior of employees, physicians and the Board of Directors. All employees and non-employed individuals providing services to and on behalf of the Corporation (including the Board of Directors, senior management, department heads and other managers, secretarial and clerical staff, non-physician professional staff, and physicians) are trained and educated regarding the Code of Conduct and associated performance standards, including the Federal and State False Claims Acts. There is an anonymous hotline for reporting violations of the Code of Conduct. The Compliance Program monitors compliance and ensures continued adherence to the Code of Conduct on an ongoing basis.

Medical Staff

As of September, 2011, the Medical Center has a medical staff of 873 physicians. Approximately 99% of the active medical staff members are board-certified or board-eligible, and the average age of the active staff is approximately 51.5 years. The following table illustrates the number of physicians by clinical department:

<u>Clinical Department</u>	<u>Total</u>
Anesthesiology	54
Dental Medicine	37
Emergency Medicine	29
Medicine	179
Neurology	21
Neurosurgery	22
OB/GYN	36
Ophthalmology	27
Orthopedic Surgery	29
Otolaryngology	17
Pathology	18
Pediatrics	201
Psychiatry	49
Radiation Medicine	3
Radiology	23
Rehabilitation Medicine	16
Surgery	71
Urology	<u>41</u>
TOTAL	873

Employees

Currently, the Corporation has approximately 3,800 employees, including 1,500 professional nurses. To date, the Corporation has had a satisfactory working relationship with its unions. The unions with a significant membership at the Medical Center are: New York State Nurses Association (“NYSNA”); Civil Services Employees’ Association, Inc., Local 860, Unit 9201, AFSCME, AFL-CIO (“CSEA”); and Committee of Interns and Residents (“CIR”). The Medical Center’s Collective Bargaining Agreement with CSEA expires on December 31, 2012. The collective bargaining agreement with NYSNA expired March 31, 2011 and the one with CIR expired on March 31, 2010. Negotiations are on-going while the employees continue work at the Medical Center. The Corporation and its employees are subject to the Taylor Law, which governs employment relations for public employees in New York State and prevents management from “locking-out” employees and prevents employees from striking against employers such as the Corporation.

The Corporation offers its employees the opportunity to participate in the following benefit plans: comprehensive health care coverage which includes medical, prescription drugs, dental and vision coverage; 457 Plan, known as the Deferred Compensation Plan of the State of New York, New York State and Local Retirement System; NYS Tuition Reimbursement Plan a

Flexible Spending Account Plan; an Employee Assistance Program and Credit Union Payroll Deduction. In 2010 and 2011, the employer contributions for the pension plan for the Corporation's employees approximated \$24.4 million and \$30.2 million, respectively. To date, the Corporation has made all required contributions to the pension plan. For a discussion of the Corporation's pension liabilities see Note 7 of "Appendix B – Audited Consolidated Financial Statements of the Westchester County Health Care Corporation as of and for the Years Ended December 31, 2010 and 2009". For a discussion of the Corporation's other post-employment retirement benefits and a discussion of GASB 45, see Note 8 of "Appendix B – Audited Consolidated Financial Statements of the Westchester County Health Care Corporation as of and for the Years Ended December 31, 2010 and 2009".

In response to reduced revenues from government payors and increasing expenses, particularly fringe benefit costs, management is evaluating cost reduction options that will most likely include a reduction in force.

AFFILIATIONS AND RELATED ENTITIES

The Corporation has various relationships with other entities and institutions. THESE ENTITIES AND INSTITUTIONS ARE NOT MEMBERS OF THE OBLIGATED GROUP AND, THEREFORE, HAVE NO OBLIGATION TO PAY DEBT SERVICE ON ANY SERIES OF BONDS ISSUED PURSUANT TO THE MASTER INDENTURE. The following is a brief description of certain of these relationships.

Affiliations

New York Medical College

The Medical Center is committed to teaching and training physicians and provides training for qualified physicians in its graduate medical education programs. In furtherance of the Medical Center's commitment to medical education, it is closely affiliated with New York Medical College ("NYMC"). Annually, the Medical Center's medical staff trains approximately 350 residents and fellows in approximately 38 accredited graduate medical education training programs.

The relationship between the Corporation and NYMC permits each institution to fulfill its commitment to providing high quality medical care, medical education and medical research. The relationship is memorialized in a long-standing affiliation agreement. The affiliation agreement details the nature of the affiliation, as well as the financial relationship between NYMC and the Corporation, whereby the Corporation purchases physician teaching, supervision and administrative services for its graduate medical education and related programs from NYMC.

Effective May 25, 2011, Touro University became the new corporate member of NYMC. This recent change is not expected to have any impact on the current relationship between the Medical Center and NYMC under the affiliation agreement.

NYMC IS NOT A MEMBER OF THE OBLIGATED GROUP AND, THEREFORE, IS NOT OBLIGATED WITH RESPECT TO ANY SERIES OF BONDS. FURTHER, NO

MEMBER OF THE OBLIGATED GROUP IS RESPONSIBLE FOR DEBT INCURRED BY NYMC.

Related Entities

The Corporation has a number of wholly-owned subsidiaries in which it either holds 100% of the stock interest or is the sole voting member. Two entities, the Westchester Medical Center Foundation, Inc. (the “WMC Foundation”) and the Children’s Hospital Foundation at WMC, Inc. (the “Children’s Hospital Foundation”) are not-for-profit foundations formed under the New York Not-for-Profit Corporation Law exclusively for charitable, scientific and educational purposes within the meaning of Section 170(c)(2)(B) and 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), and for the purposes of supporting, maintaining and otherwise benefiting and being responsive to the needs and objectives of the Medical Center. The financial position and operations of all of the following related entities are included in the audited financial statements.

Westchester Medical Center Foundation, Inc.

The WMC Foundation was formed as a not-for-profit tax exempt corporation on July 8, 1999 to conduct fund raising activity for the Corporation. The Corporation has substantial reserve powers with respect to the WMC Foundation, including without limitation, the power to: (i) elect and remove the WMC Foundation’s Trustees; (ii) approve fundamental policies of the WMC Foundation, (iii) approve the WMC Foundation’s budget and investment policies; (iv) authorize the amendment of the WMC Foundation’s Certificate of Incorporation or bylaws, and (v) authorize: (a) the merger of the WMC Foundation with any other entity, (b) the sale or disposition of essentially all of the WMC Foundation’s assets, and (c) the dissolution of the WMC Foundation.

The Children’s Hospital Foundation at WMC, Inc.

The Corporation is the sole voting member of the Children’s Hospital Foundation. The Children’s Hospital Foundation was formed as a not-for-profit tax exempt corporation on March 31, 1997. The Children’s Hospital Foundation was formed to support, maintain and otherwise benefit and be responsive to the needs and objectives of the Children’s Hospital at the Medical Center. The original focus of the Children’s Hospital Foundation was the fundraising campaign related to the construction and operation of the Children’s Hospital. Currently, it functions in the same manner as the WMC Foundation, with a focus on pediatric services.

WMC-New York, Inc.

WMC-New York, Inc. (“WMC New York”) is a non-profit, tax-exempt entity formed on August 27, 1999 under the New York Not-for-Profit Corporation Law and the Corporation is WMC New York’s sole voting member. WMC New York is not authorized to solicit contributions, grants or requests on behalf of the Medical Center. WMC New York’s main function is to serve as the holding company for WCHCC Bermuda (described below).

WCHCC (Bermuda) Limited

WCHCC (Bermuda) Limited (“WCHCC Bermuda”), was incorporated in Bermuda on December 24, 1997 in accordance with the provisions of Bermuda law. WCHCC Bermuda was registered as a Class 2 Insurer, pursuant to The Insurance Act 1978, effective January 2, 1998, and is wholly owned by WMC New York.

WCHCC Bermuda was formed for the purpose of providing Hospital Professional Liability and General Liability coverages to the Corporation, and Professional Liability (malpractice) coverage to certain attending physicians. WCHCC Bermuda only provides professional liability coverage for physicians who are employed by the Corporation or WMC Advanced Physician Services, P.C. (see below). For a description of the insurance provided, see “PROPERTY CASUALTY, PROFESSIONAL AND GENERAL LIABILITY INSURANCE PROGRAM” herein.

WCHCC Holdings, Inc.

WCHCC Holdings, Inc. (“WCHCC Holdings”) is a for-profit corporation organized in 1997 under the New York Business Corporation Law. The Corporation owns 100% of the issued and outstanding stock of WCHCC Holdings.

WMC Advanced Physicians Services, P.C.

On March 11, 2009, Westchester Medical Center Advanced Physician Services, P.C. (“WMC Advanced Physician Services”) was organized and incorporated under the New York Business Corporation Law as a professional corporation controlled by the Medical Center. WMC Advanced Physician Services employs physicians and other clinical and non-clinical personnel to engage in clinical activity and provide teaching, supervision and administrative services to the Medical Center. As of September, 2011, there are approximately 94 physician FTE’s and 8.2 nurse practitioner or physician assistant FTE’s in the employment of WMC Advanced Physician Services.

The Corporation maintains working relationships with numerous other health care institutions and physician practice groups in the New York metropolitan area. These alliances enable the Corporation and its affiliates to initiate and participate in joint clinical and academic activities. These alliances have helped the Corporation establish a presence throughout the New York metropolitan area.

THE RELATED ENTITIES ARE NOT PART OF THE OBLIGATED GROUP AND ARE NOT OBLIGATED ON ANY SERIES OF BONDS, NOR IS THE OBLIGATED GROUP OR THE CORPORATION RESPONSIBLE FOR ANY DEBT INCURRED BY SUCH ENTITIES.

SERVICE AREA AND MARKET ENVIRONMENT

The Medical Center’s market is broadly defined due to its role as the tertiary referral center for the Hudson Valley, the comprehensive nature of its tertiary program mix (both the

Medicare and non-Medicare case mix indices exceed 2.0), and the accessibility to highly specialized medical services which it provides to suburban and rural communities.

The service area from which it draws its patients defines the Medical Center's market:

- Primary Service Area: the counties of Westchester, Orange, Rockland, Dutchess and Putnam
- Secondary Service Area: the counties of Ulster and Sullivan
- Others include the counties of Fairfield, Connecticut and Bergen, New Jersey, and portions of the Northern Bronx, among others.

The primary trend in the Medical Center's market environment is the continuing pressure to control health care costs while improving clinical outcomes. This trend has resulted in a significant shift in the site of care from inpatient hospitals to ambulatory care facilities and physicians' offices.

New York State has engaged in two major initiatives within the past few years. The first was the Commission on Health Care Facilities in the 21st Century, known as the Berger Commission. The activities of this Commission resulted in significant reductions in the number of hospital and nursing home beds in the State through downsizings, mergers and closures of facilities, including the closure of TCC. See "THE MEDICAL CENTER – The Berger Commission" herein.

The second State initiative is the restructuring of the Medicaid reimbursement system to deemphasize inpatient care and grow primary and ambulatory care. The 2009-2010 State budget mandated several changes, including a complete overhaul of the inpatient Medicaid reimbursement system and the shift of several hundred million dollars in funding from inpatient to ambulatory services.

These State initiatives are consistent with national interest in health care reform. While health care reform will increase the number of persons covered by health insurance programs, it also will impose significant cost controls on the health care system. The exact nature of these controls is not fully known at this time, but is likely to include mechanisms that will more directly link payment to outcomes.

Impact of Market Environment Trends on Westchester Medical Center

The Medical Center's position in its markets, as the sole tertiary care facility providing convenient access to high level care, has cushioned it from some of the potential downward pressures on utilization. Annual inpatient discharges remained relatively stable from a level of 23,790 in 2006 to 23,444 in 2010. The Main Hospital operates at approximately 80% occupancy while the Children's Hospital operates at or near capacity.

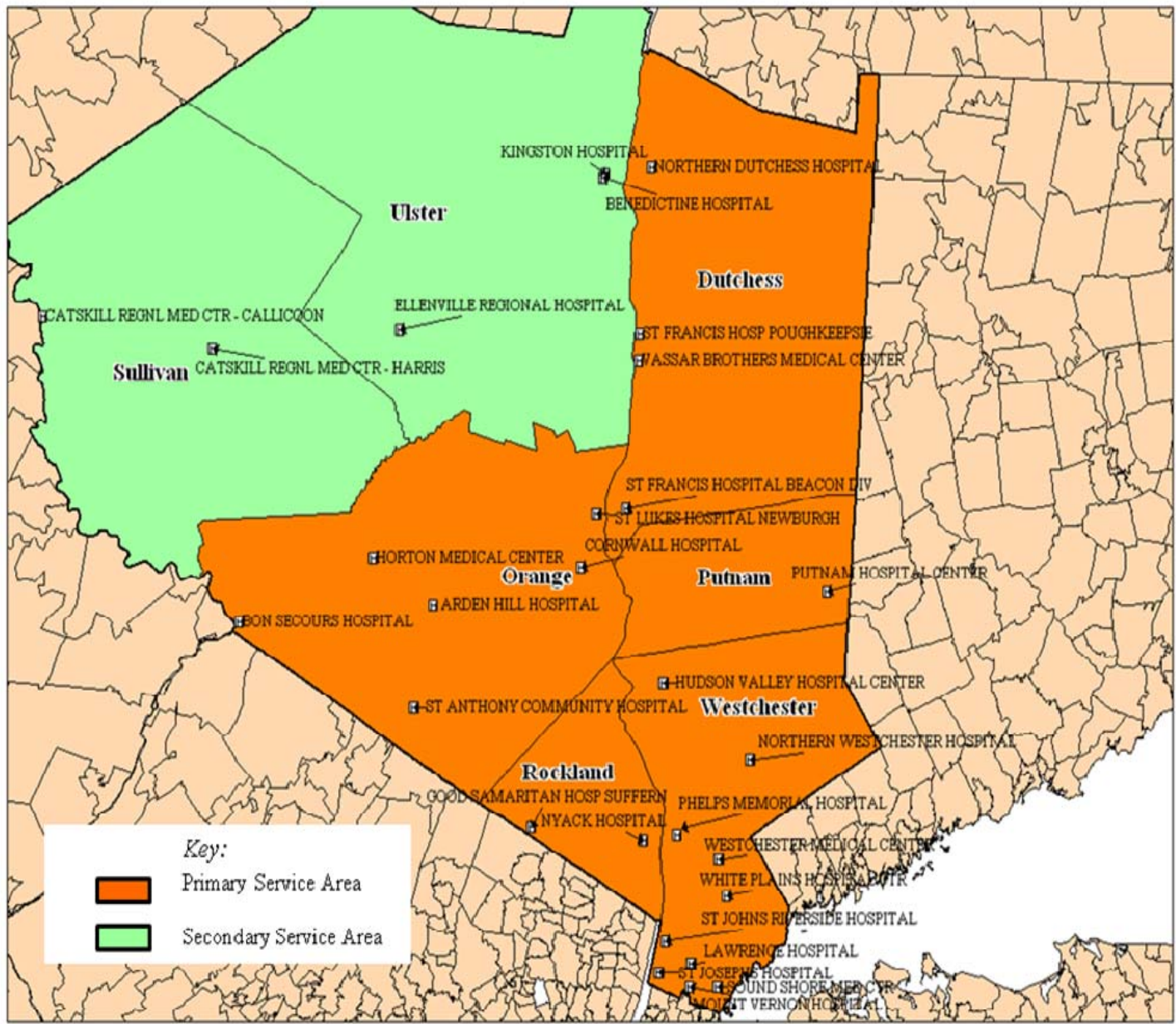
Geographic Origin of Inpatients

The following chart sets forth the geographic origin of inpatients excluding newborns at the Medical Center for the five years ending December 31.

<u>County</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Westchester	13,138	13,679	13,237	13,379	13,385
Orange	2,772	2,791	2,713	2,571	2,245
Rockland	1,246	1,297	1,383	1,437	1,640
Dutchess	1,290	1,462	1,396	1,427	1,319
Putnam	870	868	935	879	854
Sullivan	696	733	606	586	606
Ulster	726	652	693	646	630
Subtotal Primary & Secondary Service Area	20,738	21,482	20,963	20,925	20,679
All Other	3,052	3,120	3,244	3,109	2,765
Total	23,790	24,602	24,207	24,034	23,444

Source Statewide Planning and Research Cooperative System, compiled and administered by the New York State Department of Health ("SPARCS").

The following map, provided by the Corporation, illustrates the Medical Center's primary and secondary service areas, in addition to the location of other New York State healthcare institutions within the region.



Local Providers

The following table sets forth the major community hospitals in the Medical Center’s primary service area, the number of discharges (excluding routine nursery discharges) from each for residents of the primary and secondary service areas for the year ended December 31, 2010 and the corresponding market share.

<u>Hospital</u>	<u>2010 Discharges</u>	<u>Market Share</u>
Westchester Medical Center	20,679	8.3%
ORMC (Horton and Arden Hill)	19,555	7.8%
Vassar Brothers Medical Center	17,982	7.2%
Nyack Hospital	13,372	5.4%
White Plains Hospital Center	13,061	5.2%
Good Samaritan Hospital Suffern	12,498	5.0%
Health Alliance (Benedictine & Kingston)	11,554	4.6%
St. Johns Riverside Hospital	9,773	3.9%
St. Lukes Hospital Newburgh	9,091	3.6%
Northern Westchester Hospital	8,916	3.6%
Lawrence Hospital	8,586	3.4%
Sound Shore Medical Center	7,556	3.0%
Putnam Hospital Center	7,131	2.9%
Phelps Memorial Hospital Association	7,015	2.8%
St. Francis Hospital Poughkeepsie	6,902	2.8%
Hudson Valley Hospital Center	6,501	2.6%
St. Joseph Hospital Yonkers	5,254	2.1%
All Other Local Hospitals*	29,764	11.9%
All Hospitals Outside Region†	<u>34,497</u>	<u>13.8%</u>
TOTAL	249,687	100.0%

Source: NYS DOH, SPARCS data

* Local hospitals include hospitals situated in the seven county Hudson Valley Region, which are Westchester, Rockland, Ulster, Orange, Sullivan, Dutchess and Putnam Counties

† No hospital exceeds 5,000 discharges, except for NY Presbyterian Hospital Columbia which had 5,276 discharges

Competition

The following table sets forth the major tertiary hospitals that are competitors of the Medical Center in its primary and secondary service areas and the number of discharges of residents of the service area from each hospital for the year ended December 31, 2010.

<u>Hospital</u>	<u>2010 Discharges*</u>	<u>Market Share</u>
Westchester Medical Center	20,679	46.6%
NY Presbyterian Hospital Columbia	5,276	11.9%
Montefiore Medical Center	4,078	9.2%
Mount Sinai Medical Center	3,971	8.9%
Memorial Sloan Kettering Cancer Center	2,671	6.0%
New York Hospital	2,629	5.9%
NYU Langone Medical Center	1,710	3.9%
Albany Medical Center Hospital	1,693	3.8%
Hospital For Special Surgery	1,693	3.8%

* Source: NYS DOH, SPARCS data.

UTILIZATION

General

The following charts set forth utilization statistics, excluding routine nursery, for the Medical Center for each of the five years ended December 31, and for the nine-month periods ended September 30, 2010 and 2011 for the Medical Center as a whole, and inpatient utilization for the same periods for each of the Main Hospital and the Children's Hospital. Approximately 50% of the Medical Center's patients are admitted through the ED.

	<u>Medical Center</u>						
	Years Ended December 31,					Nine-Months Ended September 30,	
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2010</u>	<u>2011</u>
Discharges	23,790	24,602	24,207	24,034	23,594	17,732	17,130
Patient Days	193,187	194,186	196,139	194,236	195,191	144,956	147,721
Case Mix Index*	2.51	2.52	2.63	2.56	2.20	2.20	2.13
Average Length of Stay (in Days)	8.12	7.89	8.10	8.08	8.27	8.17	8.62
Average Daily Census	529	532	536	538	535	531	541
Average Beds Available	635	635	635	635	642	642	643
Percent of Occupancy	83.4%	83.8%	84.4%	84.7%	83.3%	82.7%	84.2%
Emergency Room Visits	34,938	36,624	39,712	42,468	41,786	31,396	31,719
Clinic Visits	54,304	52,675	55,581	55,377	54,342	41,609	40,810
Ambulatory Surgery Visits	6,497	6,447	6,680	6,337	6,563	5,091	4,087

* Case mix in 2010 and 2011 reflects the impact of the new New York State rebased APR-DRG system and is not indicative of a decline in the severity or clinical complexity of patients treated.

Main Hospital

	<u>Years Ended December 31,</u>					<u>Nine-Months Ended September 30,</u>	
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2010</u>	<u>2011</u>
Discharges	18,848	19,152	18,770	18,211	17,943	13,484	12,937
Patient Days	158,675	156,120	157,992	153,556	155,646	114,891	116,005
Average Length of Stay	8.42	8.15	8.42	8.43	8.67	8.52	8.97
Average Daily Census	435	428	432	426	426	421	425
Average Beds Available	525	525	525	525	525	525	525
Percent of Occupancy	82.8%	81.5%	82.2%	81.2%	81.2%	80.2%	80.9%
Clinic Visits	47,552	46,546	49,748	49,887	49,617	38,064	37,689
Ambulatory Surgery Visits	6,497	6,447	6,680	6,337	6,563	5,091	4,087

Children's Hospital

	<u>Years Ended December 31,</u>					<u>Nine-Months Ended September 30,</u>	
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2010</u>	<u>2011</u>
Discharges	4,942	5,450	5,437	5,823	5,651	4,248	4,193
Patient Days	34,512	38,066	38,147	40,680	39,545	30,065	31,716
Average Length of Stay	6.98	6.98	7.02	6.99	7.00	7.08	7.56
Average Daily Census	95	104	104	111	108	110	116
Average Beds Available	110	110	110	110	117	117	118
Percent of Occupancy	86.0%	94.8%	94.8%	100.3%	92.8%	94.1%	98.5%
Clinic Visits	6,752	6,129	5,833	5,490	4,725	3,545	3,121

Ambulatory Surgery - Outpatient Operation Room Cases only, does not include Endoscopy

Management's Discussion of Utilization

The Medical Center's utilization statistics have remained relatively stable over the period shown. In particular, overall inpatient discharges were 23,790 in 2006 and were 23,444 in 2010. A decrease in discharges at the Main Hospital is due to a decrease in acute adult patients, which is consistent with trends at other hospitals in the metropolitan area and nationally. In contrast, the Children's Hospital reached full capacity utilization in 2007, maintained that rate in 2008 and grew by approximately 400 and 200 discharges in 2009 and 2010, respectively, from that level. See "THE MEDICAL CENTER – General -*The Children's Hospital*" herein.

The Medical Center's outpatient utilization has been relatively stable over the period with the exception of the Emergency Room. Emergency Room visits have increased, with an overall increase of 20 percent over the period, consistent with regional and national trends.

FINANCIAL HISTORY OF THE CORPORATION

Transfer of Operations from the County

Transition Agreement

In 1998, when the Corporation was created and the County transferred responsibility for the Medical Center to the Corporation, the County and the Corporation entered into the Transition Agreement, as amended (the "Transition Agreement"), to govern the transition of control of the programs, services and operations of the Medical Center and its related assets to the Corporation. Upon execution of the Transition Agreement, the Department of Hospitals ceased to exist as a County department and the Corporation assumed complete operation of the Medical Center. The Transition Agreement required the County to provide certain subsidies and credit support to the Corporation and the Corporation to provide certain patient services within certain service areas. The goal of this arrangement was to promote the financial independence of the Corporation from the County. In 2008, the Transition Agreement was amended and restated in its entirety by the Cooperation Agreement, described below, which currently governs the relationship between the Corporation and the County.

Lease Agreement

Upon the transfer of the Medical Center to the Corporation, the County and the Corporation also entered into a Lease Agreement (the "Lease Agreement") pursuant to which the Corporation leases from the County approximately 87 acres of real property, upon which the health care facilities of the Medical Center are located. Under the Lease Agreement, the Corporation granted a lien to the County on all property owned by the Corporation. The Lease Agreement expires in December 31, 2057, subject to the Corporation's right to extend the term of the Lease Agreement for three additional terms of 10 years each and one additional term of 5 years.

The Corporation's obligation to pay rent to the County is based upon a formula established in the Lease Agreement of market rent multiplied by the Consumer Price Index. The Corporation may be obligated to pay the County market rent for the leased facilities, however, the value of any equipment used primarily for care, treatment or diagnosis of disease or injury or the relief of pain and suffering of sick or injured persons is not included in the computation of market rent if inclusion would materially increase the market rent. If the sum of the Corporation's retained earnings/net assets and the market rent is less than \$8 million and certain other conditions are met, rent may be abated in its entirety under certain circumstances. No rent was due or paid for the years 2007, 2008, 2009 and 2010. The Corporation does not expect rent to be due in 2011 or 2012.

Modifications and Guaranty Agreement

In November 2000, the County and Corporation modified the Transition Agreement and the Lease Agreement in anticipation of the Corporation's issuance of senior lien bonds. The County expressly agreed to subordinate its lien on collateral granted to it by the Corporation under the Transition Agreement and the Lease Agreement to the security interest in the Gross Receipts to secure bonds. Further, the parties agreed that so long as any Obligations are

outstanding, the County may not, except in limited circumstances, (i) terminate the Lease Agreement or (ii) foreclose any lien on the collateral granted to it pursuant to the Lease Agreement or the Transition Agreement. Under the Modification Agreement, other than those rights that are specifically waived, the County expressly reserves all of its rights and remedies under the Cooperation Agreement (which amended and restated the Transition Agreement in its entirety), the Guaranty Agreement and the Lease Agreement, including the right to exercise control over the Corporation's operations or appointment of a receiver, in the event of a default by the Corporation.

At the same time the modifications described in the paragraph above were made to the Transition Agreement and the Lease Agreement, in 2000, the County also executed a guaranty agreement (the "County Guaranty") to support, upon issuance, approximately \$91,310,000 of the Corporation's Revenue Bonds, Series 2000B Subordinate Lien, \$50,550,000 of the Corporation's Revenue Bonds, Series 2000C - Subordinate Lien and \$5,070,000 of the Corporation's Revenue Bonds, Series 2002 Subordinate Lien (the "Outstanding Subordinate Bonds"). The punctual payment of the principal and interest, but not redemption premium, if any, of all of the Outstanding Subordinate Bonds were unconditionally guaranteed by the County to the Corporation and to the Master Trustee, on behalf of the registered owners. See "-Outstanding Indebtedness" herein. The County Guaranty terminated upon the redemption of the Outstanding Subordinate Bonds in 2010.

Mortgage

The Lease Agreement permits the Corporation, under certain circumstances, to assign, mortgage, pledge or otherwise encumber such leasehold interest. The other Outstanding Senior Obligations are, and the Series 2011 Bonds and the Series 2000A Bonds will be, secured by mortgages (collectively, the "Mortgage") on the Corporation's leasehold interest under the Lease Agreement. Any proceeds realized from such Mortgage will be applied proportionately to all Obligations issued under the Master Indenture, including the Outstanding Senior Obligations, the Series 2000A Bonds and the Series 2011 Bonds (as defined below under "Outstanding Indebtedness").

The Mortgage permits the Corporation, under certain circumstances, to obtain a release of a portion of the mortgaged property without bondholder consent, other than the improvements constituting the health care facilities of the Medical Center, from the lien of the Mortgage. The Master Indenture provides that the Members of the Corporation will not permit the existence of any Lien on Property owned or acquired by it other than the Mortgage and Permitted Liens.

Financial Difficulties: Restatement of Relationship with the County

In the years after the transfer of the Medical Center to the Corporation, the Corporation experienced several consecutive years of significant losses. In 2004, the Corporation's Board of Directors engaged Pitts Management Associates, Inc. ("Pitts"), an outside consulting firm experienced in hospital turnaround projects, to manage the Medical Center. Pitts deployed a number of individuals to fill key leadership roles at the Medical Center who are credited with assisting in the Medical Center's financial turnaround. Pitts' engagement at the Medical Center ended in May, 2007, at which time the individuals serving in the roles of Chief Executive Officer

and Chief Operating/Financial Officer became full-time employees of the Corporation and continue in the respective roles today. The Corporation's permanent management has achieved five consecutive years of profitable operating results.

During the turnaround of the Corporation, in 2006, the State of New York also stepped in to support the Corporation by temporarily increasing Medicaid reimbursements and requiring the County to provide support to the Corporation as enacted by the State in Chapter 593 of the Laws of New York ("Chapter 593"). Chapter 593 amended certain sections of the New York Public Health Law, which resulted in increased Medicaid reimbursement to the Corporation for a three-year period commencing in 2006. Chapter 593 also required the County to commit an aggregate of \$85,000,000 of cash and in-kind services to aid the Corporation over the same three-year period (the "593 Commitment"). The \$85 million operating contribution included cash of \$40 million from tobacco settlement revenues paid in 2006 and in-kind services valued at \$45 million over three years, ending in 2008. Although not required, in 2009, the County chose to provide the Corporation with a further contribution in the form of in-kind services (*e.g.* utilities and grounds keeping) valued at approximately \$9.7 million at no charge. In 2010, due to budgeting pressures, the County began charging the Corporation \$8.5 million for such services. The Corporation expects the County to continue to charge for these services moving forward.

Cooperation Agreement

In connection with the 593 Commitment, the County and the Corporation entered into the Cooperation Agreement to restate the relationship between the County and the Corporation as first memorialized by the Transition Agreement in 1998. Executed in 2008, under the Cooperation Agreement, the County acknowledged the 593 Commitment and the Corporation acknowledged its responsibility to operate as a hospital for the benefit of the people of the County and the State. The goal of the Cooperation Agreement, like the Transition Agreement that it replaced, is the economic independence of the Corporation from the County. The County agrees to promote and support the operations of the Corporation as the County deems necessary and appropriate and the Cooperation Agreement provides a framework through which the County will consider additional requests for financial support from the Corporation. The Cooperation Agreement includes a plan to reduce any such amounts of working capital support guaranteed by the County. See "-Relationship with the County" herein.

If the Corporation is in breach of the Cooperation Agreement, and if the breach is not cured or curable by the Corporation, then, in addition to all other rights and remedies available to the County at law or in equity or otherwise available under the Cooperation Agreement, the County also maintains the following rights and remedies:

- The County may request, and the Corporation shall provide, access to the books, records, files and papers of the Corporation for the period of time reasonably related to the breach;
- The County may request and the Corporation shall assign to the County (subject to the pledge of Gross Receipts under the Master Trust Indenture) its right to receive revenue from any source;

- The County may request and the Corporation shall grant to the Commissioner of Finance and Budget Director of the County jointly or any other person designated by them (the “County Approver”) the right to approve every new contract of the Corporation in excess of \$250,000, excepting contracts relating to medical emergencies;
- The County may request and the Corporation shall review every material financial decision and financial policy with the County Approver and obtain the approval of the County Approver before implementing such decision or policy; and
- The County may request and the Corporation shall submit its existing and any proposed budget to the County Approver for approval and implement any changes requested by the County Approver.

The Cooperation Agreement expires December 31, 2017, but may be renewed by the County, in its sole discretion, no less than eighteen (18) months prior to its expiration. Either party, upon 90 days notice, may terminate the Cooperation Agreement as long as there is no outstanding indebtedness of the Corporation guaranteed by the County. The Corporation currently does not have any indebtedness outstanding that is guaranteed by the County.

Relationship with the County

In the past, the County has issued its own general obligation bonds, the proceeds of which were lent to the Corporation and used at the Medical Center. In connection with the issuance of such bonds, the Corporation executed notes payable to the County. Those notes payable, as well as other amounts due to the County, were fully repaid in 2007.

Up until December 2010, the primary economic relationship between the County and the Corporation consisted of a guaranty of the Medical Center’s commercial paper program (the “Commercial Paper”) (\$56 million at December 2010) and the County Guaranty to support approximately \$105.4 million of the Outstanding Subordinate Bonds issued by the Corporation. Both debts were refunded in December 2010.

Outstanding Indebtedness

Following the scheduled principal payment on November 1, 2011, the Corporation will have \$388,635,000 of indebtedness outstanding evidenced by Obligations under the Master Indenture. That amount consists of (i) \$113,240,000 aggregate principal amount of the Corporation’s Revenue Bonds, Series 2000A - Senior Lien; (ii) \$37,390,000 aggregate principal amount of the Corporation’s Revenue Bonds, Series 2010A (Federally Taxable – Direct Placement-Build America Bonds) – Senior Lien; (iii) \$116,865,000 aggregate principal amount of Revenue Bonds, Series 2010B (Tax-Exempt) – Senior Lien; (iv) \$31,450,000 aggregate principal amount of Revenue Bonds, Series 2010C-1 (Federally Taxable – Direct Placement-Build America Bonds) – Senior Lien; (v) \$32,410,000 aggregate principal amount of Revenue Bonds, Series 2010C-2 (Tax-Exempt) – Senior Lien; and (vi) \$57,280,000 aggregate principal amount of Revenue Bonds, Series 2010D (Taxable) – Senior Lien.

The proceeds of Outstanding Senior Bonds were used to provide a source of funding for a variety of capital projects that the Medical Center did not have the resources to fund out of operating cash.

Liquidity

The table below sets forth the cash and cash equivalents and the days cash on hand for the Corporation for the years ended December 31, 2008, 2009 and 2010 and the nine-month period ending September 30, 2011 and 2010.

	Audited			Unaudited	
	Years Ended December 31,			Nine-Month Period	
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2010</u>	<u>2011</u>
Cash and Cash Equivalents (millions)	\$116.6	\$163.3	\$167.8	\$100.9	\$110.4
Days' Cash on Hand ⁺	56.0	79.0	79.0	48.5	50.1

⁺ Calculated by dividing the total cash and cash equivalents by daily cash expenses (the Corporation's total operating expenses less depreciation and amortization divided by 365 or 366, as applicable, and 273, for the September 30, 2011 and 2010 calculations).

Summary of Historical Revenues and Expenses

The following summary of Historical Revenues and Expenses of the Corporation for the years ended December 31, 2008, 2009 and 2010 has been derived from the audited financial statements of the Corporation and includes the results of the Medical Center, WMC Advanced Physician Services, WMC New York, Inc. (and its subsidiaries including WCHCC Bermuda), the Children's Hospital Foundation and the WMC Foundation. Appendix B contains the Corporation's and its subsidiaries' audited consolidated financial statements for the years ended December 31, 2009 and 2010 with Supplemental Schedule for combining information. The summary of financial information that follows should be read in conjunction with the audited financial statements (Appendix B – Basic Financial Statements and Supplementary Schedules) and Management's Discussion of Operations. The Corporation's earlier financial statements can be found on the Corporation's website www.worldclassmedicine.com.

The Corporation has revised its 2010 and 2009 financial statements. See Note 17 of the Audited Financial Statements in Appendix B hereto.

Summary Balance Sheet Data

	Audited Year Ended December 31,			Unaudited Nine-month Period Ended September 30,	
	2008	2009	2010	2010	2011
Cash	\$116,570,530	\$163,293,182	\$167,794,537	\$100,860,742	\$110,353,115
Other current assets	161,955,527	141,423,217	150,790,920	121,726,263	138,162,093
Other long-term assets	376,864,157	396,151,824	449,372,148	333,467,512	380,127,781
Total assets	<u>\$655,390,214</u>	<u>\$700,868,223</u>	<u>\$767,957,605</u>	<u>\$556,054,517</u>	<u>\$628,642,989</u>
Current liabilities	\$275,164,618	\$264,228,639	\$199,783,740	\$230,622,388	\$163,630,438
Other long-term liabilities	404,761,073	453,574,545	578,693,131	364,446,173	496,732,199
Net deficit	<u>(24,535,477)</u>	<u>(16,934,961)</u>	<u>(10,519,266)</u>	<u>(39,014,044)</u>	<u>(30,719,648)</u>
Total liabilities and net deficit	<u>\$655,390,214</u>	<u>\$700,868,223</u>	<u>\$767,957,605</u>	<u>\$556,054,517</u>	<u>\$628,642,989</u>

The above amounts for the years ended December 31, 2008, 2009 and 2010 are from the audited financial statements and include all entities on a consolidated basis (see combining schedules in the audited financial statements). Amounts for the nine month periods ended September 30, 2010 and 2011 reflect the balance sheets of the Medical Center and WMC Advanced Physician Services. Entities not included in such data (WMC New York, Inc, the Children’s Hospital Foundation and WMC Foundation) had an aggregate \$111 million in assets, liabilities of \$83 million and net assets of \$28 million at December 31, 2010. The results for the nine months ended September 30, 2011 are not necessarily indicative of financial results for the fiscal year ending December 31, 2011. See “Appendix B – Audited Consolidated Financial Statements of the Westchester County Health Care Corporation as of and for the Years Ended December 31, 2010 and 2009”.

Summary of Revenues and Expenses

	Audited Year Ended December 31,			Unaudited Nine-month Period Ended September 30,	
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2010</u>	<u>2011</u>
Operating revenues					
Net patient service revenue	\$ 762,819,462	\$ 777,312,239	\$804,909,784	\$590,464,243	\$635,125,445
Other revenue	<u>28,929,606</u>	<u>20,309,560</u>	<u>25,594,439</u>	<u>17,202,878</u>	<u>14,004,134</u>
Total operating revenue	<u>791,749,068</u>	<u>797,621,799</u>	<u>830,504,223</u>	<u>607,667,121</u>	<u>649,129,579</u>
Operating Expenses					
Salaries and benefits	418,765,161	432,596,045	453,867,889	332,990,377	367,151,249
Supplies and other expenses	312,064,813	303,336,306	296,181,642	220,106,757	213,910,719
Professional liability	31,367,163	18,331,216	24,892,385	14,857,258	19,840,230
Depreciation and amortization	<u>31,486,124</u>	<u>35,806,349</u>	<u>39,919,753</u>	<u>29,860,434</u>	<u>31,792,173</u>
Total operating expenses	<u>793,683,261</u>	<u>790,069,916</u>	<u>814,861,669</u>	<u>597,814,826</u>	<u>632,694,371</u>
Operating income	(1,934,193)	7,551,883	15,642,554	9,852,295	16,435,208
Nonoperating activities net	<u>9,233,808</u>	<u>48,633</u>	<u>(9,226,859)</u>	<u>(8,349,933)</u>	<u>(14,944,067)</u>
Income before capital contributions	7,299,615	7,600,516	6,415,695	1,502,362	1,491,141
Capital contributions	<u>2,892,637</u>	-	-	-	-
Decrease in net deficit	<u>\$ 10,192,252</u>	<u>\$ 7,600,516</u>	<u>\$ 6,415,695</u>	<u>\$ 1,502,362</u>	<u>\$ 1,491,141</u>

The above amount for the years ended December 31, 2008, 2009 and 2010 are from the audited financial statements and include all entities on a consolidated basis (see combining schedules in the audited financial statements). The information for the nine-month periods ended September 30, 2010 and 2011 is based on the unaudited internal financial statements and includes the Medical Center and WMC Advanced Physicians only. The results for the nine months ended September 30, 2011 are not necessarily indicative of financial results for the fiscal year ending December 31, 2011. See “Appendix B – Audited Consolidated Financial Statements of the Westchester County Health Care Corporation as of and for the Years Ended December 31, 2010 and 2009”.

Management’s Discussion of Operations

Years Ended December 31, 2009 and 2008

The results for the years ended December 31, 2009 and 2008 represent the combined audited results of the Corporation, which includes the Medical Center and the Taylor Care Center, until it ceased operations on April 1, 2009, as well as the activities of the following entities:

WMC New York, Inc. and Subsidiaries
WCHCC Holdings, Inc.
Children’s Hospital Foundation
The WMC Foundation
The WMC Advanced Physician Services, P.C.

For the years ended December 31, 2009 and 2008, the Corporation generated Operating Income (Loss) of approximately \$7.6 million and (\$1.9) million, respectively, and non-operating activities net of \$0.0 million and \$9.2 million, respectively.

The Net Asset (deficit) decreased from (\$24.5) million to (\$16.9) million, primarily as a result of the net income generated in 2009.

Operating revenues totaled \$797.6 million and \$791.7 million in 2009 and 2008, respectively, which was an increase of \$5.9 million (0.7%). Net Disproportionate Share revenue, which is included in Operating Revenues, totaled \$76.0 million and \$38.5 million in 2009 and 2008, respectively.

Operating Expenses totaled \$790.1 million and \$793.7 million in 2009 and 2008, respectively, representing a decrease of \$3.6 million (-0.5%). Salaries, pension and health benefits increased by a combined \$13.8 million. Professional liability expense decreased in 2009 primarily due to a refund of \$8.6 million related to prior years.

Cash and cash equivalents totaled \$163.3 million and \$116.6 million on December 31, 2009 and 2008, respectively.

Years Ended December 31, 2010 and 2009

The results for the years ended December 31, 2010 and 2009 represent the combined audited results of the Corporation, which includes the Medical Center and the Taylor Care Center, until it ceased operations on April 1, 2009, as well as the activities of the following entities:

WMC New York, Inc. and Subsidiaries
WCHCC Holdings, Inc.
Children's Hospital Foundation
The WMC Foundation
The WMC Advanced Physician Services, P.C.

For the years ended December 31, 2010 and 2009, the Corporation generated Operating Income of approximately \$15.6 million and \$7.6 million, respectively, and non-operating activities net of (\$9.2) million and \$0.0 million, respectively.

The Net Asset (deficit) decreased from (\$16.9) million to (\$10.5) million, primarily as a result of the net income generated in 2010.

Operating revenues totaled \$830.5 million and \$797.6 million in 2010 and 2009, respectively, which was an increase of \$32.9 million (4.1%). Net Disproportionate Share revenue, which is included in Operating Revenues, totaled \$70.0 million and \$76.0 million in 2010 and 2009, respectively.

Operating Expenses totaled \$814.9 million and \$790.1 million in 2010 and 2009, respectively, representing an increase of \$24.8 million (3.1%). Salaries and benefits increased by \$21.3 million primarily as a result of a \$19.4 million increase in salaries due to an increase in

average full time equivalents as well as an increase in benefit expense of \$1.9 million. Supplies and other expenses decreased by \$22.6 million in total. Medical supplies decreased \$5.1 million, equipment service contracts increased \$2.6 million and technical services increased \$4.2 million.

Cash and cash equivalents totaled \$167.8 million and \$163.3 million on December 31, 2010 and 2009, respectively.

Nine-Months Ended September 30, 2011 and 2010

The results for the nine months ended September 30, 2011 and 2010 represent the results of the Medical Center and WMC Advanced Physician Services.

For the nine months ended September 30, 2011 and 2010, the Medical Center and WMC Advanced Physician Services generated an Operating Income of \$16.4 million and \$9.9 million, respectively, and non-operating activities net of (\$14.9) million and (\$8.3) million, respectively.

Operating revenues totaled \$649.1 million and \$607.7 million in 2011 and 2010, respectively, which was an increase of \$41.4 million (6.8%). Net Disproportionate share revenue, which is included in Operating Revenues, totaled \$52.5 million in 2011 and 2010. Patient service revenue reflects higher reimbursement rates.

Operating Expenses totaled \$632.7 million and \$597.8 million in 2011 and 2010, respectively, representing an increase of \$34.9 million (5.8%). Expense increases are generally due to pension and health benefit costs and contracted salary increases.

Cash and cash equivalents totaled \$110.4 million and \$100.9 million on September 30, 2011 and 2010, respectively.

Historical Debt Service Coverage

The following table sets forth the historical debt service coverage ratios, calculated pursuant to the Master Trust Indenture, for the years ended December 31, 2009 and 2010 based on the audited financial statements for the years then ended, and proforma debt service based on fiscal year 2010 results.

	Years ended December 31,		
	<u>2009</u>	<u>2010</u>	<u>Proforma 2010</u>
<u>Funds Available for Debt Service</u>			
Income(loss) from operations	\$ 7,574,395	\$14,640,594	\$14,640,594
Depreciation and amortization	35,434,797	39,861,434	39,861,434
Interest expense	<u>11,342,172</u>	<u>10,746,806</u>	<u>10,746,806</u>
Total Funds Available for Debt Service	<u>54,351,364</u>	<u>65,248,834</u>	<u>65,248,834</u>
Total Maximum Annual Debt Service Requirements	<u>\$28,902,621</u>	<u>\$32,982,183</u>	<u>\$32,550,633</u>
Coverage Ratio	1.88x	1.98x	2.00x

Note: The above table reflects amounts from the Medical Center's operations only and not consolidated amounts derived from all entities as presented in the audited financial statements. The debt coverage reflected above includes debt service of \$7 million for the Corporation's commercial paper in 2009.

Payor Mix

The major portion of revenues received by the Corporation is derived from third-party payors. For a more complete discussion of each payor, see "Reimbursement Methodologies" herein.

The following table illustrates the payor mix (adults and pediatrics) for the Medical Center for fiscal years ended December 31, 2008, 2009 and 2010 and for the nine-month periods ended September 30, 2010 and 2011.

<u>Payor</u>	<u>Years Ended December 31,</u>			<u>Nine-Month Periods Ended September 30,</u>	
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2010</u>	<u>2011</u>
Medicaid	26%	31%	33%	30%	35%
Medicare	27	26	25	25	24
Blue Cross	13	13	13	13	11
Commercial/Managed Care	25	23	20	23	22
Worker's Comp/No Fault	5	4	5	5	4
<u>Self Pay</u>	<u>4</u>	<u>3</u>	<u>4</u>	<u>4</u>	<u>4</u>
Total	100%	100%	100%	100%	100%

Reimbursement Methodologies

The Corporation has been successful in negotiating significant increases in its managed care payor rates as well as accessing significant disproportionate share reimbursement.

Medicare

New York State hospitals are reimbursed for Medicare inpatient services under the national prospective payment system (“PPS”). Under PPS, inpatient acute services are paid at prospectively determined rates per discharge adjusted for variations in regional wage differences with additional payments for teaching services, services to the indigent population and high cost cases. These rates are then adjusted according to a patient classification system that takes into account clinical information including diagnosis and procedures, and other related factors. Non-acute inpatient services primarily Psychiatry and Rehabilitation Medicine are also paid based on prospectively determined payment rates based upon clinical and diagnostic factors specific to those specialties. Outpatient reimbursement is a prospective payment system adjusted for geographic wage differences and based upon nationally recognized CPT/HCPCS codes.

Medicaid, Blue Cross and Commercial Insurance Carriers

In New York State, Medicaid is a jointly funded federal-state-local program administered by the State. On January 1, 2009, the federal share was temporarily increased from 50% to 60%, however, it returned to the 50% share level on July 1, 2011. The remainder of the costs are shared by the State and the Social Services District of the patient’s residence. Every year the Medicaid reimbursement rates for the forthcoming year must be certified by the New York State Commissioner of Health and approved by the State Director of Budget with CMS approval.

Prior to December 1, 2009, hospital rates were based upon 1982 costs and updated over the years based upon trend and other factors. These rates had both an individual hospital and group average component. The group component was based upon bed size and teaching services which placed the Medical Center in the Major Academic teaching group along with hospitals such as NYU, Montifiore and Mt. Sinai.

Effective December 1, 2009, New York State revised the Medicaid, Workers Compensation / No-fault and Corrections inpatient payment system in accordance with Article 2807-c and Article 2807(7) of the Public Health Law as amended by Chapter 58 of the Laws of 2009. The revised Medicaid and related payors inpatient prospective payment system as identified above is based upon a new Diagnostic Related Group (DRG) System called “All Patient Refined (APR)”, which has 314 DRG’s and four levels of patient severity within each of the 314 DRG’s or 1256 potential different payment levels. This new system mirrors the Medicare methodology which bundles all hospitals into one singular base DRG rate applicable to all hospitals updated to reflect 2005 actual hospital Medicaid cost data in the aggregate adjusted for individual hospital compensation levels with adjustments for capital cost, graduate medical education services and high cost outlier cases.

All other non-Medicare payors, predominantly commercially insured products, continue to be reimbursed based under a different Diagnostic Related Group methodology with higher negotiated contracted rates, or if no contracts exist, at the hospital’s established charges.

Under New York State Health Care Reform Act (“HCRA”) regulations effective December 1, 2007, pools were established for the financing of public goods, consisting of indigent care, healthcare initiatives and graduate medical education. Third-party payors are required to pay into these pools, but, through fiscal incentives, they are financially advantaged to make payments directly to public good pools, although they have the choice of paying providers directly on an encounter basis.

HCRA specifies the distribution of the public good pools. The indigent care pool remains in place under the 2009 legislation but the graduate medical education pools and other pools previously established were eliminated effective December 31, 2009. The indigent care pool payments cannot exceed a hospital’s aggregate losses in providing inpatient and outpatient services to Medicaid and uninsured patients under federal and state statute and under Medicaid Disproportionate Share regulations. Public hospitals receive higher funding levels based upon separate federal regulations subject to state cap limits.

As of January 1, 2010, the changes to the HCRA regulations have not had a material adverse effect on the Corporation’s revenues. See also “BONDHOLDERS’ RISKS - Legislative, Regulatory, and Contractual Matters Affecting Revenue” included in the forepart of this Official Statement.

Managed Care

The Corporation employs a multifaceted strategy for managed care contracting. The goal of this contracting effort is to create mutually beneficial partnerships with managed care payors that will enable the Corporation to maintain and enhance the quality of care provided to patients. This strategy has enabled the Corporation to maintain stable compensation/revenue through a combination of price enhancements and increases in volume to their facilities. The contracting initiatives include system-wide contracting and the selection of strategic partners.

Contractual relationships have been established with most managed care companies in the market and these contracts cover all product (HMO, point of service, PPO) and payor types (Medicare, Medicaid, commercial). The four managed care companies that represent the largest component of managed care business for the Medical Center are United HealthCare including their Oxford Health Plans products, Aetna, Empire Blue Cross Emblem and Cigna. Management has invested in establishing strong relationships at all levels between the Corporation and the management and staff of the various health plans. The Corporation’s contract with Empire Blue Cross Emblem expired October 31, 2010 and has not been renewed. Negotiations with Empire Blue Cross continue and the Corporation expects that the parties will reach an agreement on rates.

The majority of managed care inpatient reimbursement is paid on DRG-based case rates similar in methodology to the NYS system but generally include add-on’s for implantable items, high cost drugs and blood. Separate rates are established for each product line (Medicare, Medicaid, Commercial HMO or PPO products). Non-contracted payors, which may include small self-insured funds or out of area payors, generally pay on a charge basis. Outpatient services are either reimbursed on a percent of charges or fixed fee schedule basis similar to the

Medicare methodology. Add-on's are incorporated into outpatient rates for implantable items, high cost drugs and blood in a manner similar to inpatient payments.

Other contractual terms are also carefully negotiated, particularly related to annual increases, claim payment obligations, compliance with health plan utilization management policies and procedures and retroactive claim denials that could have significant economic impact on hospitals.

The Corporation works closely with its medical staff to achieve maximum results from their managed care activities.

CURRENT CHALLENGES

The national and international economic deterioration that commenced during 2008 and its impact on the New York State Budget have presented the Corporation's management team with significant challenges. The Corporation aggressively addressed annual reimbursement reductions aggregating approximately \$90 million through December 31, 2010. Among the significant actions the Corporation took in 2009 were closing TCC and reducing the workforce to eliminate approximately 418 full-time equivalent employees from the Corporation's payroll. These actions are expected to continue resulting in annualized savings of approximately \$30 million. Additional reductions in 2010 and 2011 to offset the impact of further reimbursement reductions included reducing certain psychiatric patient services.

Other significant expense control and revenue enhancement initiatives are underway, and management has also undertaken a comprehensive programmatic review to determine whether certain reductions in its services make economic sense and will ameliorate the impact of expected reduced federal and state reimbursement. See "STRATEGY AND FUTURE PLANS" herein.

STRATEGY AND FUTURE PLANS

Strategy of the Corporation

The mission of the Corporation is to provide high-quality, compassionate, cost-effective patient care; foster the advancement of medical science and the training of physicians; offer excellent service to patients; attract leading physicians; and serve the health care needs of the surrounding communities.

To achieve these goals, the Corporation has developed a governance and management structure that integrates with management the expertise, energy and dedication of its Board of Directors, allowing for decisive operation in a fast-paced healthcare environment. Under new management these past years, the Corporation has redesigned operations by focusing on three major objectives:

- Improving clinical quality
- Improving patient satisfaction
- Achieving cost reductions and controlling expenses

This organizational redesign has been an employee driven process that has looked at all aspects of operations from individual job activity to systems within the organization. Various work teams throughout the facility continue to analyze operations on an ongoing basis, with a goal of streamlining systems and eliminating duplicative effort. The streamlining of hospital operations has yielded savings in such areas as purchasing, laboratory, pharmacy, housekeeping and laundry. In addition, the Corporation has reorganized its administrative services to further improve efficiency and reduce overall costs.

The Strategic Plan initially adopted by the Corporation's Board of Directors in June, 2007 and updated in July, 2011 emphasized the continuation of the following eight clinical service lines:

- Cardiovascular Services
- Children's Services
- Trauma and Burn Services
- Transplant Services
- Neurosciences
- Oncology Services
- Orthopedics
- Women's Services

The Strategic Plan also identified a number of key initiatives, including a master facility plan that focuses on upgrades, renovations, intensive care units and operating rooms. The Corporation also plans to deepen its relationships with community hospitals and other community providers to improve care for the residents of the Hudson Valley. These initiatives will be designed to meet the needs of the changing health care environment under federal health care reform.

A separate initiative for IT upgrades has been undertaken and includes applications for funding under the American Recovery and Reinvestment Act.

Future Plans

During recent years, the Corporation has undertaken strategic and facility master planning efforts to ensure that its capital investment plan suitably complements its strategic vision. The projects described herein, which include a composite of clinical and infrastructure projects in various stages of planning, design acquisition and construction, are intended to enhance the competitiveness of the Corporation in the health care industry, operational efficiencies and maximize the reuse of existing buildings. These projects include the upgrade and modernization of utilities and building systems, the acquisition of major medical equipment to support the Medical Center's service lines, and renovation and expansion of various facilities, services and programs. In addition, the Corporation, in the future, expects to expand the Children's Hospital by building a new adult Emergency Room and new Trauma ICU, and relocating those services, and to expand the Main Hospital by building a new patient tower, which will require additional financing for both projects at that time.

The Corporation's capital needs are projected to be approximately \$20-30 million annually, which the Corporation plans to fund as routine operating expenditures to be included in yearly budgets. The Corporation is undertaking a study to determine the feasibility of a philanthropic capital campaign.

The Board of Directors of the Corporation and management are committed to making certain that expenses are kept in line with revenues. To ensure that this is the case, actions which management is currently considering include eliminating or downsizing non-core programs and services, workforce reductions, implementation of programs to reduce average length of stay, initiatives to enhance revenues in a number of areas, and a variety of other initiatives and programs.

PROPERTY, CASUALTY, PROFESSIONAL AND GENERAL LIABILITY INSURANCE PROGRAM

The Corporation carries an all-risk property insurance policy on its buildings and contents, including fire and allied lines, business interruption, and boiler and machinery all written on a replacement cost basis. The Corporation also carries commercial automobile liability and physical damage insurance for owned and leased vehicles, commercial crime/fidelity insurance, directors and officer's liability insurance and employed lawyers' errors and omissions coverage. The Corporation also carries an excess umbrella liability policy with an aggregate limit of \$28 million.

The Corporation is qualified to self-insure statutorily required worker's compensation insurance. The excess Workers' Compensation/Employers Liability policy is a "specific excess" only policy. Since July 1, 2008, the Medical Center has a current self-insured retention of \$750,000 per occurrence, renewed yearly. Since July 1, 2009, the excess policy has "cash-flow" protection. In addition, the Medical Center currently has "terrorism" coverage under excess at no additional cost.

The Corporation also maintains hospital/physician professional liability and commercial general liability insurance, funded in part by WCHCC Bermuda, a wholly owned captive of WMC-NY. The hospital professional liability insurance is funded through WCHCC Bermuda for a primary limit of \$7 million for each incident. Only those physicians employed by the Medical Center or WMC Advanced Physician Services are entitled to insurance provided through WCHCC Bermuda.

General liability insurance is also funded through WCHCC Bermuda for a primary limit of \$1 million per occurrence and \$2 million in the aggregate. The umbrella policy, with limits of \$28 million, attaches above the professional and general liability for the hospital, for those physicians employed by the Medical Center and above the first layer of excess of each WMC Advanced Physicians Service employed physician insured through Academic Health Professionals Insurance Association.

In the opinion of management of the Corporation, based on their prior experience, all potential malpractice losses are fully and adequately funded or insured. To date, no loss has exceeded insurance coverage.

LITIGATION

Professional and general liability claims have been asserted against the Corporation by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. The outcome of these actions cannot be predicted with certainty by management or by counsel to the Corporation or by the respective insurance companies handling such matters. Certain incidents may result in the assertion of additional claims and such other claims may be included in current complaints. It is the opinion of the management of the Corporation, based on prior experience, that adequate funding and insurance is maintained to provide for any significant professional or general liability losses which may arise.

Funding for primary professional and general liability has been set aside in a restricted fund and in WCHCC Bermuda based upon actuarial analysis. Management believes that any payments from those sources will not have a material adverse affect on the financial position of the Corporation or on its ability to make required debt service payments. The Corporation has no other professional liability or general liability litigation or proceedings or, to management's knowledge, threatened litigation against it that would materially adversely affect its operations or financial condition.

The Corporation has received two (2) separate subpoena duces tecum from the Office of the Inspector General of the United States Department of Health and Human Services, the first in 2007 and the second in 2008.

The 2007 subpoena requests the production of financial documents, documents relating to contracts between the Medical Center and its affiliated physicians, and other categories of requests. Documents have been produced and the Medical Center will continue to produce responsive documents in a "rolling production". The Medical Center is fully cooperating with the Department of Health and Human Services. The Medical Center is unaware of any violations of statutes or regulations and it is premature to speculate as to whether it has any financial exposure.

The 2008 subpoena relates to inpatient outlier payments. Several other New York hospitals received similar subpoenas. The subpoena covers the time period of January 1, 1997 through December 31, 2003. Documents have been produced and the Medical Center will continue to produce responsive documents in a "rolling production". The Medical Center is unaware of any violations of statutes or regulations and it is premature to speculate as to whether or not it has any financial exposure.

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APPENDIX B

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
WESTCHESTER COUNTY HEALTH CARE CORPORATION AS OF AND
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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Westchester County Health Care Corporation

**Basic Financial Statements and
Supplementary Schedules**
(With Management's Discussion and Analysis)
December 31, 2010 and 2009
(With Report of Independent Auditors' Thereon)

Westchester County Health Care Corporation

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December 31, 2010 and 2009

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Report of Independent Auditors

The Board of Directors
Westchester County Health Care Corporation

In our opinion, the accompanying combined balance sheets and the related combined statements of revenues, expenses, and changes in net assets (deficit), and of cash flows present fairly, in all material respects, the financial position of Westchester County Health Care Corporation and its component units ("WCHCC") at December 31, 2010 and 2009, and the changes in their financial position and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of WCHCC's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Management's Discussion and Analysis on pages 2 through 11 and the required supplementary information on page 44 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in schedules I through IV on pages 45 through 48 is presented for purposes of additional analysis rather than to present the financial position and the results of operations of the individual component units and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

May 5, 2011, except for the information in Note 17
for which the date is November 14, 2011

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2010 and 2009

This section of the Westchester County Health Care Corporation (WCHCC) annual financial report presents management's discussion and analysis of WCHCC's financial performance during the years ended December 31, 2010, 2009, and 2008. The purpose is to provide an objective analysis of the financial activities of WCHCC based on currently known facts, decisions, and conditions. Please read it in conjunction with the basic financial statements, which follow this section.

Overview of the Basic Financial Statements

This annual report consists of three parts – management's discussion and analysis, the basic financial statements, and supplementary schedules.

The basic financial statements (Balance Sheets, Statements of Revenues, Expenses, and Changes in Net Assets (Deficit), Statements of Cash Flows, and the Notes to the Financial Statements) present, on a comparative basis, the financial position of WCHCC at December 31, 2010 and 2009 and the changes in its financial position for the years then ended. These financial statements report information about WCHCC using accounting methods similar to those used by private-sector companies. The Balance Sheets include all of WCHCC's assets and liabilities. The Statements of Revenues, Expenses, and Changes in Net Assets (Deficit) reflect each year's activities on the accrual basis of accounting, where revenues and expenses are recorded when services are provided or obligations are incurred, not when cash is received or paid. The financial statements also report WCHCC's net deficit (the difference between assets and liabilities) and how that has changed. Net deficit is one way to measure financial health or condition. The Statements of Cash Flows provide relevant information about each year's cash receipts and cash payments and classify them as operating, noncapital financing, capital and related financing and investing activities. The Notes to the Financial Statements explain information in the financial statements and provide more detailed data.

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2010 and 2009

Financial Analysis
Summary of Assets, Liabilities, and Net Assets (Deficit)
December 31, 2010, 2009, and 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>	2010-2009 Percentage Change
Assets				
Current assets	\$ 318,585,457	\$ 304,716,399	\$ 278,526,057	4.6%
Capital assets	302,109,401	285,291,653	279,583,224	5.9
Other assets	<u>147,262,747</u>	<u>110,860,171</u>	<u>97,280,933</u>	<u>32.8</u>
Total assets	<u>\$ 767,957,605</u>	<u>\$ 700,868,223</u>	<u>\$ 655,390,214</u>	<u>9.6%</u>
Liabilities				
Current liabilities	\$ 199,783,740	\$ 264,228,639	\$ 275,164,618	(24.4)%
Long-term portion of debt	393,159,583	252,503,564	226,435,000	55.7
Other long-term liabilities	<u>185,533,548</u>	<u>201,070,981</u>	<u>178,326,073</u>	<u>(7.7)</u>
Total liabilities	<u>778,476,871</u>	<u>717,803,184</u>	<u>679,925,691</u>	<u>8.5%</u>
Net assets (deficit)				
Restricted	\$ 5,753,905	\$ 7,063,142	\$ 7,724,631	(18.5)%
Invested in capital assets, net of related debt	26,436,999	86,059,499	73,304,622	(69.3)
Unrestricted	<u>(42,710,170)</u>	<u>(110,057,602)</u>	<u>(105,564,730)</u>	<u>61.2</u>
Total net assets (deficit)	<u>\$ (10,519,266)</u>	<u>\$ (16,934,961)</u>	<u>\$ (24,535,477)</u>	<u>(37.9)%</u>

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2010 and 2009

Financial Analysis

Summary of Revenues, Expenses, and Changes in Net Assets (Deficit)
Years ended December 31, 2010, 2009, and 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>	2010-2009 Percentage Change
Operating revenues				
Net patient service revenue - as revised	\$ 804,909,784	\$ 777,312,239	\$ 762,819,462	3.6%
Other revenue	25,594,439	20,309,560	28,929,606	26.0
Total operating revenues	<u>830,504,223</u>	<u>797,621,799</u>	<u>791,749,068</u>	4.1
Operating expenses				
Salaries and benefits	453,867,889	432,596,045	418,765,161	4.9
Supplies and other expenses - as revised	296,181,642	303,336,306	312,064,813	(2.4)
Professional liability	24,892,385	18,331,216	31,367,163	35.8
Depreciation and amortization	39,919,753	35,806,349	31,486,124	11.5
Total operating expenses	<u>814,861,669</u>	<u>790,069,916</u>	<u>793,683,261</u>	3.1
Operating income (loss)	15,642,554	7,551,883	(1,934,193)	107.1
Nonoperating activities, net				
Income before capital contributions	<u>(9,226,859)</u>	<u>48,633</u>	<u>9,233,808</u>	<u>(19,072.4)</u>
Capital contributions	-	-	2,892,637	-
Decrease in net deficit	6,415,695	7,600,516	10,192,252	(15.6)
Net deficit				
Beginning of year	<u>(16,934,961)</u>	<u>(24,535,477)</u>	<u>(34,727,729)</u>	<u>(31.0)</u>
End of year	<u>\$ (10,519,266)</u>	<u>\$ (16,934,961)</u>	<u>\$ (24,535,477)</u>	<u>(37.9)%</u>

Westchester County Health Care Corporation
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Overall Financial Position and Operations

WCHCC reported operating income of \$15.6 million and \$7.6 million, and an operating loss of \$1.9 million for the years ended December 31, 2010, 2009, and 2008, respectively. WCHCC's net deficit decreased \$6.4 million from December 31, 2009 to December 31, 2010 and \$7.6 million from December 31, 2008 to December 31, 2009.

Significant financial indicators are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating income (loss) (in millions)	\$ 15.6	\$ 7.6	\$ (1.9)
Current ratio	1.5	1.2	1.0
Quick ratio	1.5	1.1	1.0
Days cash on hand	79.0	79.0	56.0

Analysis of Financial Position

In this section, WCHCC management provides our analysis of December 31, 2010 financial amounts, compared to December 31, 2009, and, where appropriate, December 31, 2009 financial amounts, compared to December 31, 2008.

Assets and Liabilities

Cash and Cash Equivalents

The cash position increased \$4.5 million at December 31, 2010 compared to December 31, 2009 and increased approximately \$46.7 million at December 31, 2009, compared to December 31, 2008, due to increased net patient service revenue from increased reimbursement rates and Disproportionate Share payments (DSH payments). The positive cash flow during 2009 enabled WCHCC to reduce vendor payables by \$16.7 million.

Patient Accounts Receivable, Net

Patient accounts receivable reflected days outstanding of 47.3, 42.2, and 46.8 at December 31, 2010, 2009, and 2008, respectively. The increase in days outstanding at December 31, 2010 compared to December 31, 2009 is the result of a slowdown in payments received from certain governmental payors, managed care payors and commercial payors and increased accounts receivable related to the expansion of the Westchester Medical Center Advanced Physician Services P.C. The reduction in the amount of time needed to collect accounts receivable at December 31, 2009 compared to December 31, 2008 resulted from process improvements in billing and collecting patient revenue since 2006.

Investments

Investments decreased \$0.7 million from December 31, 2009 to December 31, 2010 due to the liquidation of corporate bonds to cash and cash equivalents and increased \$0.8 million from December 31, 2008 to December 31, 2009 due to the purchase of corporate bonds.

Other Current Assets

Other current assets decreased \$5.3 million from December 31, 2009 to December 31, 2010 primarily due to the reduction in receivables from the County and reinsurance claims and decreased \$5.1 million from December 31, 2008 to December 31, 2009 primarily due to collections on grants receivable during 2009.

Westchester County Health Care Corporation
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Assets Restricted as to Use

Assets restricted as to use increased \$30.5 million from December 31, 2009 to December 31, 2010 due to an increase in debt service reserve funds required under bond indentures of \$12.7 million and the increase in construction funds available under bond indentures of \$16.7 million as a result of the bond financing transaction which occurred in December 2010.

Assets restricted as to use increased \$11.7 million from December 31, 2008 to December 31, 2009. The net change is primarily the result of an increase of investments held by WCHCC Bermuda, the self insurance captive.

Capital Assets

WCHCC's capital additions, consisting of various capital projects and medical equipment purchases, in 2010 were \$56.4 million offset by depreciation expense of \$39.6 million. WCHCC's capital additions in 2009 were \$41.2 million offset by depreciation expense of \$35.5 million.

Capital assets increased \$16.8 million from December 31, 2009 to December 31, 2010 and \$5.7 million from December 31, 2008 to December 31, 2009 due to increased capital expenditures during 2010 and 2009, respectively.

Notes Payable

Notes payable decreased \$63.0 million from December 31, 2009 to December 31, 2010 due to the repayment of the note and remained consistent from December 31, 2008 to December 31, 2009.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses increased \$12.7 million from December 31, 2009 to December 31, 2010 due to an increase in vendor payables as a result of the significant increase in capital expenditures during 2010.

Accounts payable and accrued expenses decreased \$16.7 million from December 31, 2008 to December 31, 2009 due to a decrease in vendor payables as a result of the improved cash position.

Accrued Salaries and Related Withholdings

Accrued salaries and related withholdings increased \$6.3 million from December 31, 2009 to December 31, 2010 and increased \$5.2 million from December 31, 2008 to December 31, 2009 reflecting additional accruals due to the timing of the year end payroll and an increase in the required pension contribution to the New York State and Local Retirement System (NYSLRS) on February 1, 2011 and February 1, 2010, respectively, as a result of increased contribution rates.

Other Current Liabilities

Other current liabilities decreased \$21.4 million from December 31, 2009 to December 31, 2010 and decreased \$1.5 million from December 31, 2008 to December 31, 2009 primarily reflecting decreases in the current portion of third-party payors liabilities.

Long-Term Debt

Long-term debt increased \$140.7 million from December 31, 2009 to December 31, 2010 primarily due to a \$283.4 million bond offering in December 2010, the proceeds of which were utilized to refund \$113.2 million of 2000 and 2002 Series Bonds, the loan for \$30 million and to fund future capital projects.

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
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Long-term debt increased \$28.1 million from December 31, 2008 to December 31, 2009 primarily due to WCHCC obtaining a loan for \$30 million and capital leases of approximately \$6.5 million, which were partially offset by principal payments.

Other Long-Term Liabilities

Other long-term liabilities decreased approximately \$15.5 million from December 31, 2009 to December 31, 2010 primarily due to decreases of \$0.3 million for insurance and reductions in third party payor liabilities of \$18.0 million, partially offset by an increase of \$2.8 million for post retirement health insurance liability.

Other long-term liabilities increased approximately \$22.7 million from December 31, 2008 to December 31, 2009 primarily due to increases of \$11.7 million for post retirement health insurance liability, insurance reserves of \$4.8 million, and \$6.2 million for identified contingencies related to managed care payors, Medicare and Medicaid.

Statements of Revenues, Expenses, and Changes in Net Assets (Deficit)

Net Patient Service Revenue

Net patient service revenue increased \$27.6 million from 2009 to 2010. The increases included increased inpatient and outpatient payment rates of \$37.6 million and \$14.1 million of physician revenue, partially offset by reductions in patient volume of \$ 15.1 million; commercial case mix decreases of \$3.0 million; the reduction of \$1.8 million of skilled nursing revenue due to the closing during 2009 of the Taylor Care Center nursing home and a reduction of \$4.2 million due to the termination of the Westchester County corrections contract during 2010.

Net patient services revenue increased \$14.5 million from 2008 to 2009. The increases included increased inpatient and outpatient payment rates of \$21.3 million and patient volume increases of \$10.0 million, partially offset by commercial case mix decreases of \$1.0 million and the reduction of \$15.8 million of skilled nursing revenue due to the closing during 2009 of the Taylor Care Center nursing home.

Other Revenue

Other revenue increased \$5.3 million from 2009 to 2010 as the result of various non-recurring revenues during 2010.

Other revenue decreased \$8.6 million from 2008 to 2009 as a result of a decrease in grant revenue of \$4.5 million, a decrease in Health Workforce Recruitment and Retention awards of \$1.7 million, a decrease in contribution revenue of \$1.1 million and a decrease in other miscellaneous operating revenue of \$1.3 million.

Salaries and Benefits

Salaries and benefits increased \$21.3 million from 2009 to 2010. The increase consists of \$19.4 million in salary expense that reflects increases in average full time equivalents (FTEs) to fill vacant and agency positions and contractual increases. In addition, benefit costs increased by \$1.9 million as the result of increases in FICA, Worker's Compensation and NYSLRS contributions due to the increase in FTEs and contribution rates, partially offset by a decrease in post retirement health insurance expense.

Westchester County Health Care Corporation
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Salaries and benefits increased \$13.8 million from 2008 to 2009. The increases consist of \$5.2 million in salary expense that reflect increases in average full time equivalents (FTEs) to fill vacancies and agency positions, and severance costs for a voluntary reduction in force. In addition, benefit costs increased by \$8.6 million as the result of increases in FICA, health insurance and NYSLRS contributions due to the increase in FTEs and contribution rates.

Supplies and Other Expenses

Supplies and other expenses decreased approximately \$7.2 million from 2009 to 2010 primarily due to:

- Decreases in payment to New York Medical College of \$5.4 million related to a decrease in services provided.
- Decrease in medical/surgical supplies costs of \$5.1 million due to a focused effort in reducing supply costs.
- Decrease in County services of \$4.6 million.
- Decrease in contractual services of \$2.2 million due to cost savings on renewed contracts.
- Increase in technical services of \$4.2 million due to an increase in physician agreements during 2010.
- Increase in equipment service and repairs of \$2.6 million for medical equipment.
- Increase in other expenses of \$3.3 million.

Supplies and other expenses decreased approximately \$8.7 million from 2008 to 2009 primarily due to:

- Decrease in medical/surgical supplies costs of \$2.1 million due to a focused effort in reducing supply costs.
- Decrease in technical services of \$3.5 million due to a decrease in consulting service contracts during 2009.
- Decrease in contractual services of \$2.2 million.
- Decrease in County services of \$5.0 million.
- Increase in assessments of \$1.9 million as a result of increased net patient service revenue.
- Increases in payments to New York Medical College of \$1.5 million related to an increase in services provided.
- Increase in other expenses of \$0.7 million, primarily related to non-malpractice insurance costs.

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
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Professional Liability

Professional liability insurance costs increased \$6.6 million from 2009 to 2010 due to an insurance refund received in 2009 which reduced 2009 cost, and decreased \$13.0 million from 2008 to 2009 due to that same insurance refund as well as a decrease in premiums for the WCHCC Bermuda captive.

Depreciation and Amortization Expense

Depreciation and amortization expense increased \$4.1 million from 2009 to 2010 and \$4.3 million from 2008 to 2009 due a significant increase in capital additions in 2010 and 2009.

Nonoperating Activities, Net

Nonoperating activities, net decreased \$9.2 million from 2009 to 2010 primarily due to County services of \$9.7 million.

Nonoperating activities, net decreased \$9.2 million from 2008 to 2009 primarily due to decreased interest income of \$3.7 million and decreased County services of \$6.2 million.

Capital Contributions

Capital contributions remained consistent from 2009 to 2010 and decreased \$2.9 million from 2008 to 2009 due to the decrease in contributions from the County.

Net Assets (Deficit)

As shown in the Balance Sheets, WCHCC's net assets (deficit) have the following components:

- Invested in capital assets, net of related debt
- Restricted
- Unrestricted

Invested in Capital Assets, Net of Related Debt

Decreased from \$86.1 million at December 31, 2009 to \$26.4 million at December 31, 2010, primarily due to the new bond issue and related increase in debt of \$112.9 million as compared to a net \$53.2 million increase in capital and assets funded by the related debt.

Increased from \$73.3 million at December 31, 2008 to \$86.1 million at December 31, 2009, primarily due to the principal repayments on debt of \$7.4 million and capital asset purchases, consisting of various capital projects and medical equipment purchases, net of depreciation expense of approximately \$5.4 million.

Restricted

Decreased \$1.3 million from December 31, 2009 to December 31, 2010 and decreased \$0.7 million from December 31, 2008 to December 31, 2009 primarily due to assets released from restriction for capital and programmatic purchases.

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2010 and 2009

Unrestricted

Unrestricted net deficit decreased by \$67.4 million, to \$42.7 million at December 31, 2010 from \$110.1 million at December 31, 2009. Unrestricted net deficit decreased primarily due to a decrease in investment in capital assets of \$59.6 million, income before capital contributions of \$6.4 million and a decrease in restricted net assets of \$1.3 million.

Unrestricted net deficit increased by \$4.5 million, to \$110.1 million at December 31, 2009 from \$105.6 million at December 31, 2008. Unrestricted net deficit increased primarily due to an increase in investment in capital assets of \$12.8 million partially offset by income before capital contributions of \$7.6 million and a decrease in restricted net assets of \$0.7 million.

Capital Assets and Long-Term Debt Activity

Capital Assets

At December 31, 2010, WCHCC had capital assets, net of accumulated depreciation, of \$302.1 million, compared to \$285.3 million at December 31, 2009 and \$279.6 million at December 31, 2008. Major categories of capital assets are set forth in the table below:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Land and land improvements	\$ 1,698,312	\$ 1,721,464	\$ 1,918,261
Buildings and building improvements	197,525,824	195,275,144	187,162,026
Equipment	90,928,733	82,541,363	68,736,530
Construction in progress	11,956,532	5,753,682	21,766,407
	<u>\$ 302,109,401</u>	<u>\$ 285,291,653</u>	<u>\$ 279,583,224</u>

WCHCC's capital additions in 2010 were \$56.4 million, consisting of various capital projects and medical equipment purchases, offset by depreciation expense of \$39.6 million. WCHCC's capital additions in 2009 were \$41.2 million, consisting of various capital projects and medical equipment purchases, offset by depreciation expense of \$35.5 million.

More detailed information about WCHCC's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At December 31, 2010, WCHCC had \$403.5 million in total long-term debt outstanding, as shown with comparative amounts at December 31, 2009 and December 31, 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
2000 Series Bonds	\$ 113,240,000	\$ 223,060,000	\$ 230,170,000
2002 Series Bonds	-	3,375,000	3,640,000
2010 Series Bonds	283,390,000	-	-
Loan Agreement	-	30,000,000	-
Capital Leases	6,831,444	5,467,016	-
	<u>\$ 403,461,444</u>	<u>\$ 261,902,016</u>	<u>\$ 233,810,000</u>

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
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Long-term debt increased \$141.6 million from December 31, 2009 to December 31, 2010 due to a new bond offering and new capital leases partially offset by the defeasance of certain bonds and repayment of the loan, and increased \$28.1 million from December 31, 2008 to December 31, 2009 due to a new loan agreement and new capital leases partially offset by principal payments on bonds.

More detailed information about WCHCC's long-term debt is presented in note 5 to the financial statements.

Contacting WCHCC's Financial Management

This financial report provides a general overview of WCHCC's finances and operations. If you have questions about this report or need additional financial information, please contact Gary Brudnicki, Senior Executive Vice President, Westchester County Health Care Corporation, Executive Offices, Valhalla, NY 10595.

Westchester County Health Care Corporation
Combined Balance Sheets
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 167,794,537	\$ 163,293,182
Patient accounts receivable, net	104,226,191	89,925,449
Investments	580,921	1,320,325
Assets restricted as to use, required for current liabilities	22,348,132	21,227,819
Other current assets	<u>23,635,676</u>	<u>28,949,624</u>
Total current assets	318,585,457	304,716,399
Assets restricted as to use, net of current portion	128,662,294	99,326,169
Capital assets, net	302,109,401	285,291,653
Other assets, net	<u>18,600,453</u>	<u>11,534,002</u>
Total assets	<u>\$ 767,957,605</u>	<u>\$ 700,868,223</u>
Liabilities and Net Assets (Deficit)		
Current liabilities:		
Current portion of long-term debt	\$ 10,301,861	\$ 9,398,452
Notes payable	-	63,000,000
Accounts payable and accrued expenses	76,032,585	63,358,658
Accrued salaries and related withholdings	61,326,264	54,979,941
Current portion of estimated liability to third-party payors	12,328,614	24,077,005
Current portion of post retirement health insurance liability	8,435,000	6,000,000
Current portion of estimated self-insurance liability	20,775,000	20,500,000
Other current liabilities	<u>10,584,416</u>	<u>22,914,583</u>
Total current liabilities	199,783,740	264,228,639
Long-term debt	393,159,583	252,503,564
Estimated liability to third-party payors	46,082,882	64,082,997
Estimated post retirement health insurance liability	46,378,036	43,569,883
Estimated self-insurance liability	<u>93,072,630</u>	<u>93,418,101</u>
Total liabilities	<u>778,476,871</u>	<u>717,803,184</u>
Commitments and contingencies		
Net assets (deficit):		
Restricted		
Expendable for capital acquisitions	1,447,150	1,436,549
Expendable for specific operating activities	4,306,755	5,626,593
Invested in capital assets, net of related debt	26,436,999	86,059,499
Unrestricted	<u>(42,710,170)</u>	<u>(110,057,602)</u>
Total net assets (deficit)	<u>(10,519,266)</u>	<u>(16,934,961)</u>
Total liabilities and net assets (deficit)	<u>\$ 767,957,605</u>	<u>\$ 700,868,223</u>

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

Westchester County Health Care Corporation
Combined Statements of Revenues, Expenses, and Changes in Net Assets (Deficit)
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating revenues		
Net patient service revenue (net of provision for bad debts of \$49,476,099 and \$32,026,096 in 2010 and 2009, respectively) - as revised	\$ 804,909,784	\$ 777,312,239
Other revenue	<u>25,594,439</u>	<u>20,309,560</u>
Total operating revenues	<u>830,504,223</u>	<u>797,621,799</u>
Operating expenses		
Salaries and benefits	453,867,889	432,596,045
Supplies and other expenses - as revised	296,181,642	303,336,306
Professional liability	24,892,385	18,331,216
Depreciation and amortization	<u>39,919,753</u>	<u>35,806,349</u>
Total operating expenses	<u>814,861,669</u>	<u>790,069,916</u>
Operating income	15,642,554	7,551,883
Nonoperating activities, net		
Increase in net assets (deficit)	<u>(9,226,859)</u>	<u>48,633</u>
	6,415,695	7,600,516
Net assets (deficit)		
Beginning of year	<u>(16,934,961)</u>	<u>(24,535,477)</u>
End of year	<u>\$ (10,519,266)</u>	<u>\$ (16,934,961)</u>

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

Westchester County Health Care Corporation
Combined Statements of Cash Flows
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Cash received from patients and third-party payors - as revised	\$ 760,860,536	\$ 793,996,745
Other receipts	31,229,577	23,881,970
Cash paid to employees for salaries and benefits	(442,278,413)	(415,639,125)
Cash paid for supplies and other expenses - as revised	(327,597,398)	(324,510,018)
Net cash provided by operating activities	<u>22,214,302</u>	<u>77,729,572</u>
Cash flows from noncapital financing activities		
Proceeds from contributions restricted for specific operating activities	4,816,464	3,556,934
County support	-	9,716,614
Net cash provided by noncapital financing activities	<u>4,816,464</u>	<u>13,273,548</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(46,378,343)	(40,383,446)
Proceeds from issuance of long-term debt	283,390,000	30,000,000
Repayments of principal on long-term debt	(144,941,212)	(8,439,330)
Repayments of notes payable	(63,000,000)	-
Increase in deferred financing costs	(7,713,756)	-
Interest paid	(12,518,109)	(13,138,195)
Net cash provided by (used in) capital and related financing activities	<u>8,838,580</u>	<u>(31,960,971)</u>
Cash flows from investing activities		
Purchase of assets restricted as to use	(73,604,519)	(43,081,008)
Sales of assets restricted as to use	38,331,617	27,820,057
Purchases of investments	-	(752,639)
Sale of investments	739,404	-
Interest received	3,165,507	3,694,093
Net cash used in investing activities	<u>(31,367,991)</u>	<u>(12,319,497)</u>
Net increase in cash and cash equivalents	4,501,355	46,722,652
Cash and cash equivalents		
Beginning of year	163,293,182	116,570,530
End of year	<u>\$ 167,794,537</u>	<u>\$ 163,293,182</u>
Supplemental disclosure of cash flow information		
Amounts accrued for purchase of capital assets	<u>\$ 6,922,403</u>	<u>\$ 5,371,030</u>
Assets acquired under capital leases	<u>\$ 3,110,640</u>	<u>\$ 6,531,346</u>

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

Westchester County Health Care Corporation
Combined Statements of Cash Flows (continued)
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 15,642,554	\$ 7,551,883
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	39,919,753	35,806,349
Provision for bad debts, net	49,476,099	32,026,096
Changes in assets and liabilities		
Patient accounts receivable	(63,776,841)	(24,380,896)
Other assets	5,635,138	3,572,410
Accounts payable and accrued expenses	5,751,524	(11,363,680)
Accrued salaries and related withholdings	6,346,323	5,228,866
Estimated liabilities to third-party payors, net	(29,748,506)	9,039,306
Estimated post-retirement health insurance liability	5,243,153	11,728,054
Estimated self-insurance liability	(70,471)	4,308,761
Other current liabilities	(12,204,424)	4,212,423
Net cash provided by operating activities	<u>\$ 22,214,302</u>	<u>\$ 77,729,572</u>

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

Westchester County Health Care Corporation
Notes to Combined Financial Statements
December 31, 2010 and 2009

1. Organization

The State of New York enacted legislation during January 1997 to authorize the creation of Westchester County Health Care Corporation (WCHCC) in response to the efforts of Westchester County (the County) to provide a form of governance for the Westchester Medical Center (the Medical Center) and Taylor Care Center (operating units of WCHCC) with the flexibility to cope with a rapidly changing health care environment, to become more competitive, and to provide the County and area residents with quality health care in an efficient and progressive manner. A 15-member board was appointed in July 1997, and WCHCC began operations on January 1, 1998. WCHCC is a component unit of the County. In 2009, WCHCC closed Taylor Care Center effective April 1, 2009.

The accompanying financial statements include WCHCC and its component units, entities for which WCHCC is considered to be financially accountable. WCHCC has the following blended component units, in which WCHCC holds 100% of the stock interest or is the sole voting member:

- The Westchester Medical Center Foundation, Inc. (WMC Foundation) and The Children's Hospital Foundation at WMC, Inc. (Children's Hospital Foundation) are not-for-profit foundations formed under the New York Not-For-Profit Corporation Law exclusively for charitable, scientific, and educational purposes within the meaning of Section 170(c)(2)(B) and 501(c)(3) of the Internal Revenue Code (the Code), for the purposes of supporting, maintaining, and otherwise benefiting and being responsive to the needs and objectives of WCHCC.

WCHCC is the sole voting member of the Children's Hospital Foundation. The Children's Hospital Foundation was formed in March 1997. The primary focus of the Children's Hospital Foundation to date has been the fund-raising campaign relating to the construction and operation of the Maria Fareri Children's Hospital and Trauma Center. The Children's Hospital Foundation is a tax-exempt organization under Section 501(c)(3) of the Code. The financial position and operating results of the Children's Hospital Foundation have been recorded in the accompanying financial statements of WCHCC as a blended component unit.

WCHCC is the sole voting member of the WMC Foundation, which was formed in July 1999. The WMC Foundation is a tax-exempt organization under Section 501(c)(3) of the Code. The financial position and operating results of the WMC Foundation have been recorded in the accompanying financial statements of WCHCC as a blended component unit.

- WMC New York Inc. (WMC New York) is a not-for-profit entity formed in August 1999 under the New York Not-For-Profit Corporation Law. WCHCC is the sole voting member of WMC New York. WMC New York adopted bylaws on December 1, 1999 governing its operations. Effective August 1, 2008, WMC New York became a centralized management company for the two foundations, which includes the employment of the Children's Hospital Foundation and the Westchester Medical Center Foundation employees. In addition, WMC New York is the holder of 100% of the membership shares in WCHCC (Bermuda), Limited (WCHCC Bermuda), a Bermuda company formed to serve as an off-shore captive insurance company for WCHCC pursuant to Bermuda law, the operations of which have been reported in the accompanying financial statements as a blended component unit.

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In addition to its ownership interest in WCHCC Bermuda, WMC New York owns 100% of the member interest in WIMS, LLC (WIMS), a New York limited liability company. WIMS was formed for the purpose of operating a multimodality, outpatient imaging facility, the operations of which have been recorded in the accompanying financial statements as a blended component unit.

Effective December 2007, WIMS ceased operations and WCHCC incorporated the operations of the site into their outpatient radiology program. WIMS was dissolved in November 2009.

- On March 11, 2009, Westchester Medical Center Advanced Physician Services, P.C. (WMC Advanced Physician Services) was organized and incorporated under the New York Business Corporation Law as a for-profit professional corporation and is a subsidiary of WCHCC. The primary focus of WMC Advanced Physician Services is to employ physicians engaged in the profession of medicine. The financial position and operating results of WMC Advanced Physician Services have been recorded in the accompanying financial statements of WCHCC as a blended component unit.

All significant inter-entity accounts and transactions have been eliminated.

2. Significant Accounting Policies

Basis of Presentation

WCHCC is considered a special-purpose government entity engaged only in business-type activities. The financial statements are prepared utilizing the economic resources measurement focus and accrual basis of accounting, whereby revenue and expenses are recognized when earned and incurred, respectively.

WCHCC's financial statements are prepared in accordance with all relevant Governmental Accounting Standards Board (GASB) pronouncements. Additionally, as allowed by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, WCHCC follows all relevant Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins, including those issued after November 30, 1989, except to the extent that they conflict with GASB pronouncements. In June 2009, The FASB issued guidance that eliminates the hierarchy of authoritative accounting and reporting guidance on nongovernmental entities and replaced it with a single authoritative source, the FASB Accounting Standards CodificationTM (the "ASC"). The ASC affects the way in which users refer to GAAP and perform accounting research, but does not change GAAP. This standard was effective for the Hospital's 2009 financial statements.

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 revenue and expenses during the reporting period. WCHCC's significant estimates include the allowance for estimated uncollectible patient accounts receivable, estimated third-party contractual allowances, estimated third-party payor receivables and payables, self insurance liabilities, workers' compensation

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liabilities and post retirement health insurance liabilities. Actual results may differ from those estimates.

Revisions to previously recorded estimates of third party payor liabilities and postretirement health insurance liabilities for the year ended December 31, 2010 resulted in an increase in operating income of \$35.5 million. Revisions to previously recorded estimates of third party payor liabilities resulted in an increase in operating income of \$9.0 million for the year end December 31, 2009.

Patient Accounts Receivable and Net Patient Service Revenue

Accounts receivable from patients and third-party payors at December 31, 2010 and 2009, respectively, was composed of Medicare, 13% and 15%; Medicaid, 18% and 21%; and commercial insurance and health maintenance organizations, 48% and 32%, respectively. Patient accounts receivable are recorded net of allowances for estimated uncollectible accounts of \$49.5 million and \$32.0 million at December 31, 2010 and 2009, respectively. Most of WCHCC's net patient service revenues are derived from third-party payment programs, including Medicare and Medicaid.

Patient accounts receivable are recorded at the reimbursable or contracted amount and do not bear interest. The allowance for uncollectible accounts is WCHCC's best estimate of the amount of probable credit losses in WCHCC's accounts receivable. WCHCC determines the allowance based on historical write-off experience. WCHCC evaluates its allowance for uncollectible accounts periodically. Past due balances are evaluated individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Net operating revenues are recognized in the period services are performed. 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 revenue adjustments due to audits, reviews, and investigations. Third-party contractual adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

WCHCC has payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to WCHCC under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

There are various proposals at the Federal and State levels that could, among other things, reduce payment rates and increase managed care penetration, including Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined. WCHCC's cost reports have been audited and finalized by its Medicare fiscal intermediary through December 31, 2003.

Assets Restricted as to Use

Assets restricted as to use include the assets of WCHCC Bermuda, the assets of the WMC Foundation and the Children's Hospital Foundation, the proceeds of indebtedness held by the trustees under debt agreements, assets restricted for the purchase of capital assets, and assets restricted by donors.

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Donor-restricted assets represent contributions to provide health care services and for capital acquisitions. Resources restricted by donors for plant replacement and expansion are added to the invested in capital assets, net of related debt, net asset balance to the extent expended within the period. Resources restricted by donors or grantors for specific operating activities are reported as other revenue to the extent used within the period. WCHCC generally utilizes donor-restricted resources for expenses incurred before utilizing available unrestricted assets.

Grants and Contributions

From time to time, WCHCC receives grants from the local, state and federal government as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as other revenue. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses. At December 31, 2010 and 2009, net contribution and grants receivables of approximately \$2,413,000 and \$1,377,000, respectively, are included in the accompanying Balance Sheets.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, repurchase agreements, U.S. Treasury obligations, and time deposits with maturities of three months or less at the date of purchase.

WCHCC's cash, cash equivalents, and investment policies are governed by state statutes. Monies must be deposited in Federal Deposit Insurance Corporation (FDIC)-insured commercial banks or trust companies located within the state. Certain funds deposited with banking institutions exceed FDIC limits, however, WCHCC has a collateralization agreement with its depository institutions which management believes reduces the risks related to these balances to a minimal level. WCHCC's cash balances are collateralized under a third party custodian agreement.

Inventories

Inventories, included in other current assets, are carried at the lower of cost, principally on a first-in, first-out (FIFO) basis, or market.

Capital Assets

In connection with the establishment of the public benefit corporation in 1997, WCHCC recorded buildings, fixed equipment, and land received from the County at book value. Capital assets acquired subsequent to the establishment of the public benefit corporation are recorded at cost.

Gifts of long-lived assets such as land, buildings, and equipment are recorded at fair value at the date of the contribution as unrestricted support and are excluded from operating income, unless explicit donor stipulations specify how the donated assets must be used.

Depreciation is recorded using the straight-line method over the estimated useful life of each class of depreciable assets. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of construction.

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Net Assets (Deficit)

Unrestricted net assets (deficit) has no external restrictions as to use or purpose and is distinguished from net assets restricted externally for specific purposes. Restricted net assets relate primarily to Federal and state grants for research and community programs and restricted contributions received from donors by the Children's Hospital Foundation and the WMC Foundation. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, and trustee held assets for capital projects reduced by the outstanding balances of debt attributable to those assets.

Concentrations of Credit Risk

WCHCC grants credit without collateral to its patients, most of whom are local residents and are insured under third-party-payor agreements. WCHCC generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of patients' benefits under their health insurance policies.

Statements of Revenues, Expenses, and Changes in Net Assets (Deficit)

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenues and operating expenses. All other activities are reported as nonoperating activities.

Charity Care

WCHCC provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because WCHCC does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue.

WCHCC maintains records identifying and monitoring the level of charity care it provides. These records include the charges foregone to provide charity care. During the years ended December 31, 2010 and 2009, charity care charges amounted to approximately \$39,150,000 and \$24,390,000, respectively. In addition, management also believes that a substantial portion of its provision for bad debts represents additional charity care.

Taxation

WCHCC is a public benefit corporation of the State of New York and is exempt from Federal income taxes under Section 115 of the Code. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

WCHCC's component units are exempt from income tax under Section 501(c)(3) of the Code, except WCHCC Holdings, Inc. and WMC Advanced Physician Services. Income taxes of WCHCC's for-profit blended component units are not material to the financial statements.

Compensated Absences

WCHCC employees earn vacation days at varying rates depending on years of service and union affiliation. Vacation days accumulate and are payable upon separation. Employees also earn sick leave benefits based upon varying rates depending upon years of service and union affiliation. Employees are not paid for accumulated sick leave if they leave before retirement. However, employees who retire from WCHCC may convert accumulated sick leave to termination payments at varying rates, depending on the employee's union contract. The estimated amount of vacation and sick leave payable as termination payments or upon retirement is recorded as part of accrued salaries and related benefits in the accompanying Balance Sheets in 2010 and 2009.

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Impairment of Long-Lived Assets

Long-lived assets and certain identifiable intangibles are evaluated annually for impairment and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets utilizing the discounted cash flow method. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to dispose.

Costs of Borrowing

Deferred financing fees, included as other long-term assets, of approximately \$16.7 million and \$9.1 million as of December 31, 2010 and 2009, respectively, are being amortized over the period the related obligation is outstanding using the interest method. These costs include legal, financing, and placement fees associated with the issuance of long-term debt. Accumulated amortization as of December 31, 2010 and 2009 was approximately \$3,609,000 and \$3,282,000, respectively.

Fair Value Measurement and Disclosure Authoritative Guidance

The fair value measurement and disclosure authoritative guidance defines fair value and establishes a framework for measuring fair value under generally accepted accounting principles. Fair value 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. The fair value measurement and disclosure authoritative guidance also establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon whether the inputs to the valuation of an asset or liability are observable or unobservable in the market at the measurement date, with quoted market prices being the highest level (Level 1) and unobservable inputs being the lowest level (Level 3). A fair value measurement will fall within the level of the hierarchy based on the lowest level of input that is significant to determining such measurement. The three levels are:

Level 1: Observable inputs to the valuation methodology that are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Observable inputs to the valuation methodology other than quoted market prices (unadjusted) for identical assets and liabilities in active markets. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets in markets that are not active and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable for the asset or liability.

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In the case of investments, where WCHCC uses quoted market prices to determine fair value, such items are classified within level 1. In cases where a current market price may be difficult to determine, e.g., because particular securities are thinly traded and did not trade on the measurement date, the price of the investment will be based on acceptable practical expedients such as matrix pricing, in which case the investments are classified within Level 2.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are:

- Market approach (M) - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach (C) - Amount that would be required to replace the service capacity of an asset (i.e. replacement cost); and
- Income approach (I) - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

Fair Value of Financial Instruments

WCHCC's assets restricted as to use consist primarily of cash and cash equivalents, United States Treasury Obligations and United States Government Agency Securities, which are stated at fair value in the Balance Sheets. The carrying amounts reported in the Balance Sheets for cash and cash equivalents, patient accounts receivable, accounts payable and accrued expenses, and estimated payables and receivables due to and from third-party payors approximate their fair value. The carrying amounts of WCHCC's notes payable approximate fair value based upon their variable interest rates. The carrying amounts and fair value of WCHCC's bonds approximate \$396,630,000 and \$393,028,000, respectively, at December 31, 2010 and \$226,435,000 and \$223,675,000, respectively, at December 31, 2009.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

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3. Assets Restricted as to Use

Assets restricted as to use consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Restricted		
The Westchester Medical Center Foundation, Inc.	\$ 1,443,998	\$ 1,444,516
The Children's Hospital Foundation at WMC, Inc.	5,746,981	3,790,547
	<u>7,190,979</u>	<u>5,235,063</u>
Under debt agreements		
Debt service reserve funds	33,700,987	21,016,294
Construction funds	16,709,050	-
Other	817,720	720,000
	<u>51,227,757</u>	<u>21,736,294</u>
Self-insurance funds		
Offshore insurance captive	92,591,690	93,582,631
	<u>151,010,426</u>	<u>120,553,988</u>
Less portion required for current liabilities	<u>22,348,132</u>	<u>21,227,819</u>
Assets restricted as to use, long term	<u>\$ 128,662,294</u>	<u>\$ 99,326,169</u>

WCHCC's investments are reported at fair value, as described in Note 2. At December 31, 2010 and 2009, the composition of assets restricted as to use consisted of the following:

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 14,126,584	\$ 31,199,723
United States Government agency securities	90,014,421	53,498,097
Asset-backed securities	-	14,270,350
Corporate bonds	45,730,166	20,142,246
Other	1,139,255	1,443,572
	<u>\$ 151,010,426</u>	<u>\$ 120,553,988</u>

WCHCC's assets restricted as to use reported under debt agreements represent insured or registered funds, or securities held by WCHCC or its agent in WCHCC's name.

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At December 31, 2010 and 2009, WCHCC's financial instruments measured at fair value were categorized between Levels 1, 2 and 3 as follows:

<u>2010</u>	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Valuation Technique
Cash and cash equivalents United States	\$ 14,126,584	\$ -	\$ -	\$ 14,126,584	M
Government agency securities	46,623,233	43,391,188	-	90,014,421	M
Corporate bonds	45,730,166	-	-	45,730,166	M
Other	1,139,255	-	-	1,139,255	M
	<u>\$ 107,619,238</u>	<u>\$ 43,391,188</u>	<u>\$ -</u>	<u>\$ 151,010,426</u>	

<u>2009</u>	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Valuation Technique
Cash and cash equivalents United States	\$ 31,199,723	\$ -	\$ -	\$ 31,199,723	M
Government agency securities	878,349	52,619,748	-	53,498,097	M
Asset-backed securities	-	14,270,350	-	14,270,350	M
Corporate bonds	20,142,246	-	-	20,142,246	M
Other	1,443,572	-	-	1,443,572	M
	<u>\$ 53,663,890</u>	<u>\$ 66,890,098</u>	<u>\$ -</u>	<u>\$ 120,553,988</u>	

4. Capital Assets

Capital assets are summarized as follows at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>	<u>Estimated Useful lives</u>
Land and land improvements	\$ 8,439,218	\$ 8,238,652	10 years
Buildings and building improvements	386,490,983	369,611,422	5-40 years
Equipment	333,446,815	300,318,406	5-20 years
	<u>728,377,016</u>	<u>678,168,480</u>	
Less accumulated depreciation and amortization	438,224,147	398,630,509	
	<u>290,152,869</u>	<u>279,537,971</u>	
Construction in progress	11,956,532	5,753,682	
Capital assets, net	<u>\$ 302,109,401</u>	<u>\$ 285,291,653</u>	

Included in land and land improvements is approximately \$313,000 in land as of December 31, 2010 and 2009. Construction in progress relates to various capital projects. The additional costs to complete such projects are anticipated to aggregate approximately \$20.0 million as of December 31, 2010.

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Included in capital assets is capitalized interest, net of accumulated amortization, of approximately \$15,679,000 and \$16,462,000 as of December 31, 2010 and 2009, respectively. The book value of capital leases held under lease obligations is approximately \$6,831,000 and \$5,467,000 as of December 31, 2010 and 2009, respectively.

Capital asset activity for the years ended December 31, 2010 and 2009 was as follows:

	Land and land improvements	Buildings and building improvements	Equipment	Construction in progress	Total
December 31, 2008 balance	\$ 8,228,007	\$ 347,987,504	\$ 265,062,702	\$ 21,766,407	\$ 643,044,620
Acquisitions, net of transfers	10,645	21,768,918	35,417,954	(16,012,725)	41,184,792
Retirements	-	(145,000)	(162,250)	-	(307,250)
December 31, 2009 balance	<u>\$ 8,238,652</u>	<u>\$ 369,611,422</u>	<u>\$ 300,318,406</u>	<u>\$ 5,753,682</u>	<u>\$ 683,922,162</u>
Acquisitions, net of transfers	200,566	16,879,561	33,128,409	6,202,850	56,411,386
Retirements	-	-	-	-	-
December 31, 2010 balance	<u>\$ 8,439,218</u>	<u>\$ 386,490,983</u>	<u>\$ 333,446,815</u>	<u>\$ 11,956,532</u>	<u>\$ 740,333,548</u>

Related information on accumulated depreciation for the years ended December 31, 2010 and 2009 was as follows:

	Land and Land Improvements	Buildings and Building Improvements	Equipment	Total
December 31, 2008 balance	\$ 6,309,746	\$ 160,825,478	\$ 196,326,172	\$ 363,461,396
Depreciation expense	207,442	13,655,800	21,613,121	35,476,363
Retirements	-	(145,000)	(162,250)	(307,250)
December 31, 2009 balance	<u>\$ 6,517,188</u>	<u>\$ 174,336,278</u>	<u>\$ 217,777,043</u>	<u>\$ 398,630,509</u>
Depreciation expense	223,718	14,628,879	24,741,041	39,593,638
Retirements	-	-	-	-
December 31, 2010 balance	<u>\$ 6,740,906</u>	<u>\$ 188,965,157</u>	<u>\$ 242,518,084</u>	<u>\$ 438,224,147</u>

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5. Long-Term Debt

A summary of long-term debt is as follows at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Bonds payable		
2000 Series Bonds (a)	\$ 113,240,000	\$ 223,060,000
2002 Series Bonds (b)	-	3,375,000
2010 Series Bonds (c)	283,390,000	-
Loan agreement (d)	-	30,000,000
Capital leases (e)	6,831,444	5,467,016
	<u>403,461,444</u>	<u>261,902,016</u>
Less: Current installments	<u>10,301,861</u>	<u>9,398,452</u>
	<u>\$ 393,159,583</u>	<u>\$ 252,503,564</u>

Long-term debt activity as of December 31, 2010 and 2009 was as follows:

	<u>December 31, 2009 Balance</u>	<u>Additions</u>	<u>Repayments</u>	<u>December 31, 2010 Balance</u>	<u>Amounts due Within One Year</u>
Long-term debt					
2000 Series Bonds (a)	\$ 223,060,000	\$ -	\$(109,820,000)	\$ 113,240,000	\$ -
2002 Series Bonds (b)	3,375,000	-	(3,375,000)	-	-
2010 Series Bonds (c)	-	283,390,000	-	283,390,000	7,995,000
Loan agreement (d)	30,000,000	-	(30,000,000)	-	-
Capital leases (e)	5,467,016	3,110,640	(1,746,212)	6,831,444	2,306,861
	<u>\$ 261,902,016</u>	<u>\$ 286,500,640</u>	<u>\$(144,941,212)</u>	<u>\$ 403,461,444</u>	<u>\$ 10,301,861</u>

	<u>December 31, 2008 Balance</u>	<u>Additions</u>	<u>Repayments</u>	<u>December 31, 2009 Balance</u>	<u>Amounts due Within One Year</u>
Long-term debt					
2000 Series Bonds (a)	\$ 230,170,000	\$ -	\$ (7,110,000)	\$ 223,060,000	\$ 7,520,000
2002 Series Bonds (b)	3,640,000	-	(265,000)	3,375,000	275,000
Loan agreement (d)	-	30,000,000	-	30,000,000	-
Capital leases (e)	-	6,531,346	(1,064,330)	5,467,016	1,603,452
	<u>\$ 233,810,000</u>	<u>\$ 36,531,346</u>	<u>\$ (8,439,330)</u>	<u>\$ 261,902,016</u>	<u>\$ 9,398,452</u>

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- a. In 2000, WCHCC participated in a bond offering dated November 1, 2000 relating to \$255,100,000 Westchester County Health Care Corporation Series 2000 Revenue Bonds consisting of \$113,240,000 Series 2000A Senior Lien with interest varying from 5.875% to 6% and maturing on November 1, 2025; and November 1, 2030, \$91,310,000 Series 2000B Subordinate Lien (Westchester County Guaranteed) with interest varying from 5% to 5.375% and maturing on November 1, 2017, November 1, 2020 and November 1, 2030; \$47,575,000 Series 2000C-1 Tax Exempt – Subordinate Lien (Westchester County Guaranteed) with interest varying from 5% to 5.375% maturing on November 1, 2019; and \$2,975,000 Par Adjusted Rate Securities Series 2000C-2 Subordinate Lien (Westchester County Guaranteed) maturing on November 1, 2019. The proceeds of the Series 2000 Bonds, together with available funds, were used to (i) finance the construction of the Children’s Hospital and related projects at the Medical Center (ii) refinance indebtedness of WCHCC to the County (iii) finance certain routine capital projects at WCHCC facilities; (iv) reimburse WCHCC for costs incurred in the acquisition of an on-site parking facility (v) fund, from the proceeds of the Series 2000 Senior Bonds, separate debt service reserve fund accounts for the Series 2000 Senior Bonds and Series 2000 Subordinate Bonds and (vi) pay costs related to the issuance of the aforementioned bonds.

In December 2010, WCHCC participated in a bond offering which refunded the outstanding balance of the Series 2000B Subordinate Lien (Westchester County Guaranteed), the Series 2000C-1 Tax Exempt – Subordinate Lien (Westchester County Guaranteed), and the Series 2000C-2 Subordinate Lien (Westchester County Guaranteed).

WCHCC has granted a collateral interest in its gross receipts as well as pledged all funds and accounts established with respect to the Series 2000 Bonds, including a debt service reserve fund of approximately \$15,860,000 as of December 31, 2010 (see note 3).

Under Section 6.13(a) of the Series 2000 Bonds Master Trust Indenture (MTI) between WCHCC and the Bank of New York as the Master Trustee (subsequently changed to Deutsche Bank as the Master Trustee), the Obligated Group, which is defined as the operating unit of Westchester County Health Care Corporation (the Medical Center), must maintain a Long-Term Debt Service Coverage Ratio, tested on a semiannual basis in accordance with the provisions of the MTI, of at least 1.25 for the Series 2000 Bonds. For the year ended December 31, 2010 and December 31, 2009, WCHCC met the required Long-Term Debt Service Coverage Ratio.

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The following is a schedule by years of future principal and interest payments on the Series 2000A, B and C Bonds as of December 31, 2010:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ 6,729,975	\$ 6,729,975
2012	-	6,729,975	6,729,975
2013	-	6,729,975	6,729,975
2014	-	6,729,975	6,729,975
2015	-	6,729,975	6,729,975
2016-2020	-	33,649,875	33,649,875
2021-2025	51,540,000	27,939,081	79,479,081
2026-2030	61,700,000	11,102,100	72,802,100
	<u>\$ 113,240,000</u>	<u>\$ 106,340,931</u>	<u>\$ 219,580,931</u>

Interest expense relating to the Series 2000 Revenue Bonds was approximately \$7,904,000 and \$9,272,000 in 2010 and 2009, respectively.

- b. In December 2002, WCHCC issued its Revenue Bonds (Series 2002 – Subordinate Lien) (Westchester County Guaranteed) (Series 2002 Bonds) in the amount of \$5,070,000, with interest varying from 3.625% to 5% as of December 31, 2009, maturing on November 1, 2019, through a private placement. The proceeds of the Series 2002 Bonds were used to finance and/or refinance a portion of the cost of some or all of the following facilities and purposes (i) various information technology infrastructure projects (ii) the design, installation, and reconstruction of various capital projects within Taylor Care Center, the Medical Center, the Behavioral Health Center, and the Bradhurst Pavilion (iii) the construction of approximately 90 additional parking spaces at the Bradhurst Pavilion (iv) the design and construction to convert medical surgical beds to certified intensive care unit requirements; and (v) the acquisition and installation of fixed and moveable medical equipment, office, and other furnishings and computer and information systems, in connection with all of the foregoing.

In December 2010, WCHCC participated in a bond offering which refunded the outstanding balance of the Series 2002 Subordinate Lien Bonds (Westchester County Guaranteed).

Interest expense relating to the Series 2002 Bonds was approximately \$105,000 and \$153,000 in 2010 and 2009, respectively.

- c. In December 2010, WCHCC participated in a bond offering dated November 1, 2010 relating to \$226,110,000 Westchester County Health Care Corporation Revenue Bonds, Series 2010, Senior Lien consisting of \$37,390,000 Series 2010A (Federally Taxable – Direct Payment – Build America Bonds with an interest rate of 8.572% and maturing on November 1, 2040; \$124,860,000 Series 2010B (Tax-Exempt) with interest rates varying from 4.0% to 6.125% and maturing November 1, 2011 through November 1, 2020, November 1, 2030 and November 1, 2037; \$31,450,000 Series 2010C-1 (Federally Taxable – Direct Payment – Build America Bonds) with an interest rate of 8.572% maturing on November 1, 2040; and \$32,410,000 Series 2010C-2 (Tax Exempt) with an interest rate of 6.125% maturing on November 1, 2037.

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The following is a schedule by year of future principal and interest payments on the Series 2010 Bonds as of December 31, 2010:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 7,995,000	\$ 12,275,781	\$ 20,270,781
2012	9,100,000	13,935,946	23,035,946
2013	9,355,000	13,500,946	22,855,946
2014	9,815,000	13,033,196	22,848,196
2015	10,215,000	12,562,446	22,777,446
2016-2020	55,100,000	54,730,730	109,830,730
2021-2025	1,590,000	46,312,618	47,902,618
2026-2030	8,645,000	45,433,018	54,078,018
2031-2035	18,240,000	43,258,205	61,498,205
2036-2040	96,055,000	24,700,528	120,755,528
	<u>\$ 226,110,000</u>	<u>\$ 279,743,414</u>	<u>\$ 505,853,414</u>

In December 2010, WCHCC also participated in a bond offering dated November 1, 2010 relating to \$57,280,000 Westchester County Health Care Corporation Revenue Bonds, Series 2010D, Senior Lien (Taxable) bearing interest under a Weekly Interest Rate, such rate being 0.36% at December 31, 2010, maturing November 1, 2034. The 2010D series consist of variable rate demand bonds (VRDBs). The Medical Center has entered into an irrevocable letter of credit (LOC) with a financial institution to secure bond repayment and interest obligations associated with its VRDBs. If the VRDBs are unable to be remarketed, the trustee for the VRDB will request purchase under the LOC scheduled repayment terms. Based on the existing terms of the underlying LOC, the LOC will expire on December 21, 2013.

The following is a schedule of future principal payments on the Series 2010D Bonds based on the maturity of the LOC as of December 31, 2010:

	<u>Principal</u>
2011	\$ -
2012	-
2013	5,800,000
2014	5,800,000
2015	5,800,000
2016-2017	39,880,000
	<u>\$ 57,280,000</u>

The LOC referred to above which backs WCHCC's VRDBs, expires in 2013, therefore the above table represents required payments based on that expiration. On an annual basis WCHCC may request the maturity date of the LOC be extended by one year. Scheduled principal payments on the underlying bonds are as follows; 2031 - \$13,995,000, 2032 - \$14,470,000, 2033 - \$14,975,000, and 2034 - \$13,840,000.

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The proceeds of the Series 2010 Bonds and Series 2010D Bonds, together with available funds, have and are being used to: (i) finance certain capital projects at WCHCC's facilities that require certificates of need from the Department of Health of the State of New York and (ii) pay costs related to the issuance of the Series 2010A Bonds and Series 2010D Bonds.

WCHCC has granted a collateral interest in its gross receipts, as well as pledged all funds and accounts established with respect to the Series 2010 Bonds and Series 2010D Bonds, including a debt service reserve fund of approximately \$18,697,000 as of December 31, 2010 (see note 3).

Under Section 6.13(a) of the Series 2000 Bonds Master Trust Indenture (MTI) between WCHCC and Deutsche Bank as the Master Trustee, the Obligated Group, which is defined as the operating unit of Westchester County Health Care Corporation (the Medical Center), must maintain a Long-Term Debt Service Coverage Ratio, tested on a semiannual basis in accordance with the provisions of the MTI, of at least 1.25 for the Series 2010 Bonds and Series 2010D Bonds. For the year ended December 31, 2010, WCHCC met the required Long-Term Debt Service Coverage Ratio.

Interest expense relating to the Series 2010 Bonds was approximately \$858,000 in 2010.

- d. During 2009, WCHCC entered into a Loan Agreement with a commercial bank with an interest rate determined as LIBOR Rate plus three hundred and fifteen basis points, but in no case shall the rate be less than three hundred and fifty basis points, such rate being 3.50% at December 31, 2009. The Loan Agreement provided for interest only until April 1, 2011 and then monthly installments of principal and interest, commencing on April 1, 2011 and a final payment due on March 4, 2014. WCHCC had granted a collateral interest in its gross receipts. Under Article 4, Section 4.2 of the Loan Agreement between WCHCC and the commercial bank, WCHCC must maintain a Long-Term Debt Service Coverage Ratio, of not less than 1.25. For the year ended December 31, 2009, WCHCC met the required Long-Term Debt Service Coverage Ratio.

The amount outstanding was \$30,000,000 as of December 31, 2009. WCHCC repaid the loan in December 2010.

- e. WCHCC has entered into certain capital lease agreements which are accounted for in accordance with the accounting principles included in the FASB leasing authoritative guidance. WCHCC's capital lease obligations are collateralized by the underlying equipment and bear interest at rates between 4.51% and 7.35%.

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The future minimum lease payments under the capital lease obligations, together with the present value of the minimum lease payments as of December 31, 2010, are as follows:

Year	Amount
2011	\$ 2,619,769
2012	1,914,766
2013	1,337,297
2014	1,095,288
2015	521,046
	<u>7,488,166</u>
Less: Amount representing interest	<u>656,722</u>
Present value of net minimum lease payments	6,831,444
Less: Current portion	<u>2,306,861</u>
	<u>\$ 4,524,583</u>

The interest expense under these leases was approximately \$337,000 and \$261,000 in 2010 and 2009, respectively.

6. Notes Payable

Notes payable activity as of December 31, 2010 and 2009 was as follows:

	December 31, 2009 Balance	Additions	Repayments	December 31, 2010 Balance	Amounts Due Within One year
Notes payable	\$ 63,000,000	\$ -	\$ (63,000,000)	\$ -	\$ -

	December 31, 2008 Balance	Additions	Repayments	December 31, 2009 Balance	Amounts Due Within One year
Notes payable	\$ 63,000,000	\$ -	\$ -	\$ 63,000,000	\$ 63,000,000

In accordance with Section 9.0 of the Transition Agreement and Section 9.0 of the Cooperation Agreement with the County (see note 13), the County agreed to provide credit support in the form of a contract to provide subsidies for the purposes of obtaining commercial paper, letters of credit, revolving lines of credit, or to otherwise provide a guarantee of WCHCC's repayment obligation. In 2001, WCHCC obtained access to \$75,000,000 in taxable commercial paper through an investment bank which was subsequently decreased to \$70,000,000 in 2007 to provide WCHCC with working capital. During 2008, WCHCC converted the taxable commercial paper to tax exempt commercial paper and obtained access to \$63,000,000 in tax exempt commercial paper through the same investment bank. The outstanding balance as of December 31, 2010 and 2009 was \$0 and \$63,000,000, respectively, which was guaranteed by the County and had an interest rate of 0% and 0.55% as of December 31, 2010 and 2009, respectively. In December 2010, the outstanding balance of commercial paper was fully repaid.

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Interest expense for the commercial paper was approximately \$270,000 and \$1,341,000 for the years ended December 31, 2010 and 2009, respectively.

7. Retirement Plan

Substantially all of WCHCC's employees are covered by retirement plans of the New York State and Local Employees' Retirement System (the System). The System is a cost-sharing, multiple public employer retirement system. Obligations of employers to contribute and benefits provided to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The System offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits, and optional methods of benefit payments. All benefits generally vest after five years of credited service.

The NYSRSSL provides that all participating employers are jointly and severally liable for any actuarially unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the System. The System is noncontributory except for employees who joined the System after July 27, 1976; such employees contribute 3% of their salary for the first ten years of their service, and employees who joined the System after January 1, 2010; such employees contribute 3% of their salary for all years of public service. Charges from the System cover April 1 to March 31 of the year in which the payment is due, which was February 1, 2010 for the 2009-2010 State plan year and February 1, 2009 for the 2008-2009 State plan year. Amounts are accrued in WCHCC's balance sheet by prorating charges incurred in WCHCC's fiscal year. The amount outstanding for current and prior year contributions as of December 31, 2010 and 2009 was approximately \$27,681,000 and \$24,370,000, respectively, and is included in accrued salaries and related withholdings in the accompanying Balance Sheets.

WCHCC's annual plan cost amounted to approximately \$27,355,000, \$22,466,000 and \$20,421,000 in 2010, 2009, and 2008 respectively, based on a percentage (which varies with length of service) of the salaries of covered employees.

The System issues a financial report that includes financial statements and required supplementary information, which may be obtained by submitting a request in writing to New York State and Local Retirement System, Retirement Communication Office, 110 State Street, Albany, NY 12244-0001.

8. Other Postemployment Benefits

WCHCC provides Other Postemployment Benefits (OPEB) that provide basic medical and hospitalization plan coverage to eligible retirees. Eligible retirees may only be covered under the indemnity plan of WCHCC. To qualify, retirees must (i) have at least five years of paid service with WCHCC (service prior to January 1, 1998 with the County counts towards the five-year requirement) and (ii) be eligible to receive a retirement allowance from a retirement system administered by the State of New York or one of its civil divisions. Employees hired on or after January 1, 2007 require 20 years of service to qualify for a post retirement health benefit. Individual coverage is provided to retirees at no cost. Retirees may elect family coverage at a cost of 20% of the difference between the premium equivalent cost of family and individual coverage.

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Currently, 74% of the participants have elected individual coverage, with the full cost borne by WCHCC.

WCHCC's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of WCHCC's annual OPEB cost for the years ended December 31, 2010 and 2009, the amount actually contributed to the plan, and changes in WCHCC's net OPEB obligation.

	<u>2010</u>	<u>2009</u>
Annual required contribution	\$ 14,067,938	\$ 18,645,384
Amortization of change in estimate	(1,400,885)	-
Contributions made	<u>(7,423,900)</u>	<u>(6,917,330)</u>
Increase in OPEB obligation	5,243,153	11,728,054
Net OPEB obligation - beginning of year	<u>49,569,883</u>	<u>37,841,829</u>
Net OPEB obligation - end of year	<u>\$ 54,813,036</u>	<u>\$ 49,569,883</u>

As of January 1, 2010 and 2009, the plan was unfunded. The unfunded actuarial accrued liability (UAAL) as of December 31, 2010 and 2009 is \$254.1 million and \$243.3 million, respectively. The covered payroll (annual payroll of active employees covered by the plan) and the ratio of the UAAL to the covered payroll as of December 31, 2010 and 2009 is \$243.3 million and 97.7% and \$230.4 million and 82.0%, respectively. (See Required Supplementary Information).

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, including assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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For the 2010 and 2009 actuarial valuation, the frozen entry age actuarial cost method was used. For 2010, the actuarial assumptions include a 5% discount rate, and an annual initial health trend rate of 8% for pre-65 and 3.3% for post-65, grading over ten years to an ultimate rate of 3.9% for pre-65 and 3% for post-65. For 2009, the actuarial assumptions include a 5% discount rate, and an annual initial healthcare cost trend rate of 9% for pre-65 and 6.5% for post-65, reduced by decrements to an ultimate rate of 4.5% for 2017 and after.

9. Self-Insurance Liability

The following is the activity of the self-insurance liability for the years ended December 31, 2010 and 2009:

	<u>December 31,</u> <u>2009 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2010 Balance</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Workers' compensation self-insurance (a)	\$ 17,496,000	\$ 7,537,286	\$ (5,919,076)	\$ 19,114,210	\$ 4,500,000
Malpractice self-insurance (b)	96,229,101	22,031,426	(24,132,107)	94,128,420	16,000,000
Other self-insurance (c)	193,000	555,000	(143,000)	605,000	275,000
	<u>\$ 113,918,101</u>	<u>\$ 30,123,712</u>	<u>\$ (30,194,183)</u>	<u>\$ 113,847,630</u>	<u>\$ 20,775,000</u>

	<u>December 31,</u> <u>2008 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2009 Balance</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Workers' compensation self-insurance (a)	\$ 17,943,574	\$ 3,964,267	\$ (4,411,841)	\$ 17,496,000	\$ 4,500,000
Malpractice self-insurance (b)	91,190,766	21,728,885	(16,690,550)	96,229,101	16,000,000
Other self-insurance (c)	475,000	98,000	(380,000)	193,000	-
	<u>\$ 109,609,340</u>	<u>\$ 25,791,152</u>	<u>\$ (21,482,391)</u>	<u>\$ 113,918,101</u>	<u>\$ 20,500,000</u>

- a. Pursuant to Article 11 of the Transition Agreement between the County and WCHCC, the County transferred a portion of the assets in the County's 6-j Self-Insurance Reserve Fund (renamed the Workers' Compensation Reserve Trust by WCHCC) to WCHCC and WCHCC contracted to indemnify the County for the corresponding workers' compensation liability for claims arising out of incidents involving hospital operations that occurred prior to January 1, 1998, when WCHCC became a public benefit corporation.

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WCHCC's workers' compensation liability consists of a self-insurance fund and coverage from a commercial insurance carrier under a claims-made basis. During the period June 1, 1999 through June 1, 2002, excess insurance coverage was purchased that attached at \$250,000 per occurrence with \$5,000,000 in annual aggregate coverage. For the period June 1, 2002 through June 1, 2003, excess insurance coverage was purchased that attached at \$300,000 per occurrence with \$5,000,000 in annual aggregate coverage. For the period June 1, 2003 through June 1, 2004, excess insurance coverage was purchased that attached at \$500,000 per occurrence with \$1,000,000 in annual aggregate coverage. Prior to June 1, 1999 and from June 1, 2004 to June 30, 2008, WCHCC did not purchase excess insurance. Effective July 1, 2008, excess insurance coverage was purchased that attached at \$750,000 per occurrence with \$1,000,000 in annual aggregate coverage. As part of WCHCC's workers' compensation self-insurance plan, WCHCC obtains a biennial actuarial valuation to determine its self-insurance liabilities, including amounts for claims incurred but not reported. Such valuation is based on WCHCC's specific and industry-wide data.

The following represents information as it relates to the workers' compensation self-insurance plan as of December 31:

	<u>2010</u>	<u>2009</u>
Gross self-insurance liability	\$ 20,481,000	\$ 18,295,000
Present value of self-insurance liability	19,114,210	17,496,000
Discount factor	3.5%	3.5%

- b. Effective January 1, 1998, WCHCC commenced operations of WCHCC Bermuda, a captive insurance company. WCHCC Bermuda has provided the hospital professional liability insurance (HPL) and general liability insurance (GL) for WCHCC since January 1, 1998 and has reinsured the physicians and surgeons professional liability (PPL), provided through a New York State admitted carrier, for the period from January 1, 1998 through December 31, 2004. As of January 1, 2005, WCHCC Bermuda insures WCHCC for HPL and PPL directly on a claims-made basis, and GL on an occurrence basis.

WCHCC Bermuda has provided HPL coverage on a claims-made basis and GL coverage on an occurrence basis for the Medical Center and Taylor Care Center for claims incurred subsequent to December 31, 1997. As of January 1, 2006, the HPL coverage has been provided for on an occurrence basis. These policies are written directly by WCHCC Bermuda on an annual basis, with HPL coverage ranging from \$1 million per occurrence and \$3 million aggregate in 1998 to \$5 million for each and every claim from 2003 through 2010 with no aggregate limit. As of January 1, 2010, coverage has increased to \$7 million per occurrence with no aggregate limit. WCHCC Bermuda has provided GL coverage with a combined single limit of \$1 million per claim from January 1, 1998 through January 1, 2010. As of January 1, 2010, GL has a combined single limit of \$1 million per claim with an annual aggregate of \$2 million.

PPL has been provided by a New York State admitted carrier, National Union Fire Insurance Company, Inc., an affiliate of American International Group, Inc. (AIG), since January 1, 1998 for all participating physicians with privileges at the Medical Center. Beginning in 1998 the PPL insurance provided each physician coverage of \$1 million per claim and \$3 million in the aggregate which subsequently increased to \$1.3 million per claim and \$3.9 million in the

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aggregate in 2002. WCHCC Bermuda reinsured through National Union Fire Insurance Company, Inc. on a claims-made basis with respect to PPL through January 1, 2005. WCHCC also has excess liability insurance with a \$25 million per year limit from January 1, 2006 through January 1, 2010. WCHCC has excess liability insurance with a \$28 million per limit as of January 1, 2010. The excess liability insurance policy attaches above the HPL and GL for the Medical Center and Taylor Care Center and above the first layer of excess for each physician.

Outstanding projected liabilities are composed of estimates of the ultimate case value (indemnity and expenses) established by an independent case adjuster (reserves), plus a provision for losses incurred, but not reported, based on the recommendations of an independent actuary using historical and industry data. WCHCC Bermuda's actuarial liabilities have been discounted at 4.0% at December 31, 2010 and 2009.

In the normal course of operations WCHCC Bermuda's bankers have issued a letter of credit in the amount of \$11,697,500 as of December 31, 2010 and 2009 in favor of a ceding insurance company, as collateral for WCHCC Bermuda's reinsurance obligations. At December 31, 2010 and 2009, an additional letter of credit for the amount of \$2,380,000 was issued to provide surety on a large claim. At December 31, 2010 and 2009, a similar cash amount has been pledged as collateral for these letters of credit.

WCHCC Bermuda is required by its license to maintain capital and surplus greater than a minimum statutory amount determined as the greater of a percentage of outstanding losses or a given fraction of net written premiums. At December 31, 2010 and 2009, WCHCC Bermuda is required to maintain a minimum statutory capital and surplus of \$8,000,000 and \$8,150,000 respectively. As of December 31, 2010 and 2009, actual statutory capital and surplus was approximately \$14,174,000 and \$18,342,000, respectively.

The malpractice self-insurance liabilities for the period 1998 to 2010 include an actuarially determined liability recorded by WCHCC Bermuda on a claims-made basis and an actuarially determined liability accrued by the Medical Center for claims incurred but not reported. Such valuations are based on WCHCC's specific and industry-wide data and have been discounted at 4% at December 31, 2010 and 2009, respectively.

Effective January 1, 2008, approximately 300 private attending physicians, many of whom had previously been provided malpractice insurance coverage through WCHCC Bermuda, obtained coverage with a commercial insurance company - Academic Health. WCHCC Bermuda will continue to provide insurance coverage for WCHCC and certain of its employed physicians. In addition, an excess insurance policy was purchased. This excess liability insurance policy attaches above the HPL and GL for the Medical Center's employed physicians and above the first layer of excess of those physicians insured by Academic Health. As of January 1, 2010, excess insurance will no longer attach above the first layer of excess of those physicians insured by Academic Health.

Beginning in 2010, HPL coverage is provided on an occurrence basis with coverage of \$7 million for each and every claim with no aggregate limit for the Medical Center and its employed physicians. The excess liability insurance policy attaches above the HPL and GL for the Medical Center and above each employed physician.

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- c. Professional and general liability claims have been asserted against WCHCC by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. The outcome of these actions cannot be predicted with certainty by management or by legal counsel to WCHCC or by the respective insurance companies handling such matters. There are known incidents that may result in the assertion of additional claims, and such other claims may arise. It is the opinion of management, in consultation with WCHCC's legal counsel, that the final disposition of such claims will not have a material adverse effect on WCHCC's financial position, results of operations, or liquidity.

10. Services and Utilities Provided by the County of Westchester

The County provides certain services and utilities to WCHCC. For the year ended December 31, 2010, the County charged WCHCC for direct costs incurred in providing such services and utilities. For the year ended December 31, 2009, the County donated the services and utilities, including direct and indirect costs. The services provided to WCHCC are contracted with the Department of Public Works, the Department of Laboratories, Information Technology Department, and the County Road Maintenance Department.

Costs were comprised of the following for the years ended December 31:

	<u>2010</u>	<u>2009</u>
Department of Public Works and maintenance service	\$ 7,440,439	\$ 6,779,939
General administration services	124,136	1,074,794
Other professional services	911,743	1,861,881
	<u>\$ 8,476,318</u>	<u>\$ 9,716,614</u>

The above costs are included in supplies and other expenses and any donated revenue is included in County support in the accompanying statements of revenues, expenses, and changes in net assets (Deficit).

WCHCC provided medical services to the Corrections Department of Westchester County for the period January 1, 2010 through July 26, 2010 and the year ended December 31, 2009. This activity generated patient service revenues of approximately \$7.5 million and \$14.5 million for the years ended December 31, 2010 and 2009, respectively. As of December 31, 2010 and 2009, WCHCC is owed approximately \$0 and \$3,589,000, respectively, for these services which is included in other current assets in the accompanying balance sheets.

11. Affiliation Agreement

WCHCC has an affiliation agreement with New York Medical College (the College), under the terms of which WCHCC will reimburse the College for salaries and fringe benefits for supervisory physicians' services. For the years ended December 31, 2010 and 2009, the College was reimbursed approximately \$28,113,000 and \$33,509,000, respectively, which is included in supplies and other expenses in the accompanying statements of revenues, expenses, and changes in Net assets (deficit).

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12. Operating Leases

WCHCC leases various equipment and facilities under operating leases expiring at various dates.

The following is a schedule by year of future minimum lease payments and sublease rental income under noncancelable operating leases as of December 31, 2010 that have initial or remaining lease terms in excess of one year:

	<u>Rent Expense</u>	<u>Rent Income</u>
2011	\$ 14,390,000	\$ 2,265,000
2012	8,689,000	2,196,000
2013	5,772,000	2,146,000
2014	3,816,000	1,941,000
2015	3,351,000	1,216,000

Total rental expense in 2010 and 2009 for all operating leases was approximately \$17,781,000, and \$17,262,000, respectively.

13. Transition/Cooperation Agreements

The State Legislature adopted legislation during 1997 which created WCHCC as a public benefit corporation of the State. A long-term lease and an operating agreement to transfer the facilities and operations to WCHCC were developed with the County which were effective January 1, 1998. Subsequent to January 1, 1998, additional negotiations resulted in a Transition Agreement and an amended and restated lease agreement.

The restated and amended long-term lease represents a 60-year real property lease for land and facilities with options for extension. Base rent is determined on a supplemental rent calculation based on a predetermined schedule. The long-term restated and amended lease covers all capital assets except for movable equipment, which was transferred to WCHCC.

The terms of the Transition Agreement commenced on January 1, 1998 and continued for a period of ten years, ending on December 31, 2007. During this period there were several amendments to the Transition Agreement which provided WCHCC with continued financial support by the County. WCHCC and the County agreed to an extension of the Transition Agreement to the earlier of December 31, 2009 or the execution of a new agreement.

In December 2008, the Westchester County Board of Legislators and the WCHCC Board approved a new agreement re-titled the "Cooperation Agreement." The Cooperation Agreement is a ten year agreement which may be terminated by either party after ninety days' notice. The Cooperation Agreement continues to contain a provision for credit support for WCHCC.

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The Cooperation Agreement requires that WCHCC reduce the principal amount outstanding on the commercial paper obligation by \$7 million per year commencing in 2008. In December 2009, the First Amendment to the Cooperation Agreement revised the pay down schedule for the commercial paper. The new pay down schedule required no pay down in 2009, \$7 million per year until 2012, \$8 million per year until 2015 and \$9 million per year until 2017. In December, 2010, WCHCC repaid the commercial paper in full. In addition, the Cooperation Agreement addresses several ongoing and legacy issues between WCHCC and the County. WCHCC is required to achieve certain financial targets and provide certain financial reports to the County. Failure to meet certain provisions of the Cooperation Agreement may trigger a default under the Cooperation Agreement. The Cooperation Agreement allows for additional guarantees of WCHCC's long-term debt at the discretion of the County.

14. Nonoperating Activities, Net

The following represents the components of nonoperating activities, net for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Interest expense, net	\$ (9,226,859)	\$ (9,309,011)
County services	-	9,716,614
Other	-	(358,970)
	<u>\$ (9,226,859)</u>	<u>\$ 48,633</u>

15. Commitment and Contingencies

WCHCC has agreements with third-party payors that provide for payments to WCHCC at amounts different from its established rates. The following is the activity of estimated third-party-payor liabilities for the years ended December 31, 2010 and 2009:

	<u>December 31, 2009 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2010 Balance</u>	<u>Amounts Due Within One Year</u>
Estimated third-party payor	\$ 88,160,002	\$ 17,535,406	\$ (47,283,912)	\$ 58,411,496	\$ 12,328,614

	<u>December 31, 2008 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2009 Balance</u>	<u>Amounts Due Within One Year</u>
Estimated third-party payor	\$ 86,982,828	\$ 21,240,124	\$ (20,062,950)	\$ 88,160,002	\$ 24,077,005

Westchester County Health Care Corporation
Notes to Combined Financial Statements
December 31, 2010 and 2009

A summary of the payment arrangements follows:

Reimbursement

Medicare

Under the Medicare program, WCHCC receives reimbursement under a prospective payment system (PPS) for inpatient and outpatient services. Under inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis-related group (DRG). When the estimated cost of treatment for certain patients is higher than the average, providers typically will receive additional outlier payments. Under outpatient PPS, services are paid based on service groups called ambulatory payment classifications (APCs).

WCHCC's psychiatric unit was reimbursed on a cost-based system, subject to certain cost limits through December 31, 2004. Commencing January 1, 2005, Medicare began transitioning this service to PPS and is paying on a fixed per diem basis, also recognizing the intensity of services provided to the patients, age and co-morbidities and geographic wage differences.

Medicaid and Other Third-Party Payors

The New York Health Care Reform Act of 1996 (the Act), as amended, which governs payments to hospitals in New York State, expired on June 30, 2005 and has been extended until December 31, 2011. Under the Act, Medicaid, workers' compensation, and no-fault payors pay rates are promulgated by the New York State Department of Health. Fixed payment amounts per inpatient discharge are established based on the patient's assigned case mix intensity similar to a Medicare DRG.

All other third-party payors, principally Blue Cross, other private insurance companies, Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs), and other managed care plans, negotiate payment rates directly with WCHCC. Such arrangements vary from DRG-based payment systems, per diems, case rates, and percentage of billed charges. If such rates are not negotiated, then the payors are billed at WCHCC's established charges.

New York State regulations provide for the distribution of funds from an indigent care pool which is intended to partially offset the cost of services provided to the uninsured. The funds are distributed to the hospitals based on each hospital's level of bad debts and charity care in relation to all other hospitals. For the years ended December 31, 2010 and 2009, WCHCC received distributions of \$8.1 million and \$24.8 million, respectively, from the indigent care pool.

Both Federal and New York State regulations provide for certain adjustments to current and prior years' payment rates and indigent care pool distributions based on industry-wide and hospital-specific data. WCHCC has established estimates based on information presently available of the amounts due to or from Medicare, Medicaid, workers' compensation, and no-fault payors, and amounts due from the indigent care pool for such adjustments.

There are various proposals at the Federal and New York State levels that could, among other things, reduce reimbursement rates, modify reimbursement methods, and increase managed care penetration, including Medicare and Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined.

Westchester County Health Care Corporation
Notes to Combined Financial Statements
December 31, 2010 and 2009

Revenue from the Medicare and Medicaid programs accounted for approximately 21% and 13%, respectively, of WCHCC's net patient service revenue for the year ended December 31, 2010 and 21% and 14%, respectively, for the year ended December 31, 2009. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term. WCHCC believes that it is in compliance, in all material respects, with all applicable 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. Noncompliance with such laws and regulations could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties, and exclusion from the Medicare and Medicaid programs.

Disproportionate Share

WCHCC is eligible to receive certain Disproportionate Share ("DSH") payments in recognition of the costs associated with the provision of care to uninsured patients. Funding for these payments is provided by local and Federal sources. WCHCC includes these payments in net patient service revenue in the accompanying Statements of Revenues, Expenses and Changes in Net Deficit. In 2010 and 2009, WCHCC recorded \$70.0 million and \$76.0 million, respectively, of net DSH revenue. Amounts recognized as revenue represent amounts received for which all required Federal and State approvals have been received WCHCC's fiscal year.

Other Matters

A health care entity's revenues may be subject to adjustment as a result of examination by government agencies or contractors. The audit process and the resolution of significant related matters often are not finalized until several years after the services were rendered. Reasonable estimates of such adjustments are made to third-party revenue recognition in order to note recognize revenue that will not ultimately be realized. The delay between rendering services and reaching final settlement, as well as the complexities and ambiguities of billing and reimbursement regulations, makes it difficult to estimate net realizable third-party revenues. Actual results may differ significantly from those estimates.

Management recognizes revenues relating to third-party settlements and patient service revenues when the realization of such amounts are reasonably assured. Management makes a reasonable estimate of amounts that ultimately will be realized, considering, among other things, adjustments associated with regulatory reviews, audits, billing reviews, investigations, or other proceedings.

WCHCC has received payments related to Medicaid services and settlement, DSH and other Medicare related reimbursements. Due to the fact that certain of these revenues may be subject to adjustment as a result of examination by government agencies, management has determined that not all of these receipts are realizable as of December 31, 2010 and therefore have not been recognized as revenue. Included in the estimated third-party-payor liabilities at December 31, 2010 is \$27.9 million that have been received by WCHCC that have been determined to not yet be realizable given certain uncertainties and the fact that they are subject to further adjustment.

Westchester County Health Care Corporation
Notes to Combined Financial Statements
December 31, 2010 and 2009

The operation of WCHCC's patient care services business is subject to federal and state laws prohibiting fraud by healthcare providers, including laws containing criminal provisions, which prohibit filing false claims or making false statements in order to receive payment or obtain certification under Medicare and Medicaid programs, or failing to refund overpayments or improper payments. Violation of these criminal provisions is a felony punishable by imprisonment and/or fines. WCHCC may also be subject to fines and treble damage claims if WCHCC knowingly files a false claim or knowingly uses false statements to obtain payment. State and federal governments are devoting increased attention and resources to anti-fraud initiatives against healthcare providers. The Health Insurance Portability and Accountability Act of 1996 and the Balanced Budget Act of 1997 expanded the penalties for healthcare fraud, including broader provisions for the exclusion of providers from the Medicare and Medicaid programs. WCHCC has established policies and procedures that it believes are sufficient to ensure that it operates in substantial compliance with these anti-fraud and abuse requirements.

WCHCC has received two (2) separate subpoena duces tecum from the Office of the Inspector General of the United States Department of Health and Human Services, the first in 2007 and the second in 2008. The 2007 subpoena requests the production of financial documents, documents relating to contracts between WCHCC and its affiliated physicians, and other categories of requests. Documents have been produced and WCHCC will continue to produce responsive documents in a "rolling production". WCHCC is fully cooperating with the Department of Health and Human Services. WCHCC is unaware of any violations of statutes or regulations and it is premature to speculate as to whether it has any financial exposure. The 2008 subpoena relates to inpatient outlier payments. The subpoena covers the time period of January 1, 1997 through December 31, 2003. Documents have been produced and WCHCC will continue to produce responsive documents in a "rolling production." WCHCC is unaware of any violations of statutes or regulations and it is premature to speculate as to whether or not it has any financial exposure.

Various suits and claims arising in the normal course of operations are pending. While the outcome of these suits cannot be determined at this time, management believes that such suits and claims are either specifically covered by insurance or the final disposition of such claims will not have a material effect on WCHCC's financial position, results of operations, or liquidity.

16. Subsequent Event

In March 2011 WCHCC obtained a \$25 million working capital revolving line of credit from a financial institution. The line of credit matures in one year and may be renewed with the approval of the financial institution or converted to a three year term loan.

Westchester County Health Care Corporation
Notes to Combined Financial Statements
December 31, 2010 and 2009

17. Revision to the 2010 and 2009 Financial Statements

During 2011, management concluded that certain net patient service revenue should be stated on a net basis and not on a gross presentation basis in accordance with accounting guidance related to provider payments and receipts. Management concluded that this correction was not material to the 2010 and 2009 financial statements and, accordingly, revised the combined financial statements as follows for the years ended December 31:

	2010	2010	2009	2009
	As reported	As revised	As reported	As revised
Net patient service revenue	\$ 863,279,781	\$ 804,909,784	\$ 851,138,239	\$ 777,312,239
Supplies and other expense	\$ 354,551,639	\$ 296,181,642	\$ 377,162,306	\$ 303,336,306

This revision had no impact to the combined balance sheets, operating results or cashflows as of and for the years ended December 31, 2010 and 2009.

Westchester County Health Care Corporation
Required Supplementary Information
Schedule of Funding Progress – Other Postemployment Benefits (Unaudited)
December 31, 2010, 2009 and 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrual Liability (AAL) Initial Entry Age (b)	Unfunded (AAL) (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	(UAAL) As a Percentage of Covered Payroll ((b-a)/c)
01/01/10	\$ -	\$ 243,312,542	\$ 243,312,542	0.0%	\$ 249,021,985	97.7%
01/01/09	\$ -	\$ 221,456,581	\$ 221,456,581	0.0%	\$ 248,085,882	89.3%
01/01/08	\$ -	\$ 221,156,140	\$ 221,156,140	0.0%	\$ 253,018,512	87.4%

The above represents the valuation of the plan as of January 1.

Required Supplementary Information - Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contributions	Actual Contributions¹	Percentage Contributed
December 31, 2008	\$ 19,021,239	\$ 5,908,007	31.1%
December 31, 2009	\$ 18,645,384	\$ 6,917,330	37.1%
December 31, 2010	\$ 14,067,938	\$ 7,423,900	52.8%

¹Since there is no funding, these are the actual employer provided cash payments during the fiscal year.

Required Supplementary Information - Three Year Schedule of Percentage of OPEB Cost Contributed

Fiscal Year Ended	Annual OPEB	Percentage of OPEB	Net OPEB Obligation
December 31, 2008	\$ 19,021,239	31.1%	\$ 37,841,829
December 31, 2009	\$ 18,645,384	37.1%	\$ 49,569,883
December 31, 2010	\$ 14,067,938	52.8%	\$ 54,813,036

Required Supplementary Information - Summary of Key Actuarial Methods and Assumptions

Valuation year	January 1, 2010 - December 31, 2010
Actuarial cost method	Frozen Entry Age
Amortization method	30 years, level dollar
Asset valuation method	N/A
Actuarial assumptions	
Discount rate	5.0%
Projected payroll growth rate	N/A
Health care cost trend rate for medical and prescription drugs	Pre-65 is 8% during 2010 grading over ten years to an ultimate rate of 3.9%. Post-65 is 3.3% during 2010 grading over ten years to an ultimate rate of 3%.
Health care cost trend rate for dental and vision	5% per year for all years.

Westchester County Health Care Corporation
Supplementary Schedule - Combining Balance Sheet Information
December 31, 2010

Schedule I

	Westchester County Health Care Corporation	WMC Advanced Physician Services, P.C.	WMC New York Inc. and Subsidiaries	Children's Hospital Foundation	WMC Foundation	Eliminating Entries	Total Reporting Entity
Assets							
Cash and cash equivalents	\$ 160,063,138	\$ 946,837	\$ 5,762	\$ 3,198,992	\$ 3,579,808	\$ -	\$ 167,794,537
Patient accounts receivable, net	101,369,382	2,856,809	-	-	-	-	104,226,191
Investments	-	-	-	580,921	-	-	580,921
Assets restricted as to use, required for current liabilities	-	-	16,000,000	4,904,134	1,443,998	-	22,348,132
Other current assets	23,350,611	130,612	192,122	99,316	174,688	(311,673)	23,635,676
Total current assets	284,783,131	3,934,258	16,197,884	8,783,363	5,198,494	(311,673)	318,585,457
Assets restricted as to use, net of current portion	51,227,757	-	80,325,025	842,847	-	(3,733,335)	128,662,294
Capital assets, net	301,942,111	165,615	1,007	668	-	-	302,109,401
Other assets, net	30,535,610	-	-	-	-	(11,935,157)	18,600,453
Beneficial interest in Foundation net assets	14,440,178	-	-	-	-	(14,440,178)	-
Total assets	\$ 682,928,787	\$ 4,099,873	\$ 96,523,916	\$ 9,626,878	\$ 5,198,494	\$ (30,420,343)	\$ 767,957,605
Liabilities and Net Assets (Deficit)							
Current portion of long-term debt	\$ 10,301,861	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,301,861
Notes payable	-	-	-	-	-	-	-
Accounts payable and accrued expenses	74,425,894	1,467,697	111,814	223,730	115,123	(311,673)	76,032,585
Accrued salaries and related withholdings	58,387,893	2,851,294	87,077	-	-	-	61,326,264
Current portion of estimated liability to third-party payors	12,328,614	-	-	-	-	-	12,328,614
Current portion of post retirement health insurance liability	8,435,000	-	-	-	-	-	8,435,000
Current portion of estimated self-insurance liability	4,775,000	-	16,000,000	-	-	-	20,775,000
Other current liabilities	10,538,075	-	-	46,341	-	-	10,584,416
Due to affiliate	(80,830)	80,830	-	-	-	-	-
Total current liabilities	179,111,507	4,399,821	16,198,891	270,071	115,123	(311,673)	199,783,740
Long-term debt	393,159,583	-	-	-	-	-	393,159,583
Estimated liability to third-party payors	46,082,882	-	-	-	-	-	46,082,882
Estimated post retirement health insurance liability	46,378,036	-	-	-	-	-	46,378,036
Estimated self-insurance liability	30,677,542	-	66,128,423	-	-	(3,733,335)	93,072,630
Total liabilities	695,409,550	4,399,821	82,327,314	270,071	115,123	(4,045,008)	778,476,871
Net assets (deficit)							
Restricted							
Expendable for capital acquisitions	-	-	-	1,447,150	-	-	1,447,150
Expendable for specific operating activities	7,171,400	-	-	4,280,252	1,443,998	(8,588,895)	4,306,755
Invested in capital assets, net of related debt	26,436,331	-	-	668	-	-	26,436,999
Unrestricted	(46,088,494)	(299,948)	14,196,602	3,628,737	3,639,373	(17,786,440)	(42,710,170)
Total net assets (deficit)	(12,480,763)	(299,948)	14,196,602	9,356,807	5,083,371	(26,375,335)	(10,519,266)
Total liabilities and net assets (deficit)	\$ 682,928,787	\$ 4,099,873	\$ 96,523,916	\$ 9,626,878	\$ 5,198,494	\$ (30,420,343)	\$ 767,957,605

Westchester County Health Care Corporation
Supplementary Schedule - Combining Balance Sheet Information
December 31, 2009

Schedule II

	Westchester County Health Care Corporation	WMC Advanced Physician Services, P.C.	WMC New York Inc. and Subsidiaries	Children's Hospital Foundation	WMC Foundation	Eliminating Entries	Total Reporting Entity
Assets							
Cash and cash equivalents	\$ 157,833,408	\$ 11,854	\$ 11,097	\$ 1,960,822	\$ 3,476,001	\$ -	\$ 163,293,182
Patient accounts receivable, net	89,925,449	-	-	-	-	-	89,925,449
Investments	-	-	-	1,320,325	-	-	1,320,325
Assets restricted as to use, required for current liabilities	-	-	16,000,000	3,783,303	1,444,516	-	21,227,819
Other current assets	28,744,052	953	233,814	153,842	74,697	(257,734)	28,949,624
Total current assets	276,502,909	12,807	16,244,911	7,218,292	4,995,214	(257,734)	304,716,399
Assets restricted as to use, net of current portion	21,736,294	-	86,582,631	7,244	-	(9,000,000)	99,326,169
Capital assets, net	285,290,194	-	-	1,459	-	-	285,291,653
Other assets, net	18,406,749	-	-	-	-	(6,872,747)	11,534,002
Beneficial interest in Foundation net assets	11,789,689	-	-	-	-	(11,789,689)	-
Total assets	\$ 613,725,835	\$ 12,807	\$ 102,827,542	\$ 7,226,995	\$ 4,995,214	\$ (27,920,170)	\$ 700,868,223
Liabilities and Net Assets (Deficit)							
Current portion of long-term debt	\$ 9,398,452	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,398,452
Notes payable	63,000,000	-	-	-	-	-	63,000,000
Accounts payable and accrued expenses	63,212,517	10,655	67,260	278,226	47,734	(257,734)	63,358,658
Accrued salaries and related withholdings	54,368,738	369,896	241,307	-	-	-	54,979,941
Current portion of estimated liability to third-party payors	24,077,005	-	-	-	-	-	24,077,005
Current portion of post retirement health insurance liability	6,000,000	-	-	-	-	-	6,000,000
Current portion of estimated self-insurance liability	4,500,000	-	16,000,000	-	-	-	20,500,000
Other current liabilities	22,808,023	-	-	106,560	-	-	22,914,583
Total current liabilities	247,364,735	380,551	16,308,567	384,786	47,734	(257,734)	264,228,639
Long-term debt	252,503,564	-	-	-	-	-	252,503,564
Estimated liability to third-party payors	64,082,997	-	-	-	-	-	64,082,997
Estimated post retirement health insurance liability	43,569,883	-	-	-	-	-	43,569,883
Estimated self-insurance liability	34,189,000	-	68,229,101	-	-	(9,000,000)	93,418,101
Total liabilities	641,710,179	380,551	84,537,668	384,786	47,734	(9,257,734)	717,803,184
Net assets (deficit)							
Restricted							
Expendable for capital acquisitions	1,436,549	-	-	1,436,549	-	(1,436,549)	1,436,549
Expendable for specific operating activities	7,044,088	-	-	2,333,617	1,444,516	(5,195,628)	5,626,593
Invested in capital assets, net of related debt	86,058,040	-	-	1,459	-	-	86,059,499
Unrestricted	(122,523,021)	(367,744)	18,289,874	3,070,584	3,502,964	(12,030,259)	(110,057,602)
Total net assets (deficit)	(27,984,344)	(367,744)	18,289,874	6,842,209	4,947,480	(18,662,436)	(16,934,961)
Total liabilities and net assets (deficit)	\$ 613,725,835	\$ 12,807	\$ 102,827,542	\$ 7,226,995	\$ 4,995,214	\$ (27,920,170)	\$ 700,868,223

Westchester County Health Care Corporation
Supplementary Schedule - Combining Revenues, Expenses, and
Changes in Net Assets (Deficit) Information
Year Ended December 31, 2010

Schedule III

	<u>Westchester County Health Care Corporation</u>	<u>WMC Advanced Physician Services, P.C.</u>	<u>WMC New York Inc. and Subsidiaries</u>	<u>Children's Hospital Foundation</u>	<u>WMC Foundation</u>	<u>Eliminating Entries</u>	<u>Total Reporting Entity</u>
Operating revenues							
Net patient service revenue - as revised	\$ 790,750,260	\$ 14,173,184	\$ -	\$ -	\$ -	\$ (13,660)	\$ 804,909,784
Other revenue	<u>217,113,966</u>	<u>10,629,209</u>	<u>17,618,381</u>	<u>3,660,961</u>	<u>1,155,503</u>	<u>(29,181,011)</u>	<u>25,594,439</u>
Total operating revenues	<u>812,461,656</u>	<u>24,802,393</u>	<u>17,618,381</u>	<u>3,660,961</u>	<u>1,155,503</u>	<u>(29,194,671)</u>	<u>830,504,223</u>
Operating expenses							
Salaries and benefits	425,605,223	27,094,182	1,168,484	-	-	-	453,867,889
Supplies and other expenses - as revised	301,700,887	2,645,409	993,951	1,161,617	917,731	(11,237,953)	296,181,642
Professional liability	9,882,708	-	21,009,677	-	-	(16,000,000)	24,892,385
Depreciation and amortization	<u>39,861,434</u>	<u>57,416</u>	<u>112</u>	<u>791</u>	<u>-</u>	<u>-</u>	<u>39,919,753</u>
Total operating expenses	<u>787,050,252</u>	<u>29,797,007</u>	<u>23,172,224</u>	<u>1,162,408</u>	<u>917,731</u>	<u>(27,237,953)</u>	<u>814,861,669</u>
Operating income (loss)	25,411,404	(4,994,614)	(5,553,843)	2,498,553	237,772	(1,956,718)	15,642,554
Nonoperating activities, net	<u>(10,770,810)</u>	<u>-</u>	<u>1,460,571</u>	<u>65,295</u>	<u>18,085</u>	<u>-</u>	<u>(9,226,859)</u>
Income (loss) before capital contributions	14,640,594	(4,994,614)	(4,093,272)	2,563,848	255,857	(1,956,718)	6,415,695
Change in beneficial interest in Foundation net assets	693,771	-	-	-	-	(693,771)	-
Capital contributions	<u>169,216</u>	<u>5,062,410</u>	<u>-</u>	<u>(49,250)</u>	<u>(119,966)</u>	<u>(5,062,410)</u>	<u>-</u>
Increase (decrease) in net assets (deficit)	15,503,581	67,796	(4,093,272)	2,514,598	135,891	(7,712,899)	6,415,695
Net assets (deficit)							
Beginning of year	<u>(27,984,344)</u>	<u>(367,744)</u>	<u>18,289,874</u>	<u>6,842,209</u>	<u>4,947,480</u>	<u>(18,662,436)</u>	<u>(16,934,961)</u>
End of year	<u>\$ (12,480,763)</u>	<u>\$ (299,948)</u>	<u>\$ 14,196,602</u>	<u>\$ 9,356,807</u>	<u>\$ 5,083,371</u>	<u>\$ (26,375,335)</u>	<u>\$ (10,519,266)</u>

Westchester County Health Care Corporation
Supplementary Schedule - Combining Revenues, Expenses, and
Changes in Net Assets (Deficit) Information
Year Ended December 31, 2009

Schedule IV

	<u>Westchester County Health Care Corporation</u>	<u>WMC Advanced Physician Services, P.C.</u>	<u>WMC New York Inc. and Subsidiaries</u>	<u>Children's Hospital Foundation</u>	<u>WMC Foundation</u>	<u>Eliminating Entries</u>	<u>Total Reporting Entity</u>
Operating revenues							
Net patient service revenue - as revised	\$ 777,312,239	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 777,312,239
Other revenue	<u>16,752,626</u>	<u>-</u>	<u>23,290,866</u>	<u>2,454,191</u>	<u>1,102,743</u>	<u>(23,290,866)</u>	<u>20,309,560</u>
Total operating revenues	<u>794,064,865</u>	<u>-</u>	<u>23,290,866</u>	<u>2,454,191</u>	<u>1,102,743</u>	<u>(23,290,866)</u>	<u>797,621,799</u>
Operating expenses							
Salaries and benefits	429,888,394	792,960	1,914,691	-	-	-	432,596,045
Supplies and other expenses - as revised	302,134,500	12,374	932,245	2,156,129	1,053,413	(2,952,355)	303,336,306
Professional liability	17,663,878	-	21,667,338	-	-	(21,000,000)	18,331,216
Depreciation and amortization	<u>35,434,797</u>	<u>-</u>	<u>290,748</u>	<u>80,804</u>	<u>-</u>	<u>-</u>	<u>35,806,349</u>
Total operating expenses	<u>785,121,569</u>	<u>805,334</u>	<u>24,805,022</u>	<u>2,236,933</u>	<u>1,053,413</u>	<u>(23,952,355)</u>	<u>790,069,916</u>
Operating income (loss)	8,943,296	(805,334)	(1,514,156)	217,258	49,330	661,489	7,551,883
No non operating activities, net	<u>(1,368,901)</u>	<u>-</u>	<u>10,642,308</u>	<u>58,467</u>	<u>43,654</u>	<u>(9,326,895)</u>	<u>48,633</u>
Income (loss) before capital contributions	7,574,395	(805,334)	9,128,152	275,725	92,984	(8,665,406)	7,600,516
Change in beneficial interest in Foundation net assets	(15,189)	-	-	-	-	15,189	-
Capital contributions	<u>2,544,233</u>	<u>437,590</u>	<u>3,501,154</u>	<u>(324,740)</u>	<u>(720,647)</u>	<u>(5,437,590)</u>	<u>-</u>
Increase (decrease) in net assets (deficit)	10,103,439	(367,744)	12,629,306	(49,015)	(627,663)	(14,087,807)	7,600,516
Net assets (deficit)							
Beginning of year	<u>(38,087,783)</u>	<u>-</u>	<u>5,660,568</u>	<u>6,891,224</u>	<u>5,575,143</u>	<u>(4,574,629)</u>	<u>(24,535,477)</u>
End of year	<u>\$ (27,984,344)</u>	<u>\$ (367,744)</u>	<u>\$ 18,289,874</u>	<u>\$ 6,842,209</u>	<u>\$ 4,947,480</u>	<u>\$ (18,662,436)</u>	<u>\$ (16,934,961)</u>

APPENDIX C

CERTAIN DEFINITIONS

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CERTAIN DEFINITIONS

The following are definitions of certain terms, unless the context shall otherwise require, used in the Master Indenture, the Seventh Supplemental Indenture and this Official Statement.

“Act” means the Westchester County Health Care Corporation Act being Chapter 11 of the Consolidated Laws of the State of New York, 1997 (Title 1 of Article 10-C Public Authorities Law Section 3301 et seq.).

“Additional Indebtedness” means any Indebtedness incurred by any Member of the Obligated Group subsequent to the issuance of the Obligations relating to the Series 2011 Bonds to be issued under the Master Indenture, or incurred by any other Member of the Obligated Group subsequent to or contemporaneously with its becoming a Member of the Obligated Group.

“Affiliate” means a corporation, partnership, joint venture, association, business trust or similar entity organized under the laws of the United States of America or any state thereof which is directly or indirectly controlled by the Corporation, by any other Affiliate or by any Person which directly or indirectly controls the Corporation or which directly or indirectly controls any other Affiliate. For purposes of this definition, control means the power to direct the management and policies of a Person through the ownership of not less than a majority of its voting securities or the right to designate or elect not less than a majority of the members of its board of directors or other governing board or body by contract or otherwise.

“Annual Debt Service” means the Long-Term Debt Service Requirement for the applicable twelve-month period.

“Applicable” means (i) with respect to any Construction Fund, Arbitrage Rebate Fund, Debt Service Fund or Debt Service Reserve Fund, the fund so designated and established by an Applicable Supplement authorizing an Applicable Series of Obligations, (ii) with respect to any Debt Service Reserve Fund Requirement, the said Requirement established in connection with a Series of Obligations by the Applicable Supplement or Series Certificate, (iii) with respect to any Supplement, the Supplement relating to a particular Series of Obligations, (iv) with respect to any Series of Obligations, the Series of Obligations issued under a Supplement for a Member, (v) with respect to any Member, the respective Member identified in the Applicable Supplement, (vi) with respect to an Obligation Series Certificate, such certificate authorized pursuant to an Applicable Supplement and (vii) with respect to any Credit Facility or Credit Facility Provider, the Credit Facility or Credit Facility Provider relating to a particular Series of Obligations.

“Arbitrage Rebate Fund” means each such fund so designated and established by the Applicable Supplement pursuant to the Master Indenture.

“Audited Financial Statements” means, as to any Member of the Obligated Group or as to the Obligated Group, financial statements for a twelve-month period, or for such other period for which an audit has been performed, prepared in accordance with generally accepted accounting principles, which have been audited and reported upon by independent certified public accountants. Audited Financial Statements of the Obligated Group shall also mean, in an additional information section, unaudited combining financial statements for the same twelve-month period from which the accounts of any Affiliate which is not a Member of the Obligated Group have been eliminated and to which the accounts of any Member of the Obligated Group which is not already included have been added.

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

“Authorized Representative” means the Chairman, Vice Chairman, President and Chief Executive Officer, and Chief Financial Officer, Treasurer, or Deputy Treasurer of the Corporation or such other officer of the Corporation as may be designated by the Corporation, and with respect to each Member of the Obligated Group, any person or persons designated an Authorized Representative of such Member in an Officer’s Certificate of such Member of the Obligated Group, signed by the Chairperson of its Governing Body and filed with the Master Trustee.

“Balloon Long-Term Indebtedness” means Long-Term Indebtedness, other than a Demand Obligation, 25% or more of the principal amount of which is due in a single year, which portion of the principal is not required by the documents pursuant to which such Indebtedness is issued to be amortized by redemption prior to such date.

“Bond Year” means the year which commences and ends on the same date as the Fiscal Year of each Member.

“Book Entry Obligation” or “Book Entry Obligations” shall have the meaning given in the Master Indenture.

“Book Value” when used in connection with Property, Plant and Equipment or other Property of any Person, means the value of such property, net of accumulated depreciation, as it is carried on the books of such Person in conformity with generally accepted accounting principles, and when used in connection with Property, Plant and Equipment or other Property of the Obligated Group, means the aggregate of the values so determined with respect to such Property, Plant and Equipment or other Property of the Obligated Group determined in such a manner that no portion of such value of Property, Plant and Equipment or other Property is included more than once.

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

“Capital Addition” means any addition, improvement or extraordinary repair to or replacement of any property of a Member of the Obligated Group, whether real, personal or mixed, the cost of which is properly capitalized under generally accepted accounting principles.

“Children’s Hospital” means the Children’s Hospital and Trauma Center constructed by the Corporation as a Health Care Facility.

“Code” means the Internal Revenue Code of 1986, as amended.

“Construction Fund” means each such fund so designated and established by the Applicable Supplement pursuant to the Master Indenture.

“Consultant” means a firm or firms which is not, and no member, stockholder, director, officer, trustee or employee of which is, an officer, director, trustee or employee of any Member of the Obligated Group or any Affiliate, and which is a professional management consultant of national repute for having the skill and experience necessary to render the particular report required by the provision hereof in which such requirement appears and which is not unacceptable to the Master Trustee.

“Corporate Trust Office” means the office of the Master Trustee at which its principal corporate trust business is conducted, which at the date hereof is located in New York, New York.

“County” means Westchester County, New York.

“County Guaranty” means any agreement between the County and the Corporation relating to an Applicable Series of Obligations pursuant to which the County agrees to guarantee the payment of principal and interest on such Applicable Series of Obligations by means of the making of payments to the Master Trustee for deposit into the Applicable Debt Service Reserve Fund, as and to the extent that a withdrawal from the Applicable Debt Service Reserve Fund has caused such fund to be funded at less than the Applicable Debt Service Reserve Fund Requirement. A County Guaranty will *not* be executed in connection with the issuance of the Series 2011 Bonds.

“County Lease” means that certain restated and amended lease agreement between the County and the Corporation dated as of December 30, 1998, as amended. The County Lease may be referred to herein as the “Lease Agreement”.

“Credit Facility” means a line of credit, letter of credit, guarantee, insurance policy or other credit enhancement facility including any municipal bond insurance policy issued and delivered to the Master Trustee, any of which insures payment of principal, interest and, if agreed to by the Credit Facility Issuer and the Corporation, redemption premium on the Obligation of any Series (but not including a County Guaranty) when due, all in accordance with the Applicable Supplement.

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

“Credit Facility Issuer” means, with respect to any Series of Obligations for which a Credit Facility is held by the Master Trustee, the firm, association or corporation, including banking institutions, public bodies and governmental agencies, which has issued such Credit Facility in connection with such Series of Obligations, and the successor or assign of the obligations of such firm, association or corporation under such Credit Facility but shall not include the County.

“Cross-over Date” means, with respect to Cross-over Refunding Indebtedness, the last date on which the principal portion of the related Cross-over Refunded Indebtedness is to be paid or redeemed from the proceeds of such Cross-over Refunding Indebtedness.

“Cross-over Refunded Indebtedness” means Indebtedness refunded by Cross-over Refunding Indebtedness.

“Cross-over Refunding Indebtedness” means Indebtedness issued for the purpose of refunding other Indebtedness if the proceeds of such refunding Indebtedness are irrevocably deposited in escrow to secure the payment on the applicable redemption date or dates or maturity date of the refunded

Indebtedness, and the earnings on such escrow deposit are required to be applied to pay interest on such refunding Indebtedness or refunded Indebtedness until the Cross-over Date.

“Current Assets of the Obligated Group” means current assets as shown on the most recent Audited Financial Statements of the Obligated Group.

“Current Liabilities of the Obligated Group” means current liabilities as shown on the most recent Audited Financial Statements of the Obligated Group.

“Current Ratio” means the ratio of Current Assets of the Obligated Group over Current Liabilities of the Obligated Group.

“Cushion Ratio” means the ratio for the applicable twelve-month period, of cash and marketable securities, including Member governing board designated funds and plant and equipment funds, with the exception of amounts held in any self-insured retention fund and funds restricted by the donor or funds limited as to their use in connection with debt instruments, to the Annual Debt Service for the then current Fiscal Year, less any amount held in a debt service fund available to pay debt service.

“Days-Cash-On-Hand” means, for each Member, as of any date (i) the Member’s unencumbered cash and marketable securities (valued at current market value) on such date, together with any moneys or securities deposited or escrowed for the payment of debt service on Indebtedness minus the aggregate principal amount of Short Term Indebtedness Outstanding on such date, divided by (ii) (a) for the twelve-month period ending on such date, operating expenses, minus depreciation and amortization and other non-cash charges, plus principal payments on Long-Term Indebtedness, divided by (b) 365. The principal payments on Long Term Indebtedness for such calculation shall include principal payments payable during such period by reason of maturity or sinking fund installment.

“Debt Service Fund” means the fund so designated, created and established pursuant to the Master Indenture.

“Debt Service Reserve Fund” means the fund so designated, created and established pursuant to the Master Indenture.

“Debt Service Reserve Fund Requirement” for the Series 2011 Bonds means, as of the date of issue or the refunding of all or a portion of the Series 2011 Bonds, an amount equal to (A) the lesser of (i) an amount equal to 125% of the combined average annual debt service requirement of the Series 2011 Bonds and the Series 2000A Bonds, (ii) 10% of the combined par amount of the Series 2011 Bonds and the Series 2000A Bonds or 10% of the combined issue price of the Series 2011 Bonds and the Series 2000A Bonds, as applicable, and (iii) an amount equal to the greatest amount required in the then current or any future calendar year to pay the sum of (a) interest on the outstanding Series 2011 Bonds and the Series 2000A Bonds payable during such year, and (b) the principal and sinking fund installments of such Series 2011 Bonds and the Series 2000A Bonds payable on or prior to November 1 of such year, less (B) the then current Debt Service Reserve Fund Requirement for the Series 2000A Bonds.

“Debt Service Reserve Fund Requirement” for the Series 2000A Bonds means, as of the date of the mandatory tender date and reoffering of the Series 2000A Bonds, the lesser of (i) an amount equal to 125% of the average annual debt service requirement of the Series 2000A Bonds, (ii) 10% of the par amount of the Series 2000A Bonds or 10% of the issue price of the Series 2000A Bonds, as applicable, and (iii) an amount equal to the greatest amount required in the then current or any future calendar year to pay the sum of (a) interest on the outstanding Series 2000A Bonds payable during such year, and (b) the

principal and sinking fund installments of such Series 2000A Bonds payable on or prior to November 1 of such year.

“Defeasance Security” means, unless otherwise provided in an Applicable Supplement, (a) a direct obligation of the United States of America, an obligation which the principal of and interest on which is guaranteed by the United States of America (other than an obligation the payment of the principal of which is not fixed as to amount or time of payment), an obligation to which the full faith and credit of the United States of America are pledged (other than an obligation the payment of the principal of which is not fixed as to amount or time of payment) and a certificate or other instrument which evidences the ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, direct obligations of the United States of America, which, in each case, is not subject to redemption prior to maturity other than at the option of the holder thereof or which has been irrevocably called for redemption on a stated future date or (b) an Exempt Obligation (i) which is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (ii) which is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America (other than obligations the payment of the principal of which is not fixed as to amount or time of payment) which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (i) above, (iii) as to which the principal of an interest on the direct obligations of the United States of America have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) which are rated by Moody’s and Standard & Poor’s in the highest rating category of each such rating service for such Exempt Obligation; provided, however, that such term shall not mean any interest in a unit investment trust or mutual fund.

“Defeased Obligations” means Obligations issued under a Supplement that have been discharged, or provision for the discharge of which has been made, pursuant to the terms of such Supplement.

“Demand Obligation” means any Indebtedness the payment of all or a portion of which is subject to the demand of the holder thereof.

“Department of Health” means the Department of Health of the State of New York.

“Depository” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other person, firm, association or corporation designated in the Supplement authorizing a Series of Obligations or a Obligation Series Certificate relating to a Series of Obligations to serve as securities depository for the Obligations of such Series.

“Derivative Agreement” means, without limitation,

- (a) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract;

- (b) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices;
- (c) any contract to exchange cash flows or payments or series of payments;
- (d) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; and
- (e) any other type of contract or arrangement that the Member of the Obligated Group entering into such contract or arrangement determines is to be used, or is intended to be used, to manage or reduce the cost of Indebtedness, to convert any element of Indebtedness from one form to another, to maximize or increase investment return, or minimize investment risk or to protect against any type of financial risk or uncertainty.

“Derivative Indebtedness” means Indebtedness for which a Member of the Obligated Group shall have entered into a Derivative Agreement in respect of all or a portion of such Indebtedness.

“Derivative Period” means the period during which a Derivative Agreement is in effect.

“Escrowed Interest” means amounts of interest on Long-Term Indebtedness for which moneys or Defeasance Obligations have been deposited in escrow (the “Escrowed Interest Deposit”) which Escrowed Interest Deposit has been determined by an independent accounting firm to be sufficient to pay such Escrowed Interest.

“Escrowed Principal” means amounts of principal on Long-Term Indebtedness for which moneys or Defeasance Obligations have been deposited in escrow (the “Escrowed Principal Deposit”) which Escrowed Principal Deposit has been determined by an independent accounting firm to be sufficient to pay such Escrowed Principal.

“Event of Default” means any one or more of those events set forth in the Master Indenture.

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

“Excluded Property” means any Property that is not Health Care Facilities of the Obligated Group.

“Exempt Obligation” means an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which (i) is excludable from gross income under Section 103 of the Code and (ii) is not an item of tax preference within the meaning of Section 57(A)(5) of the Code.

“Facility Provider” means the issuer of a Reserve Fund Facility delivered to the Master Trustee pursuant to the Applicable Supplements.

“First Supplement” or “First Supplemental Indenture” means the First Supplemental Indenture dated as of November 1, 2000 (the “Original Supplemental Indenture”), between the Corporation, as representative of the Members of the Obligated Group, and the Master Trustee, as supplemented by the Supplemental Indenture, dated as of September 7, 2011 (the “Amendment Supplemental Indenture”), by

and between the Corporation, as representative of the Members of the Obligated Group, and the Master Trustee, and by the amendment to the First Supplemental Indenture, dated as of November 1, 2011 (the “Second Amendment Supplemental Indenture”, together with the Original Supplemental Indenture and the Amendment Supplemental Indenture, the “First Supplement” or “First Supplemental Indenture”), by and between the Corporation, as representative of the Members of the Obligated Group, and the Master Trustee.

“Fiscal Year” means the fiscal year of each Member of the Obligated Group, which shall be the period commencing on January 1 of any year and ending on December 31 of such year unless the Master Trustee is notified in writing by the Corporation of a change in such period, in which case the Fiscal Year shall be the period set forth in such notice.

“Fitch” means Fitch, Inc., a Delaware limited partnership, its successors and their assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation by notice to the Master Trustee.

“Governing Body” means, when used with respect to any Member of the Obligated Group and the Corporation, its board of directors, board of trustees, or other board or group of individuals by, or under the authority of which, corporate powers of such Member of the Obligated Group or the Corporation are exercised.

“Government Obligation” means (i) a direct obligation of the United States of America, (ii) an obligation the timely payment of principal of, and interest on, which are fully and unconditionally guaranteed by the United States of America, (iii) an obligation (other than an obligation subject to variation in principal repayment) to which the full faith and credit of the United States of America are pledged, (iv) an obligation of any of the following instrumentalities or agencies of the United States of America: (a) Federal Home Loan Bank System; (b) Export-Import Bank of the United States; (c) Federal Financing Bank; (d) Government National Mortgage Association; (e) Farmers Home Administration; (f) Federal Home Loan Mortgage Company; (g) Federal Housing Administration; (h) Private Export Funding Corp.; and (i) Federal National Mortgage Association, (v) an obligation of any federal agency and a certificate or other instrument which evidences the ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, direct obligations of the United States of America or (vi) an obligation of any other agency or instrumentality of the United States of America created by Act of Congress, provided such obligation is rated at least “A” by S&P and Moody’s at all times.

“Governmental Restrictions” means federal, state or other applicable governmental laws or regulations affecting any Member of the Obligated Group and its health care facilities placing restrictions and limitations on (i) the fees and charges to be fixed, charged and collected by any Member of the Obligated Group or (ii) the amount or timing of the receipt of such revenues.

“Gross Receipts” shall mean all receipts, revenues, income and other moneys received by or on behalf of each Obligated Group Member from Health Care Facilities, including without limitation, the receipt of any payments by the United States Treasury of the credits allowed by Section 6431 of the Code, any contributions, donations and pledges whether in the form of cash, securities or other personal property, and the rights to receive the same whether in the form of accounts receivable, contract rights, general intangibles, chattel paper, instruments and the proceeds thereof, and any insurance or condemnation proceeds thereon, whether now existing or hereafter coming into existence and whether now owned or hereafter acquired; provided, Gross Receipts shall not include (i) gifts, grants, bequests, donations and contributions heretofore or hereafter made, designated at the time of the making thereof by the donor or maker as being for a specific purpose contrary to paying debt service on an Obligation; and

(ii) all receipts, revenues, income and other moneys received by or on behalf of an Obligated Group Member, and all rights to receive the same, whether in the form of accounts receivable, contract rights, general intangibles, chattel paper, instruments and the proceeds thereof, and any insurance or condemnation proceeds thereon, whether now owned or hereafter acquired, derived from the Excluded Property.

“Gross Receipts Fund” means the fund created and established pursuant to the Master Indenture.

“Guaranty” means an obligation of any Member of the Obligated Group guaranteeing in any manner, directly or indirectly, an obligation of any Person that is not a Member of the Obligated Group which obligation of such other Person would, if such obligation were the obligation of a Member of the Obligated Group, constitute Indebtedness hereunder. For the purposes of the Master Indenture, the aggregate annual principal and interest payments on any indebtedness in respect of which any Member of the Obligated Group shall have executed and delivered its Guaranty shall, so long as no payments are required to be made thereunder and so long as such Guaranty constitutes a contingent liability under generally accepted accounting deemed to be equal to 20% of the amount which would be payable as principal of and interest on the indebtedness for which a Guaranty shall have been issued during the Fiscal Year for which any computation is being made (calculated in the same manner as the Long-Term Debt Service Coverage Ratio), provided that if there shall have occurred a payment by any Member of the Obligated Group on such Guaranty then, during the period commencing on the date of such payment and ending on the day which is one year after such other Person resumes making all payments on such guaranteed obligation, 100% of the amount payable for principal and interest on such guaranteed indebtedness during the period for which the computation is being made shall be taken into account . Any Guaranty that is an obligation of more than one Member of the Obligated Group shall be counted only once for purposes of any test herein.

“Health Care Facilities” means the Property now or hereafter used by any Member of the Obligated Group to provide for the care, maintenance and treatment of patients or to otherwise provide health care and health-related services. Any facility whose primary function or functions is other than providing health care services and which has incidental health care services provided on its premises, shall not be deemed to be Health Care Facilities of an Obligated Group Member as of the date hereof . See Attachment A to the Master Indenture for a listing of existing Health Care Facilities.

“Holder” means an owner of any Obligation issued in other than bearer form.

“Income Available for Debt Service” means, with respect to the Obligated Group, as to any period of twelve (12) consecutive calendar months, its excess of revenues over expenses before depreciation, amortization and interest expense on Long-Term Indebtedness, as determined in accordance with generally accepted accounting principles consistently applied; provided, however, that (1) no determination thereof shall take into account (a) any gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business, (b) unrealized gains and losses on investments of a Member of the Obligated Group or (c) losses resulting from any reappraisal, revaluation or write down of assets for such period, (2) revenues shall not include earnings from the investment of Escrowed Interest or earnings constituting Escrowed Interest to the extent that such earnings are applied to the payment of principal or interest on Long Term Indebtedness which is excluded from the determination of Long Term Debt Service Requirement on Long Term Indebtedness, and (3) revenues shall include any payments by the United States Treasury of the credits allowed by Section 6431 of the Code.

“Indebtedness” means (i) all indebtedness of Members of the Obligated Group for borrowed money, (ii) all installment sales, conditional sales and capital lease obligations incurred or assumed by

any Member of the Obligated Group, (iii) all Guaranties, whether constituting Long-Term Indebtedness or Short-Term Indebtedness and (iv) Derivative Indebtedness . Indebtedness shall not include obligations of any Member of the Obligated Group to another Member of the Obligated Group.

“Insurance Consultant” means a firm or Person which is not, and no member stockholder, director, trustee, officer or employee of which is, an officer, director, trustee or employee of any Member of the Obligated Group or an Affiliate, which is qualified to survey risks and to recommend insurance coverage for hospitals, health-related facilities and services and organizations engaged in such operations and which is selected by the Corporation and is not unacceptable to the Master Trustee; provided that except with respect to the review of self-insurance programs or other captive insurance company, the term “Insurance Consultant” shall include qualified in-house risk management officers employed by any Member of the Obligated Group or an Affiliate.

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

“Interest Payment Date” means, with respect to an Applicable Series of Obligations and as set forth in the Applicable Supplement, the date on which interest is payable on such Obligation.

“Investment Agreement” means an agreement for the investment of moneys with a Qualified Financial Institution approved by any Applicable Credit Facility Issuer.

“Lease Agreement” see “County Lease”.

“Lien” means any mortgage deed of trust or pledge of, security interest in or encumbrance on any Property of any Member of the Obligated Group which secures any Indebtedness or any other obligation of any Member of the Obligated Group or which secures any obligation of any Person, other than an obligation to any Member of the Obligated Group.

“Long-Term Debt Service Coverage Ratio” means, for any period of time, the ratio determined by dividing (i) the Income Available for Debt Service by (ii) Annual Debt Service for the then current Fiscal Year.

“Long-Term Debt Service Requirement” means, for any period of twelve (12) consecutive calendar months for which such determination is made, the aggregate of the payments to be made in respect of principal and interest (whether or not separately stated) on Outstanding Long Term Indebtedness of the Obligated Group during such period, also taking into account:

- (i) with respect to Balloon Long-Term Indebtedness which is not amortized by the terms thereof (a) the amount of principal which would be payable in such period if such principal were amortized from the date of incurrence thereof over a period of thirty (30) years on a level debt service basis at an interest rate equal to the rate borne by such Indebtedness on the date calculated, except that if the date of calculation is within twelve (12) months of the actual maturity of such Indebtedness, the full amount of principal payable at maturity shall be included in such calculation or (b) principal payments or deposits with respect to such Indebtedness secured by an irrevocable letter of credit issued by, or an irrevocable line of credit with, a bank rated at least “A” by the Rating Service(s), or insured by an insurance policy issued by any insurance company rated at least “A” by Alfred M. Best Company or its successors in Best’s Insurance Reports or its successor publication, nominally due in the last Fiscal Year in which

such Indebtedness matures may, at the option of the Member of the Obligated Group which issued such Indebtedness, be treated as if such principal payments or deposits were due as specified in any loan or reimbursement agreement issued in connection with such letter of credit, line of credit or insurance policy or pursuant to the repayment provisions of such letter of credit, line of credit or insurance policy, and interest on such Indebtedness after such Fiscal Year shall be assumed to be payable pursuant to the terms of such loan or reimbursement agreement or repayment provisions;

(ii) with respect to Long-Term Indebtedness which is Variable Rate Indebtedness the interest on such Indebtedness shall be calculated at the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve month period), except that with respect to new Variable Rate Indebtedness (and the incurrence thereof) the interest rate for such Indebtedness for the initial interest rate period shall be the initial rate at which such Indebtedness is issued and thereafter shall be calculated as set forth above;

(iii) with respect to any Credit Facility, to the extent that such Credit Facility has not been used or drawn upon, the principal and interest relating to such Credit Facility shall not be included in the calculation of Long-Term Debt Service Requirement;

(iv) with respect to any guaranties, in accordance with the definition of “Guaranty” herein;

(v) with respect to Derivative Indebtedness, the interest on such Indebtedness during any Derivative Period and for so long as the provider of the Derivative Agreement has not defaulted on its payment obligations thereunder shall be calculated by adding (x) the amount of interest payable by a Member of the Obligated Group on such Derivative Indebtedness pursuant to its terms and (y) the amount of interest payable by such Member of the Obligated Group under the Derivative Agreement and subtracting (z) the amount of interest payable by the provider of the Derivative Agreement at the rate specified in the Derivative Agreement; provided, however, that to the extent that the provider of any Derivative Agreement is in default thereunder, the amount of interest payable by the Member of the Obligated Group shall be the interest calculated as if such Derivative Agreement had not been executed;

provided, however, that Escrowed Interest and Escrowed Principal shall be excluded from the determination of Long-Term Debt Service Requirement; and provided further, however that principal and interest payments due and payable in connection with any Indebtedness shall be excluded from the determination of Long-Term Debt Service Requirement for the period during which monies representing the principal and interest payments on said Indebtedness have been provided for from the proceeds thereof.

“Long-Term Indebtedness” means all Indebtedness (other than Indebtedness for which the timely payment of the principal of and interest on which has been provided for from the deposit of Defeasance Obligations) having a maturity longer than one year incurred or assumed by any Member of the Obligated Group, including without duplication:

(i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one year;

(ii) leases which are required to be capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year;

(iii) installment sale or conditional sale contracts having an original term in excess of one year;

(iv) Short-Term Indebtedness if a commitment by a financial lender exists to provide financing to retire such Short-Term Indebtedness and such commitment provides for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness; and

(v) the current portion of Long-Term Indebtedness.

“Master Indenture” means the Master Trust Indenture, dated as of November 1, 2000, as amended, by and between the Corporation, as representative of the Members of the Obligated Group, and the Master Trustee, including any amendments or supplements thereto.

“Master Trustee” means Deutsche Bank Trust Company Americas, New York, New York, as successor Master Trustee, and its successors in the trusts created under the Master Indenture.

“Maximum Annual Debt Service” means the highest Long-Term Debt Service Requirement for any succeeding Fiscal Year.

“Member of the Obligated Group” means initially the Corporation and thereafter shall include any other Person becoming a Member of the Obligated Group pursuant to the Master Indenture.

“Modification Agreement” means the agreement dated as of November 1, 2000 modifying the County Lease and the Transition Agreement.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation by notice to the Master Trustee.

“MSRB” means the Municipal Securities Rulemaking Board.

“Non-Recourse Indebtedness” means any Indebtedness incurred to finance the purchase of Property secured exclusively by a Lien on such Property or the revenues or net revenues produced by such Property or both, the liability for which is effectively limited to the Property subject to such Lien with no recourse, directly or indirectly, to (i) any other Property of any Member of the Obligated Group or (ii) any other assets of an Obligated Group Member.

“Obligated Group” means, collectively, the Members of the Obligated Group.

“Obligation” means the evidence of particular Indebtedness issued under the Master Indenture or a Supplement as a joint and several obligation of each Member of the Obligated Group and shall include Senior Obligations and Subordinate Obligations.

“Obligation Series Certificate” means a certificate of the Corporation fixing terms, conditions and other details of Obligations of an Applicable Series in accordance with the delegation of power to do so under an Applicable Supplement.

“Officer’s Certificate” means a certificate signed by the Authorized Representative of such Member of the Obligated Group.

Each Officer’s Certificate presented pursuant to the Master Indenture shall state that it is being delivered pursuant to (and shall identify the section or subsection of), and shall incorporate by reference and use in all appropriate instances all terms defined in, the Master Indenture. Each Officer’s Certificate shall state (i) that the terms thereof are in compliance with the requirements of the section or subsection pursuant to which such Officer’s Certificate is delivered or shall state in reasonable detail the nature of any non-compliance and the steps being taken to remedy such non-compliance and (ii) that it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

“Operating Assets” means any or all land, leasehold interests, buildings, machinery, equipment, hardware, inventory and other tangible and intangible property owned or operated by each Member of the Obligated Group and used in its respective trade or business, whether separately or together with other such assets, but not including cash, investment securities and other Property held for investment purposes.

“Opinion of Bond Counsel” means an opinion in writing signed by an attorney or firm of attorneys experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds and who is acceptable to the Master Trustee.

“Opinion of Counsel” means an opinion in writing signed by an attorney or firm of attorneys acceptable to the Master Trustee, who may be counsel for any Member of the Obligated Group or other counsel acceptable to the Master Trustee.

“Outstanding” when used with reference to Indebtedness or Obligations, means, as of any date of determination, all Indebtedness theretofore issued or incurred and not paid and discharged other than (i) Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation, (ii) Indebtedness deemed paid and no longer Outstanding under the documents pursuant to which such Indebtedness was incurred, (iii) Defeased Obligations and (iv) Obligations in lieu of which other Obligations have been authenticated and delivered or have been paid pursuant to the provisions of the Supplement regarding mutilated, destroyed, lost or stolen Obligations unless proof satisfactory to the Master Trustee has been received that any such Obligation is held by a bona fide purchaser; provided, however, that for purposes of determining whether the Holders of the requisite principal amount of Obligations have concurred in any demands, direction, request, notice, consent, waiver or other action under the Master Indenture, Obligations that are owned by any Member of the Obligated Group or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with such Member shall be deemed not to be Outstanding; provided further, however, that for the purposes of determining whether the Master Trustee shall be protected in relying on any such direction, consent or waiver, only such Obligations which the Master Trustee has actual notice or knowledge are so owned shall be deemed to be not Outstanding.

“Paying Agent” means, with respect to an Applicable Series of Obligations, the Master Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions hereof or of an Applicable Supplement or an Applicable Obligations Series Certificate.

“Permitted Liens” shall have the meaning given in the Master Indenture.

“Person” includes an individual, association, unincorporated organization, corporation, partnership, joint venture, business trust or a government or an agency or a political subdivision thereof, or any other entity.

“Property” means any and all rights, titles and interests in and to any and all property, whether real or personal, tangible or intangible and wherever situated.

“Property, Plant and Equipment” means all Property of the Members of the Obligated Group which is property, plant and equipment under generally accepted accounting principles.

“Qualified Financial Institution” means (i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and which is on the Federal Reserve Bank of New York’s list of primary government securities dealers, (ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, (iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity or which is a subsidiary of a foreign insurance company, (iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality not objected to by the Master Trustee after due notice; or (v) a corporation whose obligations including any investments purchased from such corporation for the account of the Master Trustee are insured by the Applicable Credit Facility Issuer; provided, that in the case of any entity described in clause (ii), (iii) or (iv) above, the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement, insurance policy or surety bond issued by any such organization, have been assigned a credit rating by the Rating Service(s) rating the Obligations which is not lower than “A”, without regard to plus or minus, or which bank, trust company, national banking association or securities dealer or affiliate or subsidiary thereof is approved by the Applicable Credit Facility Issuer.

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

“Record Date” means, unless the Applicable Supplement authorizing an Applicable Series of Obligations or a Obligations Series Certificate relating thereto provides otherwise with respect to Obligations of such Series, fifteen (15) days (whether or not a Business Day) prior to each interest payment date.

“Redemption Price” when used with respect to an Obligation of an Applicable Series, means the principal amount of such Obligation plus the applicable premium, if any, payable upon redemption thereof, pursuant hereto or to the Applicable Supplement or Applicable Obligations Series Certificate.

“Refunding Obligations” means all Obligations whether issued in one or more Applicable Series of Obligations, authenticated and delivered pursuant hereto, and originally issued pursuant to the Master Indenture, and any Obligations thereafter authenticated and delivered in lieu of or in substitution for such Obligations.

“Required Ratios” shall mean a Long-Term Debt Service Coverage Ratio of at least 1.25 and a Cushion Ratio of at least 1.25.

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

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw Hill Companies Inc., its successors and their assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation by notice to the Master Trustee.

“Securities” means (i) moneys, (ii) Government Obligations, (iii) Exempt Obligations, (iv) any bond, debenture, note, preferred stock or other similar obligation of any corporation incorporated in the United States, which security, at the time an investment therein is made or such security is deposited in any fund or account hereunder, is rated without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, “Aa” or better by the Rating Service(s) and (v) with the consent of the Applicable Credit Facility Issuer, common stock of any corporation incorporated in the United States of America whose senior debt, if any, at the time an investment in its stock is made or its stock is deposited in any fund or account established hereunder, is rated, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, “Aa” or better by the Rating Service(s) or is rated with a comparable rating by any other nationally recognized rating service acceptable to the Corporation and the Applicable Credit Facility Issuer.

“Senior Bonds” means the Revenue Bonds designated as “Senior Lien” issued pursuant to the Master Indenture.

“Senior Obligation” means the Obligations so designated by the pertinent Supplement as having rights superior to Subordinate Obligations.

“Serial Obligation” means the Obligation so designated in an Applicable Supplement or an Applicable Obligations Series Certificate.

“Series” means all of the Obligations authenticated and delivered on original issuance and pursuant hereto and an Applicable Supplement and designated therein as such, and any Obligations of such Series thereafter authenticated and delivered in lieu of or in substitution for such Obligations pursuant to Article III of the Master Indenture, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

“Series 2011 Bonds” means, together, the Series 2011A Bonds and the Series 2011B Bonds.

“Series 2000A Account in the Debt Service Reserve Fund” means the Series 2000A account established in the Debt Service Reserve Fund pursuant to the First Supplement.

“Series 2000A Bonds” means the Revenue Bonds, Series 2000A issued as Senior Lien Obligations pursuant to the First Supplement.

“Series 2011 Account in the Debt Service Reserve Fund” means the Series 2011 account established in the Debt Service Reserve Fund pursuant to the Seventh Supplement.

“Series 2011A Bonds” means the Revenue Bonds, Series 2011A (Tax-Exempt) Senior Lien issued as Senior Lien Obligations pursuant to the Seventh Supplement..

“Series 2011B Bonds” means the Revenue Bonds, Series 2011B (Tax-Exempt) Senior Lien issued as Senior Lien Obligations pursuant to the Seventh Supplement.

“Seventh Supplement” or “Supplemental Indenture” means the Seventh Supplemental Indenture dated as of November 1, 2011, between the Corporation, as representative of the Members of the Obligated Group, and the Master Trustee.

“Short-Term Indebtedness” means all Indebtedness having a maturity of one year or less, other than the current portion of Long-Term Indebtedness, incurred or assumed by any Member of the Obligated Group, including:

- (i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one year or less;
- (ii) leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one year or less; and
- (iii) installment purchase or conditional sale contracts having an original term of one year or less.

“Sinking Fund Installment” means with respect to any Series of Obligations, as of any date of calculation and with respect to any Obligations of such Series, so long as any such Obligations thereof are Outstanding, the amount of money required by the Applicable Supplement pursuant to which such Obligations were issued or by the Applicable Obligations Series Certificate, to be paid on a single future sinking fund payment date for the retirement of any Outstanding Obligations of said Series which mature after said future sinking fund payment date, but does not include any amount payable by the Corporation by reason only of the maturity of such Obligations, and said future sinking fund payment date is deemed to be the date when such Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Obligations are deemed to be Obligations entitled to such Sinking Fund Installment.

“State” means the State of New York.

“Subordinate Bonds” means the Revenue Bonds designated as “Subordinate Lien” issued pursuant to the Master Indenture.

“Subordinate Obligation” means Indebtedness the payment of which is evidenced by instruments, or issued under a Supplement or other document, containing specific provisions subordinating such Indebtedness to the Senior Obligations.

“Supplement” means an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Indenture.

“Tax-Exempt Bonds” means the Series 2011 Bonds.

“Tax-Exempt Organization” means a Person organized under the laws of the United States of America or any state thereof which is (i) a public benefit corporation created under the Act, (ii) an

organization described in Section 501(c)(3) of the Code or is treated as an organization described in Section 501(c)(3) of the Code and (iii) exempt from federal income taxes under Section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

“Term Obligations” means with respect to Obligations of a Series, the Obligations so designated in an Applicable Supplement or an Applicable Obligations Series Certificate and payable from Sinking Fund Installments.

“Total Operating Revenues” means, with respect to the Obligated Group, as to any period of time, total operating revenues less all deductions from revenues, as determined in accordance with generally accepted accounting principles consistently applied.

“Transfer” means any act or occurrence the result of which is to dispossess any Person of any asset or interest therein, including specifically, but without limitation, the forgiveness of any debt.

“Transition Agreement” means that certain amended and restated agreement between the County and the Corporation dated as of December 30, 1998, as amended.

“Variable Rate Indebtedness” means any portion of Indebtedness the interest rate on which has not been established at a fixed or constant rate to maturity.

APPENDIX D

**SUMMARY OF CERTAIN PROVISIONS OF
THE MASTER INDENTURE AND THE SUPPLEMENTAL INDENTURE**

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SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE

The Master Indenture contains terms and conditions relating to the issuance and sale of Obligations thereunder, including various covenants and security provisions, certain of which are summarized below. This summary does not purport to be complete or comprehensive and, accordingly, is qualified by reference thereto and is subject to the full text thereof.

Amount of Indebtedness

Subject to the terms, limitations and conditions established in the Master Indenture, each Member of the Obligated Group may incur Indebtedness by issuing Obligations under the Master Indenture or by creating Indebtedness under any other document. The principal amount of Indebtedness created under other documents and the number and principal amount of Obligations evidencing Indebtedness that may be created under the Master Indenture are not limited, except as limited by the provisions thereof, including the provisions described under the heading “Limitations on Indebtedness” in the Master Indenture, or of any Supplement. Any Member of the Obligated Group proposing to incur Long-Term Indebtedness, whether evidenced by Obligations, Guaranties or by evidence of Indebtedness entered into pursuant to documents other than the Master Indenture, shall, at least seven (7) days prior to the date of the incurrence of such Indebtedness, give written notice of its intention to incur such Indebtedness, including in such notice the amount of Indebtedness to be incurred and the subsection of the appropriate section of the Master Indenture under which it will be incurred, to the Corporation with copies to other Members of the Obligated Group, any Applicable Credit Facility Issuer and to the Master Trustee, and any such Member of the Obligated Group proposing to incur such Indebtedness shall obtain the written consent of the Corporation, which consent shall be evidenced by a resolution of the Corporation’s Governing Body filed with the Master Trustee. Each Member of the Obligated Group is jointly and severally liable for each and every Obligation issued under the Master Indenture. (*Section 2.01*)

Supplement Creating Obligations

The Corporation (on behalf of the Obligated Group) and the Master Trustee may from time to time enter into a Supplement in order to create an Obligation or a Series of Obligations under the Master Indenture. Such Supplement shall, with respect to an Obligation or a Series of Obligations evidencing Indebtedness created thereby, set forth the date thereof, and the date or dates on which the principal of and premium, if any, and interest on such Obligation or Series of Obligations shall be payable, the provisions regarding discharge thereof, and the form of such Obligation or Series of Obligations and such other terms and provisions as shall conform with the provisions of the Master Indenture. In addition to the security therefor provided under the heading “Security; Restrictions on Encumbering Property; Joint and Several Obligation” in the Master Indenture, any such Obligation or Series of Obligations may be secured by such Properties and revenues of the Member of the Obligated Group as may be permitted under the Master Indenture and under the provisions of the Applicable Supplement. (*Section 2.05*)

Establishment of Funds

The following funds are authorized to be established, held and maintained under the Master Indenture by the Master Trustee, and the Master Trustee may establish for each Applicable Obligation or Series of Obligations one or more sub-accounts, as provided under the Applicable Supplement, separate from any other funds or accounts established and maintained pursuant to any other Supplement:

Construction Fund;

Debt Service Fund;

Debt Service Reserve Fund; and Arbitrage Rebate Fund.

As indicated above, accounts and sub-accounts within each of the foregoing funds, or other funds deemed appropriate therefor, may, from time to time, be established in accordance with an Applicable Supplement, an Applicable Obligation Series Certificate or upon the direction of the Corporation. Except as otherwise provided in any Supplement or Obligations Series Certificate, all moneys at any time deposited in any fund created hereby, other than the Applicable Arbitrage Rebate Fund, shall be held in trust for the benefit of the Holders of the Applicable Obligations or Series of Obligations, but shall nevertheless be disbursed, allocated and applied solely in connection with an Applicable Obligation or Series of Obligations for the uses and purposes provided in the Master Indenture. (*Section 5.01*)

Security for Deposits

All moneys held pursuant to a Supplement by the Master Trustee shall be continuously and fully secured, for the benefit of the Obligated Group and the Holders of the Applicable Obligation or Series of Obligations, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Master Trustee; provided, however, (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Master Trustee or any Paying Agent to give security for the deposit of any moneys with them and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on an Obligation or a Series of Obligations, or for the Master Trustee to give security for any moneys which shall be represented by obligations purchased or other investments made under the provisions of the Master Indenture as an investment of such moneys. (*Section 5.02*)

Investment of Funds Held by the Master Trustee

(a) Money held pursuant to a Supplement by the Master Trustee in an Applicable Construction Fund, Applicable Debt Service Fund, Applicable Debt Service Reserve Fund and Applicable Arbitrage Rebate Fund, if permitted by law, shall, as nearly as may be practicable, be invested by the Master Trustee, upon direction of the Corporation (on behalf of the Obligated Group) given or confirmed in writing (which direction shall specify the amount thereof to be so invested), in Government Obligations, deposits fully insured by the Federal Deposit Insurance Corporation or Exempt Obligations.

(b) In lieu of the investment of moneys in obligations authorized in subdivision (a) above, the Master Trustee shall, to the extent permitted by law, upon direction of the Corporation given or confirmed in writing, invest moneys in (i) interest-bearing time deposits, certificates of deposit or other similar investment arrangements including, but not limited to, written repurchase agreements relating to Government Obligations, with banks, trust companies, savings banks, savings and loan associations, or securities dealers approved by the Corporation the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation; or (ii) Investment Agreements; provided that (w) each such investment shall permit the moneys so deposited or invested to be available for use at the times at, and in the amounts in, which the Corporation reasonably believes such moneys will be required for the purposes of the Master Indenture, (x) all moneys in each such interest-bearing time deposit, certificate of deposit or other similar investment arrangement shall be continuously and fully secured by ownership of or a security interest in Government Obligations of a market value determined by the Master Trustee or its agent that is at least equal to the amount deposited or invested including interest accrued thereon, (y) the obligations securing such interest-bearing time deposit or certificate of deposit or which are the subject of such other similar investment arrangement shall be deposited with and

held by the Master Trustee or an agent of the Master Trustee approved by the Corporation, and (z) the Government Obligations securing such time deposit or certificate of deposit or which are the subject of such other similar investment arrangements shall be free and clear of claims of any other person.

(c) Obligations purchased or other investments made as an investment of moneys in any fund held by the Master Trustee under the provisions of any Supplement shall be deemed at all times to be a part of such fund and the income or interest earned, profits realized or losses suffered by a fund due to the investment thereof shall be retained in, credited or charged, as the case may be, to such fund unless otherwise provided in such Supplement.

(d) In computing the amount in any fund held by the Master Trustee under the provisions of the Master Indenture, obligations purchased as an investment of moneys therein or held therein shall be valued at par or the market value thereof, plus accrued interest, whichever is lower, except that investments held in a Debt Service Reserve Fund shall be valued at the market value thereof, plus accrued interest and except that Investment Agreements shall be valued at original cost, plus accrued interest.

(e) The Corporation, in its discretion, may direct the Master Trustee to, and the Master Trustee shall, sell, or present for redemption or exchange any investment held by the Master Trustee pursuant to the Master Indenture and the proceeds thereof may be reinvested as provided in this Section. Except as otherwise provided in the Master Indenture, the Master Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Master Indenture whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund in which such investment is held. The Master Trustee shall advise the Corporation in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Master Indenture and of the details of all investments held for the credit of each fund in its custody under the provisions of the Master Indenture as of the end of the preceding month and as to whether such investments comply with the provisions of subdivisions (a), (b) and (c) of this section. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Master Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund in the previous month.

(f) No part of the proceeds of any Applicable Obligation or Series of Obligations or any other funds of the Corporation shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Obligation to be an “arbitrage bond” within the meaning of Section 148(a) of the Code. (*Section 5.03*)

Security; Restrictions on Encumbering Property; Joint and Several Obligation

(a) Pursuant to the Master Indenture, the Gross Receipts are pledged and assigned to the Master Trustee as security for the payment of all Obligations and as security for the performance of any other obligation of the Obligated Group under the Master Indenture and under any Obligation, all in accordance with the provisions of the Master Indenture and thereof. The pledge made thereby is valid, binding and perfected from the time when made and the Gross Receipts shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against any Member of the Obligated Group irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed.

(b) All funds and accounts authorized by the Master Indenture and established pursuant to an Applicable Supplement, other than an Applicable Arbitrage Rebate Fund, are subject to the Applicable Supplement, pledged and assigned to the Master Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Applicable Obligation or Series of Obligations and as security for the performance of any other obligation of the Obligated Group under the Master Indenture and under the Applicable Supplement with respect to such Obligation or Series of Obligations, all in accordance with the provisions of the Master Indenture and thereof. Such pledge, subject to the adoption of the Applicable Supplement, shall relate only to the Applicable Obligation or Series of Obligations authorized by such Supplement and no other Obligation or Series of Obligations and such pledge shall not secure any such other Obligation or Series of Obligations other than the Applicable Obligations or Series of Obligations. Such pledge is valid, binding and perfected from the time when the pledge attaches, and all funds and accounts established by the Master Indenture and pursuant to the Applicable Supplement which are pledged by the Master Indenture and pursuant to the Applicable Supplement shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against any Member of the Obligated Group irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed.

(c) Each Obligation and Series of Obligations shall be special obligations of the Obligated Group payable solely from and secured by a pledge of the Gross Receipts and, as and to the extent provided in the Applicable Supplement, the funds and accounts established by the Master Indenture and pursuant to the Applicable Supplement, which pledge shall constitute a first lien thereon.

(d) Upon the occurrence and continuance of any Event of Default, all such Gross Receipts and any funds and accounts pledged and assigned as security for Applicable Obligations shall be held in trust for the Holders from time to time of the Applicable Obligations issued and Outstanding under the Master Indenture, without preference or priority of any one Obligation over any other Obligation, except as otherwise set forth in the Applicable Supplement; provided that the Holders of Obligations designated as Subordinate Obligations shall have only such rights to such security as shall be set forth in the Applicable Supplement, the Applicable Obligations Series Certificate or other document creating the Subordinate Obligations; and provided, further, that the Holders of Obligations designated as Senior Obligations shall have no right, title or claim to or against any moneys paid by the County pursuant to any County Guaranty unless otherwise provided in the Applicable Supplement, the Obligations Series Certificate or other document creating the Senior Obligation. If any Event of Default shall have occurred, any Gross Receipts thereafter received shall immediately, upon receipt, be transferred into the Gross Receipts Fund established pursuant to the Master Indenture for disposition as therein provided by the Master Trustee. Prior to the receipt of the written request of the Holders by the Master Trustee, in accordance with the Master Indenture, any Member of the Obligated Group may transfer all or any part of its Gross Receipts free of such security interest, subject, however, to the provisions of the Master Indenture. In the event of such transfer, upon the request and at the expense of a Member of the Obligated Group, the Master Trustee shall execute a release of its security interest with respect to the assets so transferred.

(e) At least one Business Day prior to the delivery of the first Obligation under the Master Indenture, there shall be delivered to the Master Trustee duly executed financing statements evidencing the security interests of the Master Trustee in the Gross Receipts and other amounts pledged under the Master Indenture and under the Applicable Supplement in the form required by the New York Uniform Commercial Code with copies sufficient in number for filing in the office of the Secretary of State of the State of New York and in the offices of the applicable county clerks. Each Member of the Obligated Group shall also execute and deliver to the Master Trustee from time to time such amendments or

supplements to the Master Indenture as may be necessary or appropriate to include as security the Gross Receipts and other amounts pledged under the Master Indenture and under the Applicable Supplement. In addition, each Member of the Obligated Group has covenanted that it will prepare and file such financing statements or amendments to, or terminations of existing financing statements which shall, in the Opinion of Counsel, be necessary to comply with applicable law or as required due to changes in the Obligated Group, including, without limitation, (i) any Person becoming a Member of the Obligated Group pursuant to the Master Indenture, or (ii) any Member of the Obligated Group ceasing to be a Member of the Obligated Group pursuant to the Master Indenture. In particular, each Member of the Obligated Group covenants that it will, at least thirty (30) days prior to the expiration of any financing statement, prepare and file such continuation statements of existing financing statements as shall, in the Opinion of Counsel, be necessary to continue the security interest created under the Master Indenture pursuant to applicable law and shall provide to the Master Trustee written notice of such filing. If the Master Trustee shall not have received such notice at least twenty-five (25) days prior to the expiration date of any such financing statement, the Master Trustee shall prepare and file or cause each Member of the Obligated Group to prepare and file such continuation statements in a timely manner to assure that the security interest in Gross Receipts shall remain perfected.

(f) Each Obligation shall be a joint and several general obligation of each Member of the Obligated Group. Each Member of the Obligated Group covenants to promptly pay or cause to be paid the principal of, premium, if any, and interest on each Obligation issued pursuant to the Master Indenture at the place, on the dates and in the manner provided in the Master Indenture, the Applicable Supplement, the Applicable Obligations Series Certificate and in said Obligation according to the terms of the Master Indenture and thereof whether at maturity, upon proceedings for redemption, by acceleration or otherwise. *(Section 6.01)*

Covenants as to Corporate Existence, Maintenance of Properties, Etc.

Each Member of the Obligated Group hereby covenants:

(a) Except as otherwise expressly provided in the Master Indenture, to preserve its corporate or other legal existence and all its material rights and licenses to the extent necessary or desirable in the operation of its business and affairs and be qualified to do business in each jurisdiction where its ownership of Property or the conduct of its business requires such qualifications; provided, however, that nothing in the Master Indenture shall be construed to obligate it to retain or preserve any of its rights or licenses, no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(b) At all times to cause its Property in all material respects to be maintained, preserved and kept in good repair, working order and condition and all needed and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing contained in this subsection shall be construed to (i) prevent it from ceasing to operate any portion of its Property, if in its judgment (evidenced, in the case of such a cessation other than in the ordinary course of business by an opinion or certificate of a Consultant) it is advisable not to operate the same, or if it intends to sell or otherwise dispose of the same and within a reasonable time endeavors to effect such sale or other disposition, or (ii) to obligate it to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(c) To do all things reasonably necessary to conduct its affairs and carry on its business and operations in such manner as to comply in all material respects with any and all applicable laws of the United States and the several states thereof and duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its Properties; provided, nevertheless, that nothing in the Master Indenture shall require it to comply with,

observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof or the applicability thereof to it shall be contested in good faith.

(d) To pay promptly when due all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its Property; provided, however, that it shall have the right to contest in good faith any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof.

(e) To pay promptly or otherwise satisfy and discharge all of its Indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Obligations created and Outstanding under the Master Indenture) whose validity, amount or collectability is being contested in good faith.

(f) At all times to comply in all material respects with all terms, covenants and provisions of any Liens in all material respects at such time existing upon its Property or any part thereof or securing any of its Indebtedness.

(g) To procure and maintain all necessary licenses and permits to operate its business; provided, however, that it need not comply with this section (g) if and to the extent that its Governing Body shall have determined in good faith, evidenced by a resolution of the Governing Body, that such compliance is not in its best interests and that lack of such compliance would not materially impair its ability to pay its Indebtedness when due.

(h) So long as the Master Indenture shall remain in force and effect, each Member of the Obligated Group which is a Tax-Exempt Organization at the time it becomes a Member of the Obligated Group agrees that, so long as all amounts due or to become due on any Outstanding Obligations which bear interest which is not includable in the gross income of the recipient thereof under the Code have not been fully paid to the holder thereof, it shall not take any action or suffer any action to be taken by others, including any action which would result in the alteration or loss of its status as a Tax-Exempt Organization, or fail to take any action which failure, in the Opinion of Bond Counsel, would result in the interest on any such Outstanding Obligation becoming included in the gross income of the holder thereof for federal income tax purposes. (Section 6.02)

Insurance

Each Member of the Obligated Group agrees that it will maintain, or cause to be maintained, insurance (including one or more self-insurance programs considered to be adequate) covering such risks in such amounts and with such deductibles and co-insurance provisions as, in the judgment of its Governing Body, are adequate to protect it and its Property and operations.

The Corporation shall engage an Insurance Consultant to review the insurance requirements of the Members of the Obligated Group from time to time (but not less frequently than biennially). If the Insurance Consultant makes recommendations for the increase of any coverage, the applicable Member of the Obligated Group shall increase or cause to be increased such coverage in accordance with such recommendations, subject to a good faith determination of the Governing Body of such Member that such recommendations, in whole or in part, are in the best interests of the Obligated Group. If the Insurance Consultant makes recommendations for the decrease or elimination of any coverage, the Member of the Obligated Group may decrease or eliminate such coverage in accordance with such recommendations, subject to a good faith determination of the Governing Body of the Corporation that such recommendations, in whole or in part, are in the best interests of the Obligated Group. Notwithstanding anything in this "Insurance" section to the contrary, each Member of the Obligated Group shall have the

right, without giving rise to an Event of Default solely on such account, (i) to maintain insurance coverage below that most recently recommended by the Insurance Consultant, if the Corporation furnishes to the Master Trustee a report of the Insurance Consultant to the effect that the insurance so provided affords either the greatest amount of coverage available for the risk being insured against at rates which in the judgment of the Insurance Consultant are reasonable in connection with reasonable and appropriate risk management, or the greatest amount of coverage necessary by reason of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or (ii) to adopt alternative risk management programs which the Insurance Consultant determines to be reasonable, including, without limitation, to self-insure in whole or in part individually or in connection with other institutions, to participate in programs of captive insurance companies, to participate with other health care institutions in mutual or other cooperative insurance or other risk management programs, to participate in state or federal insurance programs, to take advantage of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or to establish or participate in other alternative risk management programs; all as may be approved by the Insurance Consultant as reasonable and appropriate risk management by the Obligated Group. If any Member of the Obligated Group shall be self-insured for any coverage, the report of the Insurance Consultant mentioned above shall state whether the anticipated funding of any self-insurance fund is actuarially sound, and if not, the required funding to produce such result and such coverage shall be reviewed by the Insurance Consultant not less frequently than annually. (*Section 6.03*)

Insurance and Condemnation Proceeds

(a) Unless otherwise provided in the Applicable Supplement, amounts that do not exceed 20% of the Book Value of the Property, Plant and Equipment of the Obligated Group received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss or as condemnation awards may be used in such manner as the recipient may determine, including, without limitation, applying such moneys to the payment or prepayment of any Indebtedness in accordance with the terms thereof and of the Applicable Supplement.

(b) Unless otherwise provided in the Applicable Supplement, amounts that exceed 20% of the Book Value of the Property, Plant and Equipment of the Obligated Group received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss or as condemnation awards shall be applied to repair or replace the Property (either Property serving the same function or other Property that, in the judgment of the Governing Body, is of at least equal usefulness) to which such proceeds relate or to the payment or prepayment of Indebtedness in accordance with the terms thereof and of the Applicable Supplement; provided, however, that such amounts may be used in such manner as the recipient may determine, if the recipient notifies the Master Trustee and within twelve (12) months after the casualty loss or taking, delivers to the Master Trustee;

(i) (A) An Officer's Certificate of the Corporation certifying the forecasted Long-Term Debt Service Coverage Ratio for each of the two Fiscal Years following the date on which such proceeds or awards are forecasted to have been fully applied, which Long-Term Debt Service Coverage Ratio for each such period is not less than 1.50, as shown by pro forma financial statements for each such period, accompanied by a statement of the relevant assumptions including assumptions as to the use of such proceeds or awards, upon which such pro forma statements are based; and (B) if the amount of such proceeds or awards received with respect to any casualty loss or condemnation exceeds 30% of the Book Value of the Property, Plant and Equipment of the Obligated Group, a written report of a Consultant confirming such certification; or

(ii) A written report of a Consultant stating the Consultant's recommendations, including recommendations as to the use of such proceeds or awards, to cause the Long-Term Debt Service Coverage Ratio for each of the periods described in subsection (i) of this section to be not less than 1.20, or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest practicable level; and an Officer's Certificate of the Corporation certifying that the recipient will use such proceeds in accordance with the recommendations contained in the Consultant's report.

Each Member of the Obligated Group agrees that it will use such proceeds or awards, to the extent permitted by law, only in accordance with the assumptions described in subsection (i), or the recommendations described in subsection (ii) of this section. (*Section 6.04*)

Limitations on Creation of Liens

Each Member of the Obligated Group agrees that it will not create or suffer to be created or permit the existence of any Lien on Property now owned or hereafter acquired by it other than Permitted Liens.

Permitted Liens shall consist of the following:

(i) Liens arising by reason of good faith deposits by any Member of the Obligated Group in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Member of the Obligated Group to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(ii) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member of the Obligated Group to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(iii) Any judgment Lien against any Member of the Obligated Group so long as such judgment is being contested in good faith and execution thereon is stayed;

(iv) (A) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (B) any Liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to Liens of mechanics, materialmen, laborers, suppliers or vendors, have been due for less than 180 days; and (C) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof;

(v) Any Lien which is existing on the date of authentication and delivery of the initial Obligation issued under the Master Indenture, which is set forth in this section or on Schedule A attached to the Master Indenture, provided that no such Lien may be increased, extended, renewed or modified to apply to any Property of any Member of the Obligated Group not subject to such Lien on such date or to secure Indebtedness not Outstanding as of the date of the Master Indenture, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien under the Master Indenture. Liens existing on the date of authentication and delivery of the initial Obligation includes the lien of Article 28 of the Transition Agreement and Article 42 of the Lease Agreement;

(vi) Any Liens of a new Member or a successor to an existing Member that is permitted to remain outstanding after such new Member or successor becomes a Member of the Obligated Group pursuant to the Master Indenture;

(vii) Any Lien securing Non-Recourse Indebtedness permitted by subsection (d) under the heading "Limitations on Indebtedness" herein;

(viii) Any Lien on Property acquired by a Member of the Obligated Group if the indebtedness secured by the Lien is Additional Indebtedness permitted under the provisions of the heading "Limitations on Indebtedness" herein, and if an Officer's Certificate is delivered to the Master Trustee certifying that (A) the Lien and the indebtedness secured thereby were created and incurred by a Person other than the Member of the Obligated Group, and (B) the Lien was not created for the purpose of enabling the Member of the Obligated Group to avoid the limitations of the Master Indenture on creation of Liens on Property of the Obligated Group;

(ix) So long as no Event of Default exists under the Master Indenture, any Lien on accounts receivable and the proceeds from the sale thereof securing Indebtedness, which conforms to the limitations contained under the provisions of the heading "Limitations on Indebtedness" herein;

(x) Any Lien on Property which secures Indebtedness that does not exceed 20% of Net Property, Plant and Equipment as reflected in the most recent Audited Financial Statements;

(xi) Any Lien in favor of a creditor or a trustee on the proceeds of Indebtedness and any earnings thereon prior to the application of such proceeds and such earnings;

(xii) Any Lien in favor of a trustee or other agent on the proceeds of Indebtedness and any earnings thereon created by the irrevocable deposit of such monies for the purpose of refunding Indebtedness;

(xiii) Any Lien securing all Senior Obligations on a parity basis or any Lien securing all Subordinate Obligations on a parity basis;

(xiv) Liens on moneys deposited by patients or others with any Member of the Obligated Group as security for or as prepayment for the cost of patient care;

(xv) Liens on Property received by any Member of the Obligated Group through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(xvi) Liens on Property due to rights of third party payors for recoupment of amounts paid to any Member of the Obligated Group;

(xvii) Any lien on equipment incurred in connection with the lease or acquisition of same; and

(xviii) Any Lien on Excluded Property. (*Section 6.05*)

Limitations on Indebtedness

Each Member of the Obligated Group covenants and agrees that it will not incur any Additional Indebtedness if, after giving effect to all other Indebtedness incurred by the Obligated Group, such Indebtedness could not be incurred pursuant to any one of subsections (a) to (g), inclusive, of this section “Limitations on Indebtedness”. Any Indebtedness may be incurred only in the manner and pursuant to the terms set forth in such subsections. Each Member of the Obligated Group further covenants and agrees that it will not incur any Additional Indebtedness without the written consent of the Corporation, as evidenced by an Officer’s Certificate to be delivered to the Master Trustee prior to the incurrence of such Additional Indebtedness and a certified resolution of the Governing Board of such Member of the Obligated Group.

(a) Long-Term Indebtedness may be incurred without the need to meet any tests or provide certification to the Master Trustee if the aggregate principal amount of such Indebtedness does not exceed \$2.5 million in any calendar year, or if, prior to incurrence of the Long-Term Indebtedness, there is delivered to the Master Trustee:

(i) An Officer’s Certificate of the Corporation certifying that:

(A) The cumulative principal amount of all then outstanding Long-Term Indebtedness incurred pursuant to this subsection (a)(i)(A), together with the Indebtedness then to be issued, does not exceed 20% of Net Property, Plant and Equipment as reflected in the most recently Audited Financial Statements, or

(B) The Long-Term Debt Service Coverage Ratio for each of the most recent two periods of twelve (12) full consecutive calendar months preceding the date of delivery of the certificate of the Corporation for which there are Audited Financial Statements available taking all Long-Term Indebtedness incurred after such period and the proposed Long-Term Indebtedness into account as if such Long-Term Indebtedness had been incurred at the beginning of such period, is not less than 1.35; or

(ii) (1) An Officer’s Certificate of the Corporation demonstrating that the Long-Term Debt Service Coverage Ratio for each of the two periods mentioned in subsection (a)(i)(B) of this section, excluding the proposed Long-Term Indebtedness, is at least 1.35 and (2) a written report of a Consultant demonstrating that the forecasted Long-Term Debt Service Coverage Ratio, including the proposed Long-Term Indebtedness, is not less than 1.35 for (x) in the case of Long-Term Indebtedness (other than a Guaranty) to finance Capital Additions, each of the two full Fiscal Years succeeding the date on which such Capital Additions are forecasted to be in operation, or (y) in the case of Long-Term Indebtedness not financing Capital Additions or in the case of a Guaranty, each of the two full Fiscal Years succeeding the date on which the Indebtedness is incurred, as shown by pro forma financial statements for the Obligated Group for each such period, accompanied by a statement of the relevant assumptions upon which such pro forma financial statements for the Obligated Group are based; provided, however, that

compliance with the tests set forth in this section (a)(ii) may be evidenced by a certificate of the Corporation in lieu of a Consultant's report where the Long-Term Debt Service Coverage Ratio set forth in this subsection (a)(ii)(2) is equal to or greater than 1.50; provided, however, that if the report of a Consultant states that Governmental Restrictions have been imposed which make it impossible for the coverage requirements of this subsection to be met, then such coverage requirements shall be reduced to the maximum coverage permitted by such Governmental Restrictions but in no event less than 1.00.

(b) Long-Term Indebtedness incurred for the purpose of refunding any Outstanding Long-Term Indebtedness may be incurred if, prior to the incurrence of such Long-Term Indebtedness, (i) if the Long-Term Indebtedness to be incurred does not constitute Cross-over Refunding Indebtedness, there is delivered to the Master Trustee (A) an Officer's Certificate of the Corporation demonstrating that Maximum Annual Debt Service will not increase by more than 15% after the incurrence of such proposed refunding Long-Term Indebtedness and after giving effect to the disposition of the proceeds thereof and (B) an Opinion of Counsel stating that upon the incurrence of such proposed Long-Term Indebtedness and application of the proceeds thereof, the Outstanding Long-Term Indebtedness to be refunded thereby will no longer be Outstanding; or (ii) if the Indebtedness proposed to be issued is Cross-over Refunding Indebtedness, there is delivered to the Master Trustee a certificate of the Corporation stating that the total Maximum Annual Debt Service on the proposed Cross-over Refunding Indebtedness and the Applicable Cross-over Refunded Indebtedness, immediately after the issuance of the proposed Cross-over Refunding Indebtedness, will not exceed the Maximum Annual Debt Service on the Cross-over Refunded Indebtedness alone, immediately prior to the issuance of the Cross-over Refunding Indebtedness, by more than 15%.

(c) Short-Term Indebtedness may be incurred in the ordinary course of business subject to the limitation that the aggregate of all Short-Term Indebtedness shall not at any time exceed 20% of Total Operating Revenues as reflected in the Audited Financial Statements of the Obligated Group for the most recent period of twelve (12) consecutive months for which Audited Financial Statements are available; provided, however, that there shall be a period of at least thirty (30) consecutive calendar days during each such period of twelve (12) consecutive calendar months for which Audited Financial Statements are available during which Short-Term Indebtedness shall not exceed 5% of Total Operating Revenues. For purposes of this subsection (c), a Guaranty of Short-Term Indebtedness shall be valued at 20% of the aggregate principal amount of the Short-Term Indebtedness guaranteed so long as no payments are required to be made thereunder and so long as such Guaranty constitutes a contingent liability under generally accepted accounting principles; provided that in the event such Guaranty shall be drawn upon, such Guaranty shall be valued at 100% of the aggregate principal amount of the Short-Term Indebtedness guaranteed. For the purpose of calculating compliance with the tests set forth in this subsection (c), Short-Term Indebtedness secured by accounts receivable shall not be taken into account except to the extent provided in subsection (f) of this section.

(d) Non-Recourse Indebtedness may be incurred without limit.

(e) Subordinate Obligations may be incurred with the same limits as Senior Obligations and subject to the terms of the Applicable Supplement or Applicable Obligations Series Certificate.

(f) Short-Term Indebtedness secured by accounts receivable may be incurred within the limitations imposed on the pledge or sale of accounts receivable provided by the last paragraph of this section "Limitations on Indebtedness"; provided that at the time of incurrence, the outstanding principal amount of such Short-Term Indebtedness is less than or equal to the fair market value of the accounts receivable pledged to secure such Short-Term Indebtedness. At any time that the outstanding principal amount of such Short-Term Indebtedness is greater than the fair market value of the accounts receivable

pledged to secure such Short-Term Indebtedness, the excess amount shall be treated as Short-Term Indebtedness for the purposes of the tests set forth in subsection (c) of this section.

(g) Indebtedness may be incurred for the purpose of financing the completion of the acquisition or construction of a Capital Addition with respect to which Indebtedness has theretofore been incurred, provided there shall be delivered to the Master Trustee (i) a certificate of the Corporation to the effect that the Corporation did reasonably expect at the time the initial Applicable Indebtedness was incurred that the proceeds of such Indebtedness, together with other available funds, would be sufficient to complete the Capital Addition, (ii) the aggregate principal amount of such completion Indebtedness does not exceed twenty percent (20%) of the aggregate principal amount of the initial Applicable Indebtedness, and (iii) an architect's certificate to the effect that the proceeds of the completion Indebtedness will be sufficient to complete the Capital Addition; provided, that in addition to the foregoing, Indebtedness may also be incurred for the purpose of financing the completion of the acquisition or construction of the Children's Hospital project.

Indebtedness incurred pursuant to any one of subsections (a)(i) or a(ii) of this section "Limitations on Indebtedness" may be reclassified by the Corporation as indebtedness incurred pursuant to any other of such subsections if the tests set forth in the subsection to which such Indebtedness is to be reclassified are met at the time of such reclassification.

Indebtedness containing a "put" or "tender" provision, pursuant to which the holder of such Indebtedness may require that such Indebtedness be purchased prior to its maturity, shall not be considered Balloon Long-Term Indebtedness solely by reason of such "put" or "tender" provision, and the "put" or "tender" provision shall not be taken into account in testing compliance with any debt incurrence test pursuant to this section.

Accounts receivable of any Member or Members may be sold, pledged, assigned or otherwise disposed or encumbered in accordance with the Master Indenture in an aggregate amount not exceeding 50% of the three-month average outstanding accounts receivable of the Obligated Group that are one hundred and twenty days old or less as calculated in accordance with generally accepted accounting principles. If the Long-Term Debt Service Coverage Ratio is 2.00 or greater, the percentage of accounts receivable identified in the preceding sentence may be increased to 75%. The three-month average shall be calculated based on the month-end available balances for the three full calendar months immediately preceding the date on which such accounts receivable are sold, pledged, assigned or otherwise disposed of or encumbered. In the event of such sale, pledge, assignment or other disposition or encumbrance, upon the request and at the expense of a Member of the Obligated Group, the Master Trustee shall execute a release of its security interest with respect to the assets so sold, pledged, assigned or otherwise disposed of or encumbered. (*Section 6.06*)

Sale, Lease or Other Disposition of Operating Assets; Disposition of Cash and Investments; Sale of Accounts; Unsecured Loans to Non-Members

(a) Each Member of the Obligated Group agrees that it will not transfer Property, other than cash, marketable securities or other liquid investments, all of which shall be subject to the limitations in subsection (b) of this section, in any Fiscal Year (or other twelve-month period for which Audited Financial Statements are available) except for transfers of Property:

(i) To any Person provided such Property has become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property.

(ii) To another Member of the Obligated Group without limit.

(iii) To any Person provided there shall be delivered to the Master Trustee prior to such Transfer an Officer's Certificate certifying that the Long-Term Debt Service Coverage Ratio, adjusted to exclude the revenues and expenses derived from the Operating Assets proposed to be disposed of, for the most recent period of twelve (12) full consecutive calendar months preceding the date of delivery of the Officer's Certificate for which the Audited Financial Statements have been reported upon by independent certified public accountants and such Long-Term Debt Service Coverage Ratio is not less than 1.20 and not less than sixty-five percent (65%) of what it would have been were such Transfer not to take place.

(iv) To any Person if the aggregate Book Value of the Property Transferred pursuant to this subsection (iv) in the current Fiscal Year does not exceed 10% of the Book Value of all Property of the Obligated Group as shown in the Audited Financial Statements for the most recent Fiscal Year.

(v) To any Person if the Property Transferred pursuant to this subsection (v) was transferred in the ordinary course of business, and at fair and reasonable terms, no less favorable to the Member of the Obligated Group, which could have been attained in a comparable arms-length transaction; provided further, however, that the proceeds from such Property Transferred are used only to acquire Property or to repay Long-Term Indebtedness.

(vi) To a Person which at the time of the Transfer is not a Member of the Obligated Group or successor corporation pursuant to a merger or consolidation permitted by the Master Indenture, without limit, if such Person or successor corporation shall, at the time of such Transfer, become a Member of the Obligated Group pursuant to the Master Indenture.

(b) Each Member of the Obligated Group will not donate, transfer, exchange or otherwise dispose of cash, marketable securities or other liquid investments to any Person other than a Member of the Obligated Group, unless (i) immediately subsequent to any such donation, transfer, exchange or disposition the combined Days-Cash-On-Hand of the Members of the Obligated Group shall at least equal fifty (50), (ii) the cash and marked-to-market value of marketable securities and other liquid investments so transferred during the preceding twelve-month period does not exceed twenty percent (20%) of the Obligated Group's unencumbered cash, marketable securities and other liquid investments as of the date of calculation, and (iii) the Current Ratio immediately following such transfer shall not be less than 1:1; provided, however, such conditions shall not apply if such transfer complies with the provisions of subsection (a)(v) above. Notwithstanding the foregoing, assets may always be shifted among cash, marketable securities and other liquid investments.

(c) Any Member of the Obligated Group will have the right to sell, pledge, assign or otherwise dispose of its accounts receivable, with or without recourse, if such Member of the Obligated Group shall receive as consideration for such sale, pledge, assignment or other disposition cash, services or Property equal to the fair market value of the accounts receivable so sold, as certified to the Master Trustee in an Officer's Certificate of such Member of the Obligated Group and if such sale, pledge, assignment or other disposition meets the limitations contained in the last paragraph under the heading "Limitations on Indebtedness" herein regarding the aggregate limit on the pledge, sale or other disposition or encumbrance of accounts receivable. (*Section 6.08*)

Consolidation, Merger, Sale or Conveyance

(a) Each Member of the Obligated Group covenants that it will not merge or consolidate with, or sell or convey all or substantially all of its assets to any Person unless:

(i) Either a Member of the Obligated Group will be the successor corporation, or if the successor corporation is not a Member of the Obligated Group, such successor corporation shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such successor corporation to assume the due and punctual payment of the principal of, premium, if any, and interest on all Outstanding Obligations issued under the Master Indenture according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Master Indenture, any Applicable Supplement to the Master Indenture and any Obligations Series Certificate; and

(ii) No Member of the Obligated Group immediately after such merger or consolidation, or such sale or conveyance, would be in default in the performance or observance of any covenant or condition of the Master Indenture, any Supplement and any Obligations Series Certificate; and

(iii) If all amounts due or to become due on any Outstanding Obligations which bear interest which is not includable in the gross income of the recipient thereof under the Code have not been fully paid to the holder thereof, there shall have been delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on any date of the delivery of such Outstanding Obligation, would not adversely affect the exclusion of interest payable on such Outstanding Obligation from the gross income of the holder thereof for purposes of federal income taxation; and

(iv) There is delivered to the Master Trustee an Officer's Certificate of the Corporation demonstrating that if such merger, consolidation or sale of assets had occurred at the beginning of the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements are available, the Long-Term Debt Service Coverage Ratio for such period would have been not less than 1.10.

(b) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for its predecessor, as a Member of the Obligated Group pursuant to the Master Indenture, as the case may be. Such successor corporation thereupon may cause to be signed, and may issue in its own name Obligations issuable under the Master Indenture; and upon the order of such successor corporation and subject to all the terms, conditions and limitations prescribed in the Master Indenture, the Master Trustee shall authenticate and shall deliver Obligations that such successor corporation shall have caused to be signed and delivered to the Master Trustee in exchange for and upon surrender of existing Obligations. All Outstanding Obligations so issued by such successor corporation under the Master Indenture shall in all respects have the same security position and benefit under the Master Indenture as Outstanding Obligations theretofore or thereafter issued in accordance with the terms of the Master Indenture as though all of such Obligations had been issued under the Master Indenture without any such consolidation, merger, sale or conveyance having occurred.

(c) In case of any such consolidation, merger, sale or conveyance, such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued under the Master Indenture as may be appropriate.

(d) In the event that the Officer's Certificate described in subparagraph (a)(iv) of this section has been delivered, the Master Trustee may accept an Opinion of Counsel (not an employee of a Member of the Obligated Group or an Affiliate in this case) as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of this section and that it is proper for the Master Trustee under the provisions of Article VI of the Master Indenture and of this section to join in the execution of any instrument required to be executed and delivered by this section.

(e) All references in the Master Indenture to successor corporations shall be deemed to include the surviving corporation in a merger. (*Section 6.09*)

Filing of Audited Financial Statements, Certificate of No Default, Other Information

The Obligated Group covenants that it will:

(a) Within thirty (30) days after receipt of the audit report mentioned below but in no event later than one hundred fifty (165) days after the end of each Fiscal Year, file with the Municipal Securities Rulemaking Board, the Master Trustee, the County each Credit Facility Issuer, each Facility Provider, each Rating Service(s) and with each Holder who may have so requested in writing or on whose behalf the Master Trustee may have so requested, a copy of the Audited Financial Statements as of the end of such fiscal reporting period accompanied by the opinion of independent certified public accountants. Such Audited Financial Statements shall be prepared in accordance with generally accepted accounting principles and shall include such statements necessary for a fair presentation of financial position, statement of activity and changes in net assets and cash flows of such fiscal reporting period.

(b) Within thirty (30) days after receipt of the audit report mentioned above but in no event later than one hundred fifty (165) days after the end of each fiscal reporting period, file with the MSRB, the Master Trustee, the County, each Credit Facility Issuer, each Facility Provider, each Rating Service(s) and with each Holder who may have so requested or on whose behalf the Master Trustee may have so requested, an Officer's Certificate and a report of independent certified public accountants stating the Long-Term Debt Service Coverage Ratio for such fiscal reporting period and stating whether, to the best knowledge of the signers, any Member of the Obligated Group is in default in the performance of any covenant contained in the Master Indenture and, if so, specifying each such default of which the signers may have knowledge.

(c) Within sixty (60) days after the last day of each of the first three quarters in each fiscal year, file with the MSRB, the Master Trustee, County, each Credit Facility Issuer, each Facility Provider, each Rating Service(s) and with each holder who is the registered owner of in excess of an aggregate \$1 million principal amount of Bonds or on whose behalf the Master Trustee may have so requested, the following information: (A) the unaudited financial statements of the Obligated Group, including the balance sheet as of the end of such quarter, the statement of operations, changes in net assets and cash flows, (B) utilization statistics of the Obligated Group for such quarter, including aggregate discharges per facility, patient days, average length of stay, average daily census, emergency room visits, ambulatory surgery visits and home care visits (if applicable), and (C) discharges of the Obligated Group by major payor mix for such quarter.

(d) If an Event of Default shall have occurred and be continuing, (i) file with the Master Trustee, the County, each Credit Facility Issuer, each Rating Service(s), and each Facility Provider such other financial statements and information concerning its operations and financial affairs (including its consolidated or combined Affiliates, including any Member of the Obligated Group) as the Master Trustee, each Credit Facility Issuer and each Facility Provider may from time to time reasonably request,

excluding specifically donor records, patient records and personnel records and (ii) provide access to its facilities for the purpose of inspection by the Master Trustee during regular business hours.

(e) Within thirty (30) days after its receipt thereof, file with the Master Trustee, the County, and each Rating Service(s) a copy of each report which any provision of the Master Indenture requires to be prepared by a Consultant or an Insurance Consultant. (*Section 6.10*)

Parties Becoming Members of the Obligated Group

Persons which are not Members of the Obligated Group may, with the prior written consent of the Corporation, and corporations which are successor corporations to any Member of the Obligated Group through a merger or consolidation permitted under the heading "Consolidation, Merger, Sale or Conveyance" herein shall, become Members of the Obligated Group, if:

(a) The Person or successor corporation which is becoming a Member of the Obligated Group shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such Person or successor corporation (i) to become a Member of the Obligated Group under the Master Indenture, each Supplement and each Obligations Series Certificate and thereby become subject to compliance with all provisions of the Master Indenture, each Supplement and each Obligations Series Certificate, and the performance and observance of all covenants and obligations of a Member of the Obligated Group under the Master Indenture, (ii) to adopt the same Fiscal Year as that of the Corporation, and (iii) unconditionally and irrevocably guarantee to the Master Trustee and each other Member of the Obligated Group that all Obligations issued and then Outstanding or to be issued and Outstanding under the Master Indenture will be paid in accordance with the terms thereof and of the Master Indenture when due.

(b) Each instrument executed and delivered to the Master Trustee in accordance with subsection (a) of this section shall be accompanied by an Opinion of Counsel, addressed to and satisfactory to the Master Trustee and each Credit Facility Issuer, to the effect that such instrument has been duly authorized, executed and delivered by such Person or successor corporation and constitutes a valid and binding obligation enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy laws, insolvency laws, other laws affecting creditors' rights generally, equity principles and laws dealing with fraudulent conveyances.

(c) If all amounts due or to become due on any Outstanding Obligations which bear interest which is not includable in the gross income of the recipient thereof under the Code have not been paid to the Holders thereof, there shall be filed with the Master Trustee, (i) an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not adversely affect the exclusion of the interest on any such Outstanding Obligations from the gross income of the holder thereof for purposes of federal income taxation and (ii) an Opinion of Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not require the registration of any such Outstanding Obligations under the Securities Act of 1933, as amended, or the qualification of the Master Indenture and all Supplements thereunder pursuant to the Trust Indenture Act of 1939, as amended, or if such registration is required, that all applicable registration and qualification provisions of said acts have been complied with.

(d) After giving effect to the admission of such Person as a Member of the Obligated Group, the combined general fund net assets of such Person (or the excess of such Person's assets over its liabilities, as the case may be) and the general fund net assets (plus the excess of assets over liabilities, if applicable) of the Obligated Group is not less than 80% of the general fund net assets (plus the excess of

assets over liabilities, if applicable) of the Obligated Group at the end of the Fiscal Year immediately preceding the year in which such Person shall become a Member of the Obligated Group.

(e) Any Indebtedness previously incurred by a new Member of the Obligated Group shall be permitted to remain outstanding, and any lien or security interest securing such Indebtedness shall be permitted to remain in effect if such Indebtedness, lien or security interest could have been created pursuant to the provisions outlined under the headings “Limitations on Creation of Liens” and “Limitations on Indebtedness” herein immediately after such Person became a Member of the Obligated Group. (*Section 6.11*)

Withdrawal from the Obligated Group

(a) No Member of the Obligated Group may withdraw from the Obligated Group without the prior written consent of the Corporation and provided further, that prior to the taking of such action, there is delivered to the Master Trustee:

(i) If all amounts due on any Outstanding Obligation which bear interest which is not includable in the gross income of the recipient thereof under the Code have not been paid to the Holders thereof, there shall be delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law such Member’s withdrawal from the Obligated Group, whether or not contemplated on any date of delivery of any Outstanding Obligation, would not cause the interest payable on such Outstanding Obligation to become includable in the gross income of the recipient thereof under the Code;

(ii) (A) An Officer’s Certificate of the Corporation (acting on behalf of the Obligated Group) demonstrating that the conditions described in subsection (a)(i)(B) under the heading “Limitations on Indebtedness” herein have been satisfied for the incurrence of an additional one dollar (\$1.00) of Additional Indebtedness, assuming such withdrawal to have occurred at the beginning of the most recent period of 12 full consecutive calendar months for which Audited Financial Statements are available; (B) an Officer’s Certificate of the Corporation (acting on behalf of the Obligated Group) demonstrating that the Long-Term Debt Service Coverage Ratio for the most recent period of 12 full consecutive calendar months for which Audited Financial Statements are available (x) would not, if such withdrawal had occurred at the beginning of such period, be reduced by more than 35%; provided, however, that in no event shall such ratio be reduced to less than 1.20 or (y) would be greater than in the absence of such withdrawal; (C) an Officer’s Certificate of the Corporation (acting on behalf of the Obligated Group) demonstrating that after giving effect to the exit of such Member of the Obligated Group, the general fund balance of the Obligated Group is not less than 90% of the general fund balance of the Obligated Group at the end of the Fiscal Year immediately preceding the year in which such Member of the Obligated Group will be leaving the Obligated Group; (D) a written report of a Consultant demonstrating that the forecasted average Long-Term Debt Service Coverage Ratio for the two periods of 12 full consecutive calendar months succeeding the proposed date of such withdrawal is greater than 1.35; provided, however, that compliance with the test set forth in this clause (D) above may be evidenced by an Officer’s Certificate of the Corporation in lieu of a Consultant’s report where the Long-Term Debt Service Coverage Ratio for each of the two periods of twelve (12) full consecutive calendar months succeeding the proposed date of such withdrawal is equal to or greater than 2.00 and not less than 65% of what it would have been were such withdrawal not to take place, assuming such withdrawal had occurred on the first day of the most recent twelve-month period for which Audited Financial Statements of the Obligated Group are available; and (E) after giving effect to the withdrawal of such Member, no Member of the

Obligated Group will be in default in the performance of any covenant contained in the Master Indenture; and

(iii) An Opinion of Counsel, addressed and satisfactory to the Master Trustee, and each Credit Facility Issuer to the effect that such withdrawal is authorized by and complies with all Governmental Restrictions and the provisions of the Master Indenture, the Supplements, the Obligations Series Certificates and any agreements or other documents relating to the Master Indenture, the Supplements, the Obligation Series Certificates and the Obligations.

(b) Upon the withdrawal of any Member from the Obligated Group pursuant to subsection (a) of this section, any Guaranty by such Member pursuant to the Master Indenture shall be released and discharged in full and all liability of such Member of the Obligated Group with respect to all Obligations Outstanding under the Master Indenture shall cease.

(c) Notwithstanding any provision of the Master Indenture to the contrary, the Corporation may not withdraw from the Obligated Group. (*Section 6.12*)

Required Ratios

(a) Except as otherwise provided in the Master Indenture, the Obligated Group shall maintain the Required Ratios. The Required Ratios will be tested semi-annually based on the Obligated Group's unaudited financial statements as of June 30 and based on audited financial statements as of December 31 of each year. The Corporation shall deliver an Officer's Certificate not later than sixty (60) days following each June 30 and not later than one hundred and twenty (120) days after each December 31 to the Master Trustee, certifying as to the compliance with Required Ratios or the Section under the Master Indenture pursuant to which either one of the Required Ratios was allowed to remain unsatisfied.

(b) If the Long-Term Debt Service Coverage Ratio is less than 1.25 or the Cushion Ratio is less than 1.25 then the Obligated Group shall within seventy-five (75) days of the end of such fiscal quarter, (i) prepare a scope of work for a Consultant in form and content acceptable to the County and the Master Trustee, (ii) retain a Consultant acceptable to the County and the Master Trustee, (iii) require such Consultant, within fifteen (15) days of its appointment, to commence work on a report to be delivered to the Obligated Group and the County and the Master Trustee recommending changes with respect to the operation and management of the Obligated Group's facilities and (iv) to the extent permitted by law, implement such Consultant's recommendation in a timely manner. Any report of a Consultant prepared within the previous 12-month period pursuant to this section "Required Ratios" shall, if meeting the requirements of clause (iii) above, be deemed to satisfy the foregoing requirement to procure a Consultant's report.

(c) For so long as the Obligated Group is not in compliance with the Required Ratios, the Corporation shall deliver to the County and the Master Trustee (i) within thirty (30) days of delivery of a Consultant's report pursuant to paragraph (b) above, a certified copy of a resolution adopted by the Obligated Group's Governing Body accepting such report on behalf of itself and the other Members of the Obligated Group and a report setting forth in reasonable details the steps the Obligated Group proposes to take to implement the recommendations of such Consultant, and (ii) quarterly reports showing the progress made by the Obligated Group in achieving compliance with the Required Ratios and, if applicable, implementing the recommendations of the Consultant.

(d) If the Obligated Group shall fail to maintain the Required Ratios as required by paragraph (a) above, the Obligated Group shall nonetheless be considered to be in compliance with this section so long as the Obligated Group has satisfied the requirements of paragraphs (b) and (c) above to

the reasonable satisfaction of the Master Trustee. If the Obligated Group shall fail (i) to provide the Governing Body Officer's Certificate required by paragraph (a) above or (ii) to satisfy the requirements of paragraphs (b) and (c) above to the reasonable satisfaction of the County and the Master Trustee, the County and the Master Trustee shall be entitled to notify the members of the Obligated Group's Governing Body and of each Member's Governing Body of such noncompliance, and to enforce the provisions of this section by specific performance. In no event, however, shall failure to satisfy the provisions of this section constitute an Event of Default under the Master Indenture, it being understood that the sole remedies for noncompliance shall be the right of the County and the Master Trustee to seek specific performance and/or to notify the members of the Governing Bodies of each Obligated Group Member as aforesaid. (*Section 6.13*)

Events of Default

“Event of Default as used in the Master Indenture, shall mean any of the following events:

(a) The Members of the Obligated Group shall fail to make any payment of the principal of, the premium, if any, or interest on any Obligation issued and Outstanding under the Master Indenture when and as the same shall become due and payable, whether at maturity, by proceedings for redemption, by acceleration or otherwise, in accordance with the terms thereof, of the Master Indenture, the Applicable Supplement or the Applicable Obligations Series Certificate. For purposes of this subsection (a), a payment by the County or Credit Facility Provider shall be deemed a payment by the Members of the Obligated Group;

(b) Any Member of the Obligated Group shall fail duly to perform, observe or comply with any covenant or agreement on its part under the Master Indenture for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Members of the Obligated Group by the Master Trustee, or to the Members of the Obligated Group and the Master Trustee by the Holders of at least 25% in aggregate principal amount of Obligations then Outstanding or by the County or any Credit Facility Issuer, if any, with respect to an Obligation; provided, however, that if said failure be such that it cannot be corrected within thirty (30) days after the receipt of such notice, it shall not constitute an Event of Default if corrective action is instituted within such 30-day period and diligently pursued until the Event of Default is corrected:

(c) (i) Any Member of the Obligated Group shall fail to make any required payment with respect to any Indebtedness (other than Obligations issued and Outstanding under the Master Indenture), which Indebtedness is in an aggregate principal amount greater than two percent (2%) of Total Operating Revenues for the most recent Fiscal Year, whether such Indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or (ii) there shall occur an event of default as defined in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any Indebtedness, which Indebtedness is in an aggregate principal amount greater than two percent (2%) of Total Operating Revenues for the most recent Fiscal Year whether such Indebtedness now exists or shall hereafter be created, which event of default shall not have been waived by the holder of such mortgage, indenture or instrument and, as a result of such failure to pay or other event of default, such Indebtedness shall have been accelerated; provided, however, that such default shall not constitute an Event of Default within the meaning of this section if within thirty (30) days (y) written notice is delivered to the Master Trustee, signed by the Corporation, that such Member of the Obligated Group is contesting the payment of such Indebtedness and within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Indebtedness is commenced, any Member of the Obligated Group in good faith shall commence proceedings to contest the obligation to pay such Indebtedness or (z) if a judgment relating to such Indebtedness has been entered against such Member of the Obligated Group (A) the execution of such judgment has been stayed

or (B) sufficient moneys are escrowed with a bank or trust company for the payment of such Indebtedness:

(d) The entry of a decree or order by a court having jurisdiction in the premises for an order for relief against any Member of the Obligated Group, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such Member under the United States Bankruptcy Code or any other applicable federal or state law, or appointing a receiver, liquidator, custodian, assignee or sequestrator (or other similar official) of such Member or of any substantial part of its Property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of ninety (90) consecutive days; and

(e) The institution by any Member of the Obligated Group of proceedings for an order for relief, or the consent by it to an order for relief against it, or the filing by it of a petition or answer or consent seeking reorganization, arrangement, adjustment, composition or relief under the United States Bankruptcy Code or any other similar applicable federal or state law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, custodian, assignee, trustee or sequestrator (or other similar official) of such Member of the Obligated Group or of any substantial part of its Property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due. (*Section 7.01*)

Acceleration; Annulment of Acceleration; Cure by County

(a) Upon the occurrence and during the continuation of an Event of Default under the Master Indenture, the Master Trustee may and, upon the written request of the Holders (subject to the provisions of “Holders’ Control of Proceedings” below) of not less than 25% in aggregate principal amount of all Senior Obligations Outstanding, shall, by notice to the Members of the Obligated Group declare all Obligations Outstanding immediately due and payable, whereupon such Obligations shall become and be immediately due and payable. So long as a County Guaranty is in effect, the Subordinate Obligations which are benefited by a County Guaranty are not subject to acceleration upon the occurrence of an Event of Default without the approval of the County. In the event Obligations are accelerated, there shall be due and payable on such Obligations, subject to the priority of payments set forth under the heading “Application of Moneys after Default” below, an amount equal to the total principal amount of all such Obligations, plus all interest accrued thereon to the date of acceleration and, to the extent permitted by applicable law, which accrues to the date of payment.

(b) At any time after the principal of the Obligations shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, if (i) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay all matured installments of interest and interest on installments of principal and interest and principal or redemption prices then due (other than the principal then due only because of such declaration) of all Obligations Outstanding; (ii) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay the charges, compensation, expenses, disbursements, advances, fees and liabilities of the Master Trustee; (iii) all other amounts then payable by the Obligated Group under the Master Indenture shall have been paid or a sum sufficient to pay the same shall have been deposited with the Master Trustee; and (iv) every Event of Default (other than a default in the payment of the principal of such Obligations then due only because of such declaration) shall have been remedied, or waived pursuant to the provisions of “Waiver of Event of Default” below, then the Master Trustee may, and upon the written request of Holders (subject to the provisions of “Holders’ Control of Proceedings” below) of not less than 25% in aggregate principal amount of the Senior Obligations then Outstanding (or if no Senior Obligations are any longer Outstanding, then the Holders of not less than 25% in aggregate principal amount of the Subordinate

Obligations Outstanding) shall, annul such declaration and its consequences with respect to any Obligations or portions thereof not then due by their terms. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

(c) Upon the occurrence of an Event of Default under the Master Indenture, the County shall have the right (but not the obligation) to cure or cause to be cured such Event of Default. Any such cure by the County shall be on the same terms and conditions as if the Obligated Group had cured such Event of Default under subsection (b) of this section. (*Section 7.02*)

Additional Remedies and Enforcement of Remedies

(a) Upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the written request of the Holders (subject to the provisions of “Holders’ Control of Proceedings” below) of not less than 25% in aggregate principal amount of the Obligations Outstanding to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the County, any Credit Facility Issuer and/or the Holders under the Master Indenture by such suits, actions or proceedings as the Master Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(i) Enforcement of the right of the County, any Credit Facility Issuer and/or the Holders to collect and enforce the payment of amounts due or becoming due under the Obligations;

(ii) Suit upon all or any part of the Obligations;

(iii) Civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Obligations to account as if such Person were the trustee of an express trust for the County, any Credit Facility Issuer and/or the Holders;

(iv) Civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the County, any Credit Facility Issuer and/or the Holders:

(v) Enforcement of rights as a secured party under the Uniform Commercial Code of the State of New York, and

(vi) Enforcement of any other right of the County, any Credit Facility Issuer and/or the Holders conferred by law or by the Master Indenture.

(b) Regardless of the happening of an Event of Default, the Master Trustee, if requested in writing by the Holders (subject to the provisions of “Holders’ Control of Proceedings” below) of not less than 25% in aggregate principal amount of the Senior Obligations then Outstanding (or if no Senior Obligations are any longer Outstanding, then the Holders of not less than 25% in aggregate principal amount of the Subordinate Obligation 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 under the Master Indenture by any acts which may be unlawful or in violation of the Master Indenture, or (ii) to preserve or protect the interests of each Credit Facility Issuer and/or the Holders, provided that such request and the action to be taken by the Master Trustee are not in conflict with any applicable law or the provisions of the Master Indenture and, in the sole judgment of the Master Trustee, are not unduly prejudicial to the interest of each Credit Facility Issuer and/or the Holders not making such request.

(c) Upon the occurrence of an Event of Default, the Master Trustee may realize upon any security interest which the Master Trustee may have in Gross Receipts and shall establish and maintain a Gross Receipts Fund into which shall be deposited all Gross Receipts as and when received. All amounts deposited into the Gross Receipts Fund shall be applied by the Master Trustee or made available to any Paying Agent for application pursuant to the provisions under the heading “Application of Moneys after Default” herein. Pending such application, all such moneys and investments in the Gross Receipts Fund shall be held for the equal and ratable benefit of all Obligations outstanding in order of their priority and subject to the provisions under the heading “Application of Moneys after Default” herein; provided, that amounts held in the Gross Receipts Fund for making of debt service payments on or after the due date for Obligations shall be reserved and set aside solely for the purpose of making such payment. In addition, with regard to Gross Receipts, the Master Trustee may take any one or more of the following actions: (i) during normal business hours enter the offices or facilities of any Member of the Obligated Group and examine and make copies of the financial books and records of the Member relating to the Gross Receipts and take possession of all checks or other orders for payment of money and moneys in the possession of the Members of the Obligated Group representing Gross Receipts or proceeds thereof; (ii) notify any account debtors obligated on any Gross Receipts to make payment directly to the Master Trustee; (iii) following such notification to account debtors, collect, or, in good faith, compromise, settle, compound or extend amounts payable as Gross Receipts which are in the form of accounts receivable or contract rights from each Member’s account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Member whether or not the full amount of any such account receivable or contract right owing shall be paid to the Master Trustee; (iv) forbid any Member to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Gross Receipts, or release, wholly or partly, any person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; or (v) endorse in the name of the applicable Member any checks or other orders for the payment of money representing any unpaid assigned Gross Receipts or the proceeds thereof. (*Section 7.03*)

Application of Moneys after Default

During the continuance of an Event of Default, all Gross Receipts and other moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of this Article shall be applied, (i) after the payment of any compensation, expenses, disbursements and advances then owing to the Master Trustee pursuant to Section 8.05 of the Master Indenture, and (ii) by the Master Trustee in the priority set forth below:

(a) Unless the principal of all Outstanding Obligations shall have become or have been declared due and payable:

First: To the payment to the Persons entitled thereto of all installments of interest then due on Senior Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments of interest coming due on Senior Obligations maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference;

Second: To the payment to the Persons entitled thereto of the unpaid principal installments of any Senior Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full the unpaid principal of all Senior Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the Persons entitled thereto, without any discrimination or preference;

Third: To the extent there exists a Credit Facility Issuer of any Senior Obligations, to the payment of amounts owed to such Credit Facility Issuer by the Obligated Group with respect to such Senior Obligations and not otherwise paid under clauses First and Second above;

Fourth: To the payment to the Persons entitled thereto (to the extent not paid pursuant to the County Guaranty) of all installments of interest then due on Subordinate Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments of interest due on Subordinate Obligations 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;

Fifth: To the payment to the Persons entitled thereto (to the extent not paid pursuant to the County Guaranty) of the unpaid principal installments of any Subordinate Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full the unpaid principal of all Subordinate Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the Persons entitled thereto, without any discrimination or preference;

Sixth: To the extent there exists a Credit Facility Issuer of any Subordinate Obligations, to the payment of amounts owed to such Credit Facility Issuer by the Obligated Group with respect to such Subordinate Obligations and not otherwise paid under clauses Fourth and Fifth above; and

Seventh: To the extent there exists a County Guaranty of any Subordinate Obligations, to the payment of amounts owed to the County by the Obligated Group and not otherwise paid.

(b) If the principal of all Outstanding Obligations shall have become or have been declared due and payable:

First: To the payment of the principal and interest then due and unpaid upon Senior Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Senior Obligation over any other Senior Obligation, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference;

Second: To the payment of the principal and interest then due and unpaid upon Subordinate Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Subordinate Obligation over any other Subordinate Obligation, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference;

Third: To the extent there exists a Credit Facility Issuer of any Senior Obligations to the payment of amounts owed to such Credit Facility Issuer by the Obligated Group and not otherwise paid under clause First above;

Fourth: To the extent there exists a Credit Facility Issuer of any Subordinate Obligations, to the payment of amounts owed to such Credit Facility Issuer by the Obligated Group and not otherwise paid under clause Second above; and

Fifth: To the extent there exists a County Guaranty of any Subordinate Obligations, to the payment of amounts owed to the County by the Obligated Group and not otherwise paid.

(c) If the principal of all Outstanding Obligations shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article, then, subject to the provisions of paragraph (b) of this section in the event that the principal of all Outstanding Obligations shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this section.

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, but subject to the priorities established under subsections (a) and (b) above, as the Master Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Master Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Obligation until such Obligation shall be presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Moneys held in the Gross Receipts Fund shall be invested in Government Obligations, which mature or are redeemable at the option of the holder not later than such times as shall be required to provide moneys needed to make the payments or transfers therefrom. Unless otherwise provided in this Indenture, the Master Trustee shall sell or present for redemption, any Government Obligation so acquired whenever it shall be necessary to do so to provide moneys to make payments or transfers from the Gross Receipts Fund. The Master Trustee shall not be liable or responsible for making any such investment in the manner provided above and shall not be liable for any loss resulting from any such investment. Any investment income derived from any investment of moneys on deposit in the Gross Receipts Fund shall be credited to the Gross Receipts Fund and retained therein until applied to approved purposes.

Whenever all Obligations and interest thereon have been paid under the provisions of this Section, all obligations owing to any Credit Facility Issuer, the County and all expenses and charges of the Master Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive the same; if no other Person shall be entitled thereto, then the balance shall be paid to the Members of the Obligated Group, their respective successors, or as a court of competent jurisdiction may direct. (*Section 7.04*)

Remedies Not Exclusive

No remedy by the terms of the Master Indenture conferred upon or reserved to the Master Trustee or the Holders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Master Indenture or existing at law or in equity or by statute on or after the date of the Master Indenture. (*Section 7.05*)

Remedies Vested in the Master Trustee

All rights of action (including the right to file proof of claims) under the 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. Any such suit or

proceeding instituted by the Master Trustee may be brought in its name as the Master Trustee without the necessity of joining as plaintiffs or defendants any Holders. Subject to the provisions of “Application of Moneys after Default” above, any recovery or judgment shall be for the equal benefit of the Holders. (*Section 7.06*)

Holders’ Control of Proceedings

If an Event of Default shall have occurred and be continuing, the Holders of not less than a majority in aggregate principal amount of Senior Obligations then Outstanding or, if no Senior Obligations remain Outstanding, then the Holders of not less than a majority in aggregate principal amount of Subordinate Obligations, shall have the right, at any time, by an instrument in writing executed and delivered to the Master Trustee and accompanied by indemnity satisfactory to the Master Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of the Master Indenture or for the appointment of a receiver or any other proceedings under the Master Indenture, provided that such direction is not in conflict with any applicable law or the provisions of the Master Indenture, and is not unduly prejudicial to the interest of any Holders (excluding Subordinate Obligation holders) not joining in such direction, and provided further, that the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability, in the sole judgment of the Master Trustee, and provided further that nothing in this Section shall impair the right of the Master Trustee in its discretion to take any other action under the Master Indenture which it may deem proper and which is not inconsistent with such direction by the Holders; provided, further, however, that each Credit Facility Issuer that has not defaulted under the Applicable Credit Facility, or the County so long as it has not defaulted under a County Guaranty, with regard to an Applicable Obligation or Series of Obligations, and not the Holders, shall have the right to control proceedings with respect thereto in the manner described in Article VII of the Master Indenture. (*Section 7.07*)

Termination of Proceedings

In case any proceeding taken by the Master Trustee on account of an Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Master Trustee or to each Credit Facility Issuer, the County and/or the Holders, then the Members of the Obligated Group, the Master Trustee and each Credit Facility Issuer, the County and/or the Holders shall be restored to their former positions and rights under the Master Indenture, and all rights, remedies and powers of the Master Trustee and each Credit Facility Issuer, the County and/or the Holders shall continue as if no such proceeding had been taken. (*Section 7.08*)

Waiver of Event of Default

(a) No delay or omission of the Master Trustee or the County or of each Credit Facility Issuer and/or 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 County and each Credit Facility Issuer and/or the Holders, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Master Trustee, with the consent of the Credit Facility Issuer, if any, or the County, of any Applicable Series of Obligations 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 of the Master Indenture, or before the completion of the enforcement of any other remedy under the Master Indenture.

(c) Notwithstanding anything contained in the Master Indenture to the contrary, the Master Trustee, upon the written request of the Holders (subject to the provisions under the heading “Holders’ Control of Proceedings” herein) of not less than a majority of the aggregate principal amount of Senior Obligations then Outstanding (or if no Senior Obligations are any longer Outstanding, then the Holders of not less than a majority in aggregate principal amount of the Subordinate Obligation Outstanding), shall waive any Event of Default under the Master Indenture and its consequences; provided, however, that, except under the circumstances set forth in subsection (b) under the heading “Acceleration; Annulment of Acceleration; Cure by County” herein, a default in the payment of the principal of, premium, if any, or interest on any Senior Obligation, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders (subject to the provisions under the heading “Holders’ Control of Proceedings” herein) of all the Senior Obligations (with respect to which such payment default exists) at the time Outstanding.

(d) In case of any waiver by the Master Trustee of an Event of Default under the Master Indenture, the Members of the Obligated Group, the Master Trustee, the County and each Credit Facility Issuer and/or the Holders shall be restored to their former positions and rights under the Master Indenture, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon. (*Section 7.09*)

Appointment of Receiver

Upon the occurrence of any Event of Default described in subsection (a), (e) or (f) under the heading “Events of Default” herein, unless the same shall have been waived as provided in the Master Indenture, the Master Trustee shall be entitled as a matter of right if it shall so elect but only with the prior written consent of the County during the term of the County Guaranty, (i) forthwith and without declaring the Obligations to be due and payable, (ii) after declaring the same to be due and payable, or (iii) upon the commencement of an action to enforce the specific performance of the Master Indenture or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of the Master Trustee, the County or each Credit Facility Issuer and/or the Holders, to the appointment of a receiver or receivers of any or all of the Property of the Obligated Group with such powers as the court making such appointment shall confer. Each Member of the Obligated Group, respectively, 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 7.10*)

Remedies Subject to Provisions of Law

All rights, remedies and powers provided by Article VII of the Master Indenture may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of such 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 of the Master Indenture invalid or unenforceable under the provisions of any applicable law. (*Section 7.11*)

Notice of Default

The Master Trustee shall, within ten (10) days after it has actual knowledge of the occurrence of an Event of Default, mail, by first class mail, to each Credit Facility Issuer, the Rating Service(s), the

County and 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 the Master Trustee, unless such Event of Default shall have been cured before the giving of such notice; provided that, except in the case of default in the payment of the principal of or premium, if any, or interest on any of the Obligations and the Events of Default specified in subsections (e) and (f) under the heading “Events of Default” herein, the Master Trustee shall be protected in withholding such notice (but not with respect to notice to the County) if and so long as the board of directors, the executive committee, or a trust committee of directors or any responsible officer of the Master Trustee in good faith determines that the withholding of such notice is in the interests of the Credit Facility Issuer and the Holders. (*Section 7.12*)

Appointment of Statutory Trustee

(a) Any provision of the Master Indenture to the contrary notwithstanding, upon payment of any amounts by the County to the Trustee for deposit in the Subordinate Bonds Account of the Debt Service Reserve Fund, and continuing until the date which is one (1) year after no such amounts shall remain unreimbursed to the County (whether pursuant to the Second Supplement or otherwise), the County shall be entitled as a matter of right if it shall so elect (but only so long as the County is not in default under the Guaranty Agreement in payment of amounts required to be paid by the County for deposit in the Subordinate Bonds Account of the Debt Service Reserve Fund) forthwith to act, through and by its Commissioner of Finance (or his or her designee) or any other designee of the County, or to designate any individual to act, as a trustee appointed pursuant to Section 3309 of the Act and having all of the rights and remedies (including, without limitation, the right to the appointment of a receiver of all of the Property of the Corporation and each other Member of the Obligated Group) that are described in said Section 3309.

(b) By its acceptance of the Subordinate Bonds, each Holder from time to time of the Subordinate Bonds (i) agrees that upon such election by the County, the Holders of the Subordinate Bonds shall be deemed for all purposes to have irrevocably made such appointment of the County (acting through and by its Commissioner of Finance or his or her designee), or any other designee of the County, as such trustee, and (ii) irrevocably appoints the Commissioner of Finance of the County as the agent or attorney-in-fact of such Holder for the purposes of preparing, acknowledging and filing; any and all instruments of appointment and written requests required or contemplated of bondholders under or pursuant to Section 3309 of the Public Authorities Law.

(c) Each Member of the Obligated Group, respectively, consents and agrees, to the appointment of the County (acting through and by its Commissioner of Finance or his or her designee), or any other designee of the County, to act as such trustee having the right, inter alia, to the appointment a 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.

(d) The rights granted to the County to the appointment of a receiver under Section 3309 of the Act is not intended (i) to modify the security or the pledge created by the section of the Master Indenture summarized under the heading “Security; Restrictions on Encumbering Property; Joint and Several Obligation”, or the rights of the Master Trustee under specified sections of the Master Indenture, or (ii) to modify the financial obligations of the Obligated Group as set forth under specified sections of the Supplements. (*Section 7.16*)

Supplements Not Requiring Consent of Holders

Each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee may, without the consent of or notice to any of the Holders enter into one or more Supplements for one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission in the Master Indenture.
- (b) To correct or supplement any provision in the Master Indenture which may be inconsistent with any other provision in the Master Indenture, or to make any other provisions with respect to matters or questions arising under the Master Indenture and which shall not materially and adversely affect the interests of the Holders.
- (c) To grant or confer ratably upon all of the Holders of Senior Obligations and/or Subordinate Obligations any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them subject to the provisions of subsection (a) under the heading “Supplements Requiring Consent of holders” below.
- (d) To qualify the Master Indenture or any Supplement under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect.
- (e) Subject to satisfaction of the conditions established therefor in Article VI of the Master Indenture, to create and provide for the issuance of Indebtedness as permitted under the Master Indenture, so long as no Event of Default has occurred and is continuing under the Master Indenture.
- (f) To obligate a successor to any Member of the Obligated Group as provided under the heading “Parties Becoming Members of the Obligated Group” herein.
- (g) To comply with the provisions of any federal or state securities law.
- (h) So long as no Event of Default has occurred and is continuing under the Master Indenture, and so long as no event which with notice or the passage of time or both would become an Event of Default under the Master Indenture has occurred and is continuing, to make any change to the provisions of the Master Indenture (except as set forth below) if the following conditions are met:
 - (i) the Corporation delivers to the Master Trustee prior to the date such amendment is to take effect either (A)(1) a Consultant’s report to the effect that the proposed amendment is consistent with then current industry standards for comparable institutions and (2) an Officer’s Certificate of the Corporation (acting on behalf of the Obligated Group) demonstrating that the Long-Term Debt Service Coverage Ratio for the most recent period of 12 consecutive calendar months preceding the date of delivery of the report for which there are Audited Financial Statements available was at least 1.75; or (B) evidence satisfactory to the Master Trustee to the effect that (i) if required by the terms of the Applicable Supplement or the Applicable Obligations Series Certificate, there exists for each Senior Obligation, a Credit Facility or for each Subordinate Obligation, a County Guaranty, and (ii) evidence satisfactory to the Master Trustee from each Rating Service then rating any Obligation described in subsection (B)(i) above that, on the date the proposed change is to take effect, the rating(s) assigned to each such Obligation will not be lower than the ratings applicable to such Obligation on the day prior to the effective date of such change;

(ii) the County and each Credit Facility Issuer of any Obligation or Series of Obligations that may be affected by the proposed amendment, supplement or modifications shall consent in writing to such amendment, supplement or modification; and

(iii) with respect to each Applicable Obligation or Series of Obligations then Outstanding under the Master Indenture, the interest on which is excluded from federal income taxes under the Code, an Opinion of Bond Counsel (which counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are not unacceptable to the Master Trustee) to the effect that the proposed change will not adversely affect the validity of any such Obligation or Series of Obligations or any exclusion from gross income for federal income taxation purposes of interest payable thereon to which such Obligation or Series of Obligations would otherwise be entitled.

provided, however, that no amendment shall be made pursuant to this clause (h) which would have the effect, directly or indirectly, of changing or providing an alternative to (1) any provision of the Master Indenture requiring the maintenance or demonstration of a Long-Term Debt Service Coverage Ratio, except to reduce such ratio, but in no event shall such ratio be reduced to less than 1.10 (or less than 1.00 if Governmental Restrictions make it impossible for a Long-Term Debt Service Coverage Ratio of at least 1.10 to be maintained or demonstrated), (2) the definition of any term used in the calculation of the Long-Term Debt Service Coverage Ratio, Current Ratio, Cushion Ratio or Days' Cash on Hand or the amount of Long-Term Indebtedness or Short-Term Indebtedness, or the definitions of Affiliate, Audited Financial Statements, Book Value, Non-Recourse Indebtedness, Operating Assets, Property, Plant and Equipment or Total Operating Revenues, or (3) certain specified Sections and subsections of the Master Indenture. (*Section 9.01*)

Supplements Requiring Consent of Holders

(a) Other than Supplements referred to in the foregoing section and subject to the terms and provisions and limitations contained in Article IX of the Master Indenture and not otherwise, the Holders of not less than 51% in aggregate principal amount of Senior Obligations (or Subordinate Obligations if so affected) then Outstanding shall have the right, with consent of each Credit Facility Issuer insuring such Senior Obligations from time to time, anything contained in the Master Indenture to the contrary notwithstanding, to consent to and approve the execution by each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee of such Supplements as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Master Indenture; provided, however, nothing in this section shall permit or be construed as permitting a Supplement which would:

(i) Effect a change in the times, amounts or currency of payment of the principal of, premium, if any, and interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of each Holder of such Obligation;

(ii) Permit the preference or priority not previously agreed to of any Obligation over any other Obligation, without the consent of the Holders of each Obligation then Outstanding; or

(iii) Reduce the aggregate principal amount of Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of each Obligation then Outstanding.

(b) If at any time each Member of the Obligated Group shall request the Master Trustee to enter into a Supplement pursuant to this section, which request is accompanied by a copy of the resolution or other action of its respective Governing Body certified by its secretary or assistant secretary or if it has no secretary or assistant secretary, its comparable officer, and the proposed Supplement and if within such period, not exceeding three years, as shall be prescribed by each Member of the Obligated Group following the request, the Master Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Obligations specified in subsection (a) of this section for the Supplement in question which instrument or instruments shall refer to the proposed Supplement and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof as on file with the Master Trustee, thereupon, but not otherwise, the Master Trustee may execute such Supplement in substantially such form, without liability or responsibility to any Holder, whether or not such Holder shall have consented thereto.

(c) Any such consent shall be binding upon the Holder giving such consent and upon any subsequent Holder of such Obligation and of any Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Obligation giving such consent or by a subsequent Holder thereof by filing with the Master Trustee, prior to the execution by the Master Trustee of such Supplement, such revocation and, if such Obligation is transferable by delivery, proof that such Obligation is held by the signer of such revocation in the manner permitted by the Master Indenture. At any time after the Holders of the required principal amount or number of Obligations shall have filed their consents to the Supplement, the Master Trustee shall make and file with each Member of the Obligated Group a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(d) If the Holders of the required principal amount of the Obligations Outstanding shall have consented to and approved the execution of such Supplement as in the Master Indenture provided, no Holder shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Master Trustee or any Member of the Obligated Group from executing the same or from taking any action pursuant to the provisions thereof. (*Section 9.02*)

Execution and Effect of Supplements

(a) In executing any Supplement permitted by Article IX of the Master Indenture, the Master Trustee shall be entitled to receive and to rely upon an Opinion of Counsel stating that the execution of such Supplement is authorized or permitted by the Master Indenture. The Master Trustee may but shall not be obligated to enter into any such Supplement which affects the Master Trustee's own rights, duties or immunities.

(b) Upon the execution and delivery of any Supplement in accordance with Article IX of the Master Indenture, the provisions of the Master Indenture shall be modified in accordance therewith and such Supplement shall form a part of the Master Indenture for all purposes and every Holder of an Obligation theretofore or thereafter authenticated and delivered under the Master Indenture shall be bound thereby.

(c) Any Obligation authenticated and delivered after the execution and delivery of any Supplement in accordance with this Article may, and if required by the issuer of such Obligation or the Master Trustee shall, bear a notation in form approved by the Master Trustee as to any matter provided for in such Supplement. If the Corporation (acting on behalf of the Obligated Group) or the Master Trustee shall so determine, new Obligations, modified so as to conform (in the opinion of the Master Trustee and the Corporation) to any such Supplement may be prepared and executed by the Corporation

(acting on behalf of the Obligated Group) and authenticated and delivered by the Master Trustee in exchange for and upon surrender of Obligations then Outstanding. (*Section 9.03*)

Credit Facility Issuer as Holder

If a Credit Facility Issuer has issued a Credit Facility for any Applicable Obligations, and provided that no Credit Facility Default has occurred and is continuing in connection therewith, such Credit Facility Issuer shall be deemed the Holder of such Applicable Obligations for purposes of Article IX of the Master Indenture and such other purposes as may be set forth in the Applicable Supplement or the Applicable Obligations Series Certificate. (*Section 9.04*)

Satisfaction and Discharge of Indenture

If (i) the Obligated Group shall deliver to the Master Trustee for cancellation an Obligation or all Obligations of a Series theretofore authenticated pursuant to the Master Indenture and the Applicable Supplement (other than any Obligations which shall have been mutilated, destroyed, lost or stolen and which shall have been replaced or paid as provided in the Supplement) and not theretofore cancelled, or (ii) an Obligation or all Obligations of a Series not theretofore cancelled or delivered to the Master Trustee for cancellation shall have become due and payable and money and/or Defeasance Securities sufficient to pay the same shall have been deposited with the Master Trustee, or (iii) an Obligation or all Obligations of a Series that have not become due and payable and have not been cancelled or delivered to the Master Trustee for cancellation shall be Defeased Obligations, and if in all cases the Members of the Obligated Group shall also pay or cause to be paid all other sums payable under the Master Indenture and under the Applicable Supplement, Applicable Obligations Series Certificate and Applicable Obligations by the Members of the Obligated Group or any thereof, then the Master Indenture, as and to the extent it applies to the Applicable Obligation or Series of Obligations and the Applicable Supplement, shall cease to be of further effect, and the Master Trustee, on demand of the Members of the Obligated Group and at the cost and expense of the Members of the Obligated Group, shall execute proper instruments acknowledging satisfaction of and discharging the Master Indenture, as and to the extent it applies to the Applicable Obligation or Series of Obligations and the Applicable Supplement. Each Member of the Obligated Group, respectively, agrees to reimburse the Master Trustee for any costs or expenses theretofore and thereafter reasonably and properly incurred by the Master Trustee in connection with the Master Indenture, as and to the extent it applies to the Applicable Obligation or Series of Obligations and the Applicable Supplement. (*Section 10.01*)

Payment of Obligations after Discharge of Lien

Notwithstanding the discharge of the lien of the Master Indenture as provided in Article X thereof, the Master Trustee shall nevertheless retain such rights, powers and duties under the Master Indenture as may be necessary and convenient for the payment of amounts due or to become due on the Applicable Obligation or Series of Obligations and the registration, transfer, exchange and replacement of the Applicable Obligation or Series of Obligations as provided in the Master Indenture.

Nevertheless, any moneys held by the Master Trustee or any Paying Agent for the payment of the principal of, premium, if any, or interest on the Applicable Obligation or Series of Obligations remaining unclaimed for five years after the principal of the Applicable Obligations or Series of Obligations has become due and payable, whether at maturity or upon proceedings for redemption or by declaration as provided in the Master Indenture, shall then be paid to the Members of the Obligated Group, as their interests may appear, and the Holders of any Obligations not theretofore presented for payment shall thereafter be entitled to look only to the Members of the Obligated Group for payment thereof as

unsecured creditors and all liability of the Master Trustee with respect to such moneys shall thereupon cease. (*Section 10.02*)

SUMMARY OF CERTAIN PROVISIONS OF THE SUPPLEMENTAL INDENTURE

The Supplemental Indenture contains terms and conditions relating to the issuance and sale of Obligations thereunder, certain of which are summarized below. This summary does not purport to be complete or comprehensive and, accordingly, is qualified by reference thereto and is subject to the full text thereof.

Issuance of Obligations

The Supplemental Indenture creates and authorizes to be issued the Applicable Obligation, establishes the respective dated date of such Obligation and sets forth the amounts, times and manner in which such Obligation will be payable. (*Section 2.01*)

Delegation of Authority

The Supplemental Indenture delegates to any Authorized Representative of the Corporation, subject to the limitations contained therein and in the Master Indenture and the Act, the power with respect to the Series 2011 Bonds to determine and carry out certain actions, including the following:

(a) The sale of the Series 2011 Bonds at a private sale; the approval of the terms and the publication of an official statement describing the Series 2011 Bonds; and the execution of a contract or contracts to purchase the Series 2011 Bonds at private sale on behalf of the Corporation;

(b) The principal amount of Series 2011 Bonds to be issued;

(c) The date or dates, maturity date or dates, and principal amount of each maturity of the Series 2011 Bonds, the amount and date of each Sinking Fund Installment, if any, and which Series 2011 Bonds are to be Serial Obligations, Term Obligations, or a combination thereof, or the method of determining any or all of the foregoing, and any other terms regarding the payment of the principal amount of the Series 2011 Bonds; provided, however, that no Series 2011 Bonds shall mature later than forty-one years after the date of such Series 2011 Bonds;

(d) The interest rate or rates on the Series 2011 Bonds including whether the Series 2011 Bonds of a maturity shall bear interest at one or more rates, the date or dates from which interest on the Series 2011 Bonds shall accrue and the first interest payment date for all or each portion of the Series 2011 Bonds, subject to the limitations of the Applicable Supplement;

(e) The denomination or denominations of and the manner of numbering and lettering the Series 2011 Bonds;

(f) The Series 2011 Bonds which are Book Entry Bonds, if any, and the Depository therefore;

(g) The Paying Agent or Paying Agents and, subject to the provisions of the Master Indenture, the place or places of payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Series 2011 Bonds;

(h) The Redemption Price or Redemption Prices, if any, and, subject to Article IV of the Master Indenture, the redemption terms, if any, for the Series 2011 Bonds, subject to the limitations of the Applicable Supplement;

(i) Directions for the application of the proceeds of the Series 2011 Bonds; and

(j) Any other provisions deemed advisable by an Authorized Representative of the Corporation, not in conflict with the provisions thereof or of the Master Indenture. (*Section 2.02*)

Purpose of the Issue

(a) The Series 2011A Bonds are issued for the purpose of providing a portion of the funds that will be used to: (i) finance certain capital projects at the Corporation's facilities that require certificates of need from the Department of Health of the State of New York; (ii) fund a portion of the Debt Service Reserve Fund for the Series 2011 Bonds, and (iii) pay costs related to the issuance of the Series 2011 Bonds.

(b) The Series 2011B Bonds are issued for the purpose of providing a portion of the funds that will be used to: (i) reimburse the Corporation for prior capital expenditures; (ii) fund a portion of the Debt Service Reserve Fund for the Series 2011 Bonds; and (iii) pay costs related to the issuance of the Series 2011 Bonds.

(c) The Corporation may substitute projects financed with the Series 2011A Bonds and Series 2011B Bonds with the prior approval of Bond Counsel. (*Section 4.02*)

Application of Proceeds and Allocation Thereof

The Master Trustee shall apply the proceeds of the sale of the Series 2011 Bonds in accordance with the provisions of the Applicable Supplement, such that: (a) the amount representing accrued interest on the Series 2011 Bonds, if any, from the date thereof to the date of delivery thereof shall be deposited in the Applicable Account of the Debt Service Fund upon the direction of an Authorized Officer of the Corporation, (b) the amount which is equal to the Debt Service Reserve Fund Requirement for the Series 2011 Bonds in the Applicable Account of the Debt Service Reserve Fund in the amounts specified in the written instructions of an Authorized Officer of the Corporation, and (c) the balance thereof shall be deposited, in accordance with the written instructions of an Authorized Officer of the Corporation, in the Applicable Account of the Construction Fund. (*Section 6.02*)

Application of Moneys in the Construction Fund

(a) As soon as practicable after the delivery of the Series 2011 Bonds, the Master Trustee shall deposit in the Applicable Account of the Construction Fund the amount required to be deposited therein pursuant to the Applicable Obligation Series Certificate.

(b) Except as otherwise provided in the Applicable Obligation Series Certificate, moneys deposited in the respective accounts of the Construction Fund shall be disbursed by the Master Trustee upon receipt of, and in accordance with, a certificate or certificates signed by an Authorized Representative of the Corporation for such purposes as are determined by the Corporation, acting on behalf of the Obligated Group.

(c) Any proceeds of insurance, condemnation or eminent domain awards received by the Master Trustee or the Corporation with respect to any Health Care Facilities financed with the Applicable

Series 2011 Bonds (or the portion of any such proceeds apportionable to the Series 2011 Bonds) shall be deposited in the Applicable Account of the Construction Fund and, if necessary, such Account may be re-established for such purpose. (*Section 6.03*)

Debt Service Fund

(a) The Master Trustee shall, on or before each Interest Payment Date, pay to itself and any other Paying Agent out of the Applicable Account of the Debt Service Fund:

(i) the interest due and payable on all Outstanding Series 2011 Bonds on such interest payment date;

(ii) the principal amount due and payable on all Applicable Outstanding Series 2011 Bonds on such interest payment date;

(iii) the Sinking Fund Installments, if any, due and payable on all Applicable Outstanding Series 2011 Bonds on such interest payment date; and

(iv) the purchase price, purchase price in lieu of redemption or Redemption Price of Applicable Outstanding Series 2011 Bonds, theretofore contracted to be purchased or called for Redemption.

The amounts paid out pursuant to this section shall be irrevocably pledged to and applied to such payments.

(b) In the event that on any Interest Payment Date the amount in the Applicable Account of the Debt Service Fund shall be less than the amount required for payment of the interest on and the principal and Sinking Fund Installments of the Applicable Outstanding Series 2011 Bonds due and payable on such Interest Payment Date, together with the purchase price or Redemption Price of such Outstanding Series 2011 Bonds theretofore contracted to be purchased, purchased in lieu of redemption or called for redemption pursuant to the Applicable Supplement, plus accrued interest thereon to the date of purchase or redemption, the Master Trustee shall withdraw from the Applicable Account of the Debt Service Reserve Fund, and if such account is not sufficient from the Series 2000A Account in the Debt Service Reserve Fund, and deposit to the Applicable Account of the Debt Service Fund such amount as will increase the amount therein to an amount sufficient to make such payments. The amounts so withdrawn from the Applicable Account of the Debt Service Reserve Fund shall be used and applied solely for the purpose of paying the principal of, premium, if any, and interest on the Applicable Series 2011 Bonds when due, whether at their maturity or upon their redemption, or purchase in lieu or redemption, whenever there are insufficient moneys in the Applicable Account of the Debt Service Fund. The Master Trustee shall immediately notify each Credit Facility Issuer and Facility Provider, the Rating Service(s) and the Corporation of a withdrawal from the Senior Bonds Account of the Debt Service Reserve Fund. (*Section 6.05*)

Debt Service Reserve Fund

The Master Trustee shall deposit to the credit of the Applicable Account in the Debt Service Reserve Fund such proceeds of the sale of the Applicable Series 2011 Bonds as shall be required by the Applicable Supplement.

(a) In lieu of or in substitution for moneys, Government Obligations or Exempt Obligations, the Corporation may deposit or cause to be deposited with the Master Trustee a Reserve Fund Facility for

the benefit of the Holders of the Applicable Series 2011 Bonds for all or any part of the Debt Service Reserve Fund Requirement; provided (i) that if any such Reserve Fund Facility shall consist of a surety bond or insurance policy, it shall be issued by an insurance company or association duly authorized to do business in the State and the obligations insured by a surety bond or an insurance policy issued by such insurance company or association are rated, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in the highest rating category at the time such surety bond or insurance policy is issued by the Rating Service(s) and (ii) that if any such Reserve Fund Facility shall consist of a letter of credit, it shall be issued by a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, or a domestic branch of a foreign bank which branch is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in at least the second highest rating category by the Rating Service(s).

(b) In addition to the conditions and requirements set forth above, no Reserve Fund Facility shall be deposited in full or partial satisfaction of the Debt Service Reserve Fund Requirement unless the Master Trustee shall have received prior to such deposit (i) the written consent of the applicable Credit Facility Issuer, if any, to the delivery of such Reserve Fund Facility, (ii) an opinion of counsel acceptable to the applicable Credit Facility Issuer, if any, to the effect that such Reserve Fund Facility has been duly authorized, executed and delivered by the Facility Provider and is valid, binding and enforceable in accordance with its terms, (iii) in the event such Facility Provider is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the applicable Credit Facility Issuer and (iv) in the event such Reserve Fund Facility is a letter of credit and any rating agency then rating the Applicable Series 2011 Bonds requests same, an opinion of counsel acceptable to the Master Trustee and to the applicable Credit Facility Issuer substantially to the effect that payments under such letter of credit will not constitute avoidable preferences under Section 547 of the United States Bankruptcy Code in a case commenced by or against the Corporation thereunder or under any applicable provisions of the Debtor and Creditor Law of the State.

Notwithstanding the foregoing, if at any time after a Reserve Fund Facility has been deposited with the Master Trustee the unsecured or uncollateralized long term debt of the Facility Provider or the long term debt obligations secured or supported by a surety bond, insurance policy or letter of credit of a Facility Provider is reduced below the ratings required by the second preceding paragraph, the Corporation shall, unless at the time such ratings are reduced such Facility Provider is the Credit Facility Issuer of the Applicable Outstanding Series 2011 Bonds, either (i) within ninety (90) days replace or cause to be replaced said Reserve Fund Facility with another Reserve Fund Facility which satisfies the requirements of the second preceding paragraph or (ii) if the Corporation is unable to satisfy the requirements of the immediately preceding clause (i), deposit or cause to be deposited in the Debt Service Reserve Fund any combination of money, Government Obligations and Exempt Obligations which meet the requirements of subdivision (a) above in three equal semi-annual installments commencing on the Interest Payment Date next succeeding the reduction in said ratings, each such deposit to be equal, as nearly as practicable, to one-third (1/3rd) of the Debt Service Reserve Fund Requirement in effect at the time such ratings were reduced.

Each such surety bond, insurance policy or letter of credit shall be payable (upon the giving of such notice as may be required thereby on any date on which moneys are required to be withdrawn from the Debt Service Reserve Fund and such withdrawal cannot be made without obtaining payment under such Reserve Fund Facility.

For certain specified purposes within the Supplemental Indenture, in computing the amount on deposit in the Debt Service Reserve Fund, a Reserve Fund Facility shall be valued at the amount available to be paid thereunder on the date of computation; provided, that if the unsecured or uncollateralized long term debt of such Reserve Facility Provider or the long term debt obligations secured or supported by a surety bond, insurance policy or letter of credit of said Reserve Facility Provider has been reduced below the ratings required by this section, said Reserve Fund Facility shall be valued at the lesser of (i) the amount available to be paid thereunder on the date of calculation and (ii) the difference between the amount available to be paid thereunder on the date of issue thereof and an amount equal to a fraction of such available amount the numerator of which is the aggregate number of Interest Payment Dates which has elapsed since such ratings were reduced and the denominator of which is three.

(c) Moneys held for the credit of the Applicable Account in the Debt Service Reserve Fund shall be withdrawn by the Master Trustee and deposited to the credit of the Applicable Account of the Debt Service Fund at the times and in the amounts required to comply with the provisions of subdivision (b) under the heading "Debt Service Fund" above; provided that no payment under a Reserve Fund Facility shall be sought unless and until moneys are not available in the Applicable Account of the Debt Service Reserve Fund and the amount required to be withdrawn from such Account of the Debt Service Reserve Fund pursuant to this subdivision cannot be withdrawn therefrom without obtaining; payment under such Reserve Fund Facility; provided further, that, if more than one Reserve Fund Facility is held for the credit of the Applicable Account of the Debt Service Reserve Fund at the time moneys are to be withdrawn therefrom, the Master Trustee shall obtain payment under each such Reserve Fund Facility, pro rata, based upon the respective amounts then available to be paid thereunder. The Master Trustee shall notify each Credit Facility Issuer and the Corporation of any withdrawal of moneys from the Debt Service Reserve Fund or payment from a Reserve Fund Facility immediately upon such withdrawal or payment.

With respect to any demand for payment under any Reserve Fund Facility, the Master Trustee shall make such demand for payment in accordance with the terms of such Reserve Fund Facility at the earliest time provided therein to assure the availability of moneys on the interest payment date for which such moneys are required.

(d) (i) Moneys and investments held for the credit of the Applicable Account in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement shall be applied by the Master Trustee first, to make up any deficiency in any Fund or Account established in connection with the issuance of Senior Obligations, and thereafter, upon direction of an Authorized Officer of the Corporation, shall be withdrawn by the Master Trustee and (A) deposited in the Arbitrage Rebate Fund, the Debt Service Fund or the Construction Fund or (B) paid to the Corporation.

(ii) Notwithstanding the provisions hereof, if, upon a Series 2011 Bond having been deemed to have been paid in accordance with the Master Indenture or redeemed prior to maturity from the proceeds of an Obligation or a Series of Obligations or other securities issued for such purpose, the moneys and investments held for the credit of the Applicable Account of the Debt Service Reserve Fund will exceed the Debt Service Reserve Fund Requirement therefor, then the Master Trustee shall, simultaneously with such redemption or a deposit made in accordance with the Master Indenture, withdraw all or any portion of such excess from such Applicable Account of the Debt Service Reserve Fund upon the direction of an Authorized Officer of the Corporation and either (i) apply such amount to the payment of the principal or Redemption Price of and interest on such Applicable Series 2011 Bond in accordance with the irrevocable instructions of the Corporation or to fund any reserve for the payment of the principal and sinking fund installments of or interest on the Obligation, Series of Obligations or other securities, if any, issued to provide for payment of such Applicable Series 2011 Bond or (ii) deposit such amount to

the Construction Fund if, in the Opinion of Bond Counsel, such application of such moneys will not adversely affect the exclusion of interest on any Applicable Series 2011 Bonds from gross income for federal income tax purposes; provided that after such withdrawal the amount remaining in the Applicable Account of the Debt Service Reserve Fund shall not be less than the Applicable Debt Service Reserve Fund Requirement.

(e) If upon valuation, the moneys, investments and Reserve Fund Facilities held for the credit of the Applicable Account of the Debt Service Reserve Fund are less than the Applicable Debt Service Reserve Fund Requirement, the Master Trustee shall immediately notify the Corporation of such deficiency and the Corporation shall, as soon as practicable, but in no event later than five (5) days after receipt of such notice, deliver to the Master Trustee moneys, Government Obligations, Exempt Obligations or Reserve Fund Facilities the value of which, in the aggregate, is sufficient to increase the amount in such Applicable Account of the Debt Service Reserve Fund to the Applicable Debt Service Reserve Fund Requirement. (*Section 6.06*)

Arbitrage Rebate Fund

(a) The Arbitrage Rebate Fund shall be maintained by the Master Trustee as a fund separate from any other fund established and maintained under the Applicable Supplement. Within the Arbitrage Rebate Fund, the Master Trustee shall maintain the Applicable Accounts in order to comply with the terms and requirements of any tax regulatory agreement or tax certificate. Subject to the provisions of subdivision (e) of this section, all money at any time deposited in the Arbitrage Rebate Fund shall be held by the Master Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in any tax regulatory agreement or tax certificate), for payment to the Treasury Department of the United States of America, and the owner of any Obligation shall not have any rights in or claim to such money. All amounts deposited into or on deposit in the Arbitrage Rebate Fund shall be governed by this section, the tax covenants, if any, in the Master Indenture (including the Applicable Supplement) and by any tax regulatory agreement or tax certificate (which is incorporated herein by reference). The Master Trustee shall be deemed conclusively to have complied with this section and with such provisions of the Applicable tax regulatory agreement or tax certificate if it follows the directions of an Authorized Representative of the Corporation including supplying all necessary written information in the manner provided in the Applicable tax regulatory agreement or tax certificate, and shall have no liability or responsibility for compliance (except as specifically set forth herein or in any other tax regulatory agreement or tax certificate) or to enforce compliance by the Corporation with the terms of any other tax regulatory agreement or tax certificate.

(b) Upon the written direction of the Corporation, the Master Trustee shall deposit in the Arbitrage Rebate Fund funds received from the Corporation, so that the balance of the amount on deposit thereto shall be equal to the Rebate Requirement. Computations of the Rebate Requirement shall be furnished by or on behalf of the Corporation in accordance with the Applicable tax regulatory agreement or tax certificate.

(c) The Master Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this section, other than from moneys held in the Applicable Account of the Arbitrage Rebate Fund, the moneys held in the funds and accounts created under the Applicable Supplement and available for such purposes or from other moneys provided to it by the Corporation.

(d) The Master Trustee shall invest all amounts held in the Applicable Account of the Arbitrage Rebate Fund as provided in written directions of the Corporation. The Corporation, in issuing such directions, shall comply with the restrictions and instructions set forth in the Applicable tax

regulatory agreement or tax certificate. Moneys may only be applied from the Applicable Account of the Arbitrage Rebate Fund as provided in subdivision (e) of this section.

(e) The Master Trustee, upon the receipt of written instructions and certification of the Rebate Requirement from an Authorized Representative of the Corporation, shall pay the amount of such Rebate Requirement to the Treasury Department of the United States of America, out of amounts on deposit in the Applicable Account of the Arbitrage Rebate Fund, as so directed. The Master Trustee, upon the receipt of written instructions from an Authorized Representative of the Corporation, shall withdraw any amount in the Applicable Account of the Arbitrage Rebate Fund in excess of the Rebate Requirement and deposit such amount in such other fund or account established under the Applicable Supplement as shall be provided in such written instructions.

(f) Notwithstanding any other provisions of the Applicable Supplement or Master Indenture, the obligation to remit the Rebate Requirement to the United States of America and to comply with all other requirements of this section, the tax covenants, if any, in the Applicable tax regulatory agreement or tax certificate shall survive the defeasance or payment in full of the Applicable Series 2011 Bonds. (*Section 6.07*)

Application of Moneys in Certain Funds for Retirement of Applicable Series 2011 Bonds

Notwithstanding any other provisions hereof, if at any time the amounts held in the Applicable Account of the Debt Service Fund and the Applicable Account of the Debt Service Reserve Fund (exclusive of any Reserve Fund Facility on deposit therein) are sufficient to pay the principal or Redemption Price of all Applicable Outstanding Series 2011 Bonds, interest accrued and unpaid and to accrue on such Series 2011 Bonds to the next date of redemption when all such Series 2011 Bonds are redeemable, or to make provision pursuant to the Master Indenture for the payment of the Applicable Outstanding Series 2011 Bonds at the maturity or redemption dates thereof, and to pay all other amounts that are and may reasonably be expected to become due and payable under the Applicable Series 2011 Bonds and the Applicable Supplement to such date, the Master Trustee shall so notify the Corporation. Upon receipt of such notice, the Corporation may (i) direct the Master Trustee to redeem all such Applicable Outstanding Series 2011 Bonds, whereupon the Master Trustee shall proceed to redeem or provide for the redemption of such Outstanding Series 2011 Bonds in the manner provided for redemption of such Series 2011 Bonds by the Applicable Supplement and as provided in Article IV of the Master Indenture, or (ii) give the Master Trustee irrevocable instructions in accordance with the Master Indenture and make provision for the payment of the Applicable Outstanding Series 2011 Bonds at the maturity or redemption dates thereof in accordance therewith. (*Section 6.08*)

Supplements to Master Indenture relating to Series 2011 Bonds

For so long as any of the Series 2011 Bonds remain Outstanding, the Master Indenture is supplemented in the Supplemental Indenture as follows:

(a) To add a new subsection to the end of Section 6.10 of the Master Indenture as follows:

(g)(ii) The Corporation will furnish in each fiscal year, no later than sixty (60) days subsequent to the last day of each of the first three quarters and no later than ninety (90) days subsequent to the last day of the fourth quarter, to the MSRB and each Bondholder who is the registered owner of in excess of an aggregate \$1 million principal amount of Series 2011 Bonds who has so requested, the following information: (a) the unaudited financial statements of the Corporation, including the balance sheet as of the end of such quarter, the statement of operations, changes to net assets and cash flows; (b) utilization statistics of the Corporation for such quarter, including aggregate discharges, patient days, average length

of stay, average daily census, emergency room visits, ambulatory surgery visits and home care visits (if applicable); and (c) discharges of the Corporation by major payor mix for such quarter.

(b) To amend and restate the last subsection of Section 6.13 of the Master Indenture as follows:

(d) If the Obligated Group shall fail to maintain the Required Ratios as required by paragraph (a) above, the Obligated Group shall nonetheless be considered to be in compliance with this Section 6.13 so long as the Obligated Group has satisfied the requirements of paragraphs (b) and (c) above to the reasonable satisfaction of the Master Trustee. If the Obligated Group shall fail (i) to provide the Governing Body Officer's Certificate required by paragraph (a) above or (ii) to satisfy the requirements of paragraphs (b) and (c) above to the reasonable satisfaction of the County and the Master Trustee, the County and the Master Trustee shall be entitled to notify the members of the Obligated Group's Governing Body and of each Member's Governing Body of such noncompliance, and to enforce the provisions of this Section 6.13 by specific performance. Except as set forth in the last sentence of this Section 6.13(d), in no event, however, shall failure to satisfy the provisions of this Section 6.13 constitute an Event of Default under the Master Indenture, it being understood that the sole remedies for noncompliance shall be the right of the County and the Master Trustee to seek specific performance and/or to notify the members of the Governing Bodies of each Obligated Group Member as aforesaid. Notwithstanding the preceding sentence, a failure to maintain a Long-Term Debt Service Coverage Ratio of 1.00 shall be an Event of Default under 7.01(b).

(c) To amend and restate the last paragraph of the subsection 9.01(h) of the Master Indenture to read as follows:

“provided, however, that no amendment shall be made pursuant to this clause (h) which would have the effect, directly or indirectly, of changing or providing an alternative to (1) any provision of this Master Indenture requiring the maintenance or demonstration of a Long-Term Debt Service Coverage Ratio, except to reduce such ratio, but in no event shall such ratio be reduced to less than 1.10 (or less than 1.00 if Governmental Restrictions make it impossible for a Long-Term Debt Service Coverage Ratio of at least 1.10 to be maintained or demonstrated), (2) the definitions of “Gross Receipts”, “Health Care Facilities” or any term used in the calculation of the Long-Term Debt Service Coverage Ratio, Current Ratio, Cushion Ratio or Days' Cash on Hand or the amount of Long-Term Indebtedness or Short-Term Indebtedness, or the definitions of Affiliate, Audited Financial Statements, Book Value, Non-Recourse Indebtedness, Operating Assets, Property, Plant and Equipment or Total Operating Revenues, or (3) Sections 6.01, 6.02(a), 6.05(b)(x), 6.06(a)(i)(A), 6.07, 6.08(a)(iii) or 6.08(b)(iii), 6.09, 6.11, 6.12, 6.13, 7.01 through 7.14, inclusive, 8.04, 9.01(h), 9.02(a), 10.01 or 11.02 of this Master Indenture.”

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APPENDIX E

PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL

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Upon issuance and delivery of the Series 2011 Bonds, Winston & Strawn LLP, Bond Counsel, proposes to deliver its final opinion substantially in the following form:

December 15, 2011

Westchester County Health Care Corporation
Eastview Hall
Valhalla Campus
Valhalla, New York 10595

Members of the Board:

We have examined a record of proceedings of the Westchester County Health Care Corporation (the "Corporation"), a public benefit corporation organized and existing under the laws of the State of New York, and other proofs submitted to us relative to the issuance and sale by the Corporation of its \$64,280,000 Revenue Bonds Series 2011 – Senior Lien (the "Bonds"), consisting of the Series 2011A (Tax-Exempt) in the aggregate principal amount of \$48,985,000 (the "Series 2011A Bonds") and the Series 2011B Bonds (Tax-Exempt) in the aggregate principal amount of \$ 15,295,000 (the "Series 2011B Bonds").

The Bonds are issued under and pursuant to the Westchester County Health Care Corporation Act, Chapter 11 of the Consolidated Laws of the State, 1997 (Title 1 of Article 10-C Public Authorities Law section 3301 et seq.) (the "Act"), a Master Trust Indenture, dated as of November 1, 2000, as amended (the "Master Indenture"), and the Seventh Supplemental Indenture, dated as of November 1, 2011 (the "Seventh Supplemental Indenture"), by and between the Corporation, as representative of the Obligated Group, and Deutsche Bank Trust Company Americas, as successor master trustee (the "Master Trustee"). Each of the Bonds is an Obligation of the Obligated Group under the Master Indenture (collectively, the "Obligations"). The Board of Directors of the Corporation has authorized the issuance of the Bonds by a resolution adopted by its members on September 7, 2011 (the "Resolution"). Capitalized terms used but not otherwise defined herein shall have the meanings given in the Indentures or the Applicable Obligation Series Certificate.

The Obligations issued under the Master Indenture, including the Bonds, are special obligations of the Obligated Group thereunder, payable solely from and secured by (i) a pledge of the Gross Receipts of the Obligated Group and (ii) with respect to each series of the Bonds, the funds and accounts (other than the Arbitrage Rebate Fund) established under the Master Indenture and pursuant to each Supplemental Indenture. The Master Indenture pledges and assigns the Gross Receipts of the Obligated Group to the Master Trustee as security for the payment of all Obligations issued under the Master Indenture, including the Bonds, and as security for the performance of any other obligation of the Obligated Group under the Master Indenture and under any Obligation in accordance with the provisions of the Master Indenture. The Bonds are further secured by the Mortgage.

The Bonds will be dated the date of their delivery, and will bear interest from such date (payable on May 1, 2012 and on each May 1 and November 1 thereafter). The Bonds are to mature on the dates and in the years and amounts set forth in each Obligation Series Certificate executed and delivered concurrently with the issuance of the Bonds.

The Bonds are to be issued in fully registered form, and are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth in the Bonds, the Indentures and the Obligation Series Certificates. The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof.

The proceeds of the Series 2011A Bonds, will be used to (i) finance certain capital projects at the Corporation's facilities that require certificates of need from the Department of Health of the State of New York; (ii) fund a portion of the Debt Service Reserve Fund for the Series 2011 Bonds, and (iii) pay costs related to the issuance of the Series 2011 Bonds.

The proceeds of the Series 2011B Bonds, together with other available funds, will be used to (i) finance certain capital projects at the Corporation's facilities; (ii) fund a portion of the Debt Service Reserve Fund for the Series 2011 Bonds; and (iii) pay costs related to the issuance of the Series 2011 Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various limitations, conditions and other requirements which must be met at and subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds will be and remain not includable in gross income under Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use of proceeds of the Bonds and the facilities financed or refinanced by such proceeds, restrictions on the investment of such proceeds and other amounts, the rebate to the United States of certain earnings with respect to investments, and required ownership by a governmental unit of the facilities financed or refinanced by the Bonds. Failure to comply with the continuing requirements may cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of their issuance irrespective of the date on which such noncompliance occurs. The Corporation has made representations, certifications and covenants designed to assure compliance with the requirements of the Code. The opinion of Bond Counsel assumes and is dependent upon compliance with such covenants and the accuracy, in all material respects, of such representations and certifications, which Bond Counsel has not independently verified. In delivering this letter, we have not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax exempt status of interest on the Bonds.

We express no opinion as to the exclusion of interest on the Bonds from gross income for federal income tax purposes (i) in the event the Master Indenture or the Seventh Supplemental Indenture shall have been modified or amended in any manner which affects the exclusion of interest on the Bonds for federal income tax purposes without our approval, or (ii) on or after the date on which there occurs any change or other action permitted by the documents executed and delivered in connection with the authorization, sale or issuance of all or any portion of the Bonds, if such change occurs or such action is taken upon the approval of counsel other than ourselves.

Based upon and subject to the foregoing, we are of the opinion that:

1. The Corporation has been duly created and is validly existing under the Act as a public benefit corporation of the State of New York.

2. The Master Indenture and the Seventh Supplemental Indenture (collectively, the "Indentures") have each been duly authorized, executed and delivered, are in full force and effect, and constitute valid and binding agreements of the Corporation enforceable against the Corporation in accordance with their terms.

3. The Bonds have been duly authorized and issued by the Corporation in accordance with law and the terms of the Indentures and are valid and binding special obligations of the Obligated Group payable solely out of the revenues and other receipts, funds or moneys of the Obligated Group pledged therefore pursuant to the Indentures, and from any amounts otherwise available under the Indentures for

the payment thereof. The Bonds are enforceable in accordance with their terms and the terms of the Indentures and are entitled to the benefit of the Act and the Indentures.

4. The Indentures create the valid pledge and assignment which they purport to create of all of the Obligated Group's right, title and interest in the Bonds (except for any rights specifically reserved thereunder), and all moneys and securities held by the Master Trustee under the Indentures (except for moneys and securities held in the Arbitrage Rebate Fund created thereunder), subject only to the provisions of the Indentures permitting the application thereof for or to the purposes and on the terms and conditions set forth therein.

5. Based on existing statutes, regulations, rulings and court decisions and assuming compliance with the covenants and the accuracy of the representations and certifications referred to above, interest on the Bonds is not includable in gross income for federal income tax purposes. We are further of the opinion that, assuming compliance with such covenants and the accuracy of such representations and certifications, interest on the Bonds is not an "item of tax preference" for purposes of the federal alternative minimum tax on individuals and corporations; however, interest on the Bonds will be included in the adjusted current earnings used to calculate the federal alternate minimum tax on corporations.

6. Certain maturities of the Bonds have been initially offered to the public at prices less than the principal amount thereof payable at maturity. If the first price at which a substantial amount of the Bonds of the same maturity is sold in the initial offering to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) is less than the principal amount thereof payable at maturity, the difference between such price and principal amount constitutes original issue discount in respect of each Bond of the same maturity. We are further of the opinion that original issue discount, as it accrues, is excludable from gross income for federal income tax purposes to the same extent as interest on the Bonds.

7. Certain maturities of the Bonds have been initially offered to the public at prices in excess of the principal amount thereof payable at maturity. The initial purchaser of (other than a purchaser who holds such Premium Remarketed Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) with an initial adjusted basis in the Bond in excess of its principal amount (a "Premium Bond") will have amortizable bond premium that is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of the Premium Bond based on the purchaser's yield to maturity (or in the case of a Premium Bond callable prior to maturity, over the period to the call date that produces the lowest yield on the Premium Bond, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser is required to decrease such purchaser's adjusted basis in such Bond annually by the amount of the amortizable bond premium for the taxable year.

8. Interest on the Bonds is exempt under existing statutes from personal income taxes imposed by the State of New York or any political subdivision thereof (including the City of New York and the City of Yonkers).

Except as stated in paragraphs 5, 6, 7 and 8 above, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the Bonds. In connection with the opinions expressed above, we wish to point out that the enforceability of provisions in the Indentures, to the effect that terms may not be waived or modified except in writing, may be limited under certain circumstances. In addition, we express no opinion as to the severability of any provision of the Indentures.

In rendering this opinion letter, we have relied as to certain matters, with your permission and with the permission of Julie Switzer, Esq., on the opinion rendered by Ms. Switzer in connection with the issuance of the Bonds.

In rendering this opinion letter, we have assumed the power to enter into and perform, and the due authorization, execution and delivery by all parties, other than the Corporation, of the agreements to which the Corporation is a party.

Your attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the Corporation other than the record of proceedings referred to above, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to the purchasers of the Bonds.

Certain requirements and procedures contained or referred to in the Indentures and other relevant documents may be changed and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving Opinion of Bond Counsel. We express no opinion as to any Bond, or the interest thereon, if any change occurs or action is taken upon the advice or approval of other bond counsel.

We have examined an executed Bond and, in our opinion, the form of such Bond and its execution is regular and proper.

Our opinions set forth in this letter are based upon the facts in existence and the laws in effect on the date hereof and we expressly disclaim any obligation to update our opinions herein, regardless of whether changes in such facts or laws come to our attention after the delivery hereof.

Very truly yours,



Westchester
MEDICAL CENTER