

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 6, 2017

NEW ISSUE  
BOOK-ENTRY-ONLY

Ratings: Moody's "\_\_\_"  
Fitch: "\_\_\_"  
See "RATINGS" herein

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2017 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the 2017 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, the 2017 Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, will be exempt from taxes directly imposed thereon by the State of New Hampshire and the municipalities and other political subdivisions of the State of New Hampshire. See "TAX MATTERS" herein.*



\$62,000,000\*  
NEW HAMPSHIRE HEALTH AND EDUCATION  
FACILITIES AUTHORITY  
REVENUE BONDS  
CONCORD HOSPITAL ISSUE  
SERIES 2017

**Dated: Date of Delivery**

**Due: October 1, as shown on inside cover page**

The \$62,000,000\* New Hampshire Health and Education Facilities Authority Revenue Bonds, Concord Hospital Issue, Series 2017 (the "2017 Bonds") are being issued in the amounts and with the maturity dates shown on the inside cover hereof. Interest on the 2017 Bonds will be payable on April 1 and October 1 of each year, commencing April 1, 2018.

Principal of and interest on the 2017 Bonds will be paid by U.S. Bank National Association, as Paying Agent and Bond Trustee (the "Paying Agent" or "Bond Trustee"). The 2017 Bonds will be initially issued as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as the securities depository for the 2017 Bonds. The 2017 Bonds will be issued in denominations of \$5,000 and integral multiples thereof. So long as DTC or its nominee, Cede & Co., is the Bondholder, such payments will be made directly to such Bondholder as more fully described herein. Individual purchases will be made in book-entry form only. Purchasers of 2017 Bonds will not receive physical delivery of bond certificates.

**The 2017 Bonds are subject to redemption prior to maturity, including redemption at par under certain circumstances, as described herein.**

The 2017 Bonds are special obligations of the New Hampshire Health and Education Facilities Authority (the "Authority"), secured under the provisions of the Bond Indenture and the Loan Agreement as defined and described herein. The 2017 Bonds will be payable from loan repayments made by Concord Hospital, Inc., of Concord, New Hampshire (the "Institution"), pursuant to the Loan Agreement and Mortgage, dated as of December 1, 2017 (the "Loan Agreement"), by and between the Institution and the Authority, and from certain funds held under a Bond Indenture (the "Bond Indenture"), dated as of December 1, 2017, between the Authority and the Bond Trustee. The obligation of the Institution to make such payment is evidenced and secured by a note (the "Series 2017 Note") issued under and pursuant to the Loan Agreement, the Second Amended and Restated Master Trust Indenture (the "Master Indenture") described herein, wherein the Members of the Obligated Group (as defined herein) are jointly and severally obligated to make payments on such Series 2017 Note according to the terms thereof and the Supplemental Master Indenture. Payments on such Series 2017 Note are required to be in an amount sufficient to pay when due the principal of and premium, if any, and interest on the 2017 Bonds secured by such Series 2017 Note. The 2017 Bonds are secured by the Bond Indenture pursuant to which the 2017 Bonds are issued and are payable solely from payments made under the Loan Agreement and Series 2017 Note. The obligations of the Institution pursuant to the Loan Agreement are secured by a mortgage lien on the Institution's main hospital campus and a security interest in the Equipment (as defined in the Loan Agreement) of the Institution. The obligations of the Members of the Obligated Group pursuant to the Series 2017 Note and the Master Indenture are secured by a pledge of Gross Revenues (as defined in the Master Indenture) of the members of the Obligated Group. The mortgage is subject to release under certain circumstances as more fully described herein.

**NEITHER THE STATE OF NEW HAMPSHIRE NOR ANY MUNICIPALITY OR POLITICAL SUBDIVISION THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE 2017 BONDS EXCEPT FROM SOURCES DESCRIBED HEREIN, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW HAMPSHIRE OR OF ANY MUNICIPALITY OR POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2017 BONDS. THE AUTHORITY HAS NO TAXING POWER.**

The cover page contains information for general reference only. It is not intended as a summary of this transaction. Investors are advised to read the entire Official Statement to obtain information essential to making an informed investment decision.

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

The 2017 Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Authority by its special counsel, Sulloway & Hollis, P.L.L.C., Concord, New Hampshire. Certain legal matters will be passed upon for the Obligated Group, including the Institution, by its counsel, Wadleigh, Starr & Peters, PLLC, Manchester, New Hampshire, and for the Underwriters by their counsel, Butler Snow LLP, Boston, Massachusetts. It is expected that the 2017 Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York on or about December 21, 2017\*.

**GEORGE K. BAUM & COMPANY**

**RBC CAPITAL MARKETS**

This Official Statement is dated \_\_\_\_\_, 2017.

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**\$62,000,000\***  
**NEW HAMPSHIRE HEALTH AND EDUCATION FACILITIES AUTHORITY**  
**REVENUE BONDS**  
**CONCORD HOSPITAL ISSUE, SERIES 2017**

**MATURITY SCHEDULE**

<b><u>Maturity Date</u></b> <b><u>(October 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Price or</u></b> <b><u>Yield</u></b>	<b><u>CUSIP<sup>†</sup></u></b> <b><u>Number</u></b>
--	---	--	---	---

---

\* Preliminary, subject to change.

† The CUSIP (Committee on Uniform Securities Identification Procedures) numbers on the inside cover of this Official Statement have been assigned by an organization not affiliated with the Authority, the Institution or the Underwriter, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of Bondholders and no representation is made as to the correctness of the CUSIP numbers printed on the inside cover hereof. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including but not limited to the refunding or defeasance of such issue or the use of secondary market financial products. None of the Authority, the Institution nor any Underwriter has agreed to, nor is there any duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers printed on the inside cover hereof. CUSIP® is a registered trademark of the American Bankers Association.

No dealer, broker, salesman or other person has been authorized by the Authority, the Institution, the Depository Trust Company (“DTC”) or the Underwriters to give any information or to make any representations with respect to this offering, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2017 Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information contained herein has been obtained from the Institution, the DTC and other sources which are believed to be reliable, but has not been independently verified by, is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of the Authority or the Underwriters. The information and expressions of opinions contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the Institution since the date hereof.

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

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 a part of, the Underwriters responsibilities 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, and this Official Statement is not to be construed as the promise or guarantee of the Underwriters.

The Authority makes no representation with respect to the information in this Official Statement, other than under the heading “THE AUTHORITY” and information concerning the Authority under the headings “INTRODUCTION” and “ABSENCE OF MATERIAL LITIGATION.”

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2017 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE 2017 BONDS TO CERTAIN DEALERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

THE 2017 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

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

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “anticipate,” “budget,” “intend” or other similar words.

**THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS, WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE INSTITUTION NOR ANY OTHER PARTY PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN CHANGES TO THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES UPON WHICH SUCH STATEMENTS ARE BASED OCCUR.**

## TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION .....	1
Purpose of this Official Statement.....	1
Use of Proceeds.....	1
The Obligated Group.....	2
Sources of Payment and Security for the 2017 Bonds .....	2
THE AUTHORITY .....	3
Authority Membership and Organization.....	3
Powers of the Authority .....	4
Procedure Before Issuance of Bonds.....	5
Bond Financing Program of the Authority.....	5
THE 2017 BONDS .....	5
Description of the 2017 Bonds .....	5
Redemption Provisions.....	6
Book-Entry-Only System.....	8
SECURITY FOR THE 2017 BONDS.....	11
Loan Agreement.....	11
Gross Revenues Pledge .....	11
Mortgage; Equipment Lien .....	12
Master Indenture .....	12
Funds.....	13
PLAN OF FINANCING.....	13
THE PROJECT .....	13
ESTIMATED SOURCES AND USES OF FUNDS .....	14
DEBT SERVICE REQUIREMENTS .....	15
TAX MATTERS .....	15
Opinion of Bond Counsel.....	15
Certain Ongoing Federal Tax Requirements and Covenants.....	16
Certain Collateral Federal Tax Consequences.....	16
Original Issue Discount .....	17
Bond Premium.....	17
Information Reporting and Backup Withholding .....	18
Miscellaneous.....	18
LEGALITY OF 2017 BONDS FOR INVESTMENT AND DEPOSIT .....	18
STATE NOT LIABLE ON 2017 BONDS .....	19
COVENANT BY THE STATE.....	19
CONTINUING DISCLOSURE.....	19
LEGAL MATTERS .....	20
RATINGS.....	20
UNDERWRITING .....	20
FINANCIAL ADVISOR TO THE INSTITUTION .....	21
ABSENCE OF MATERIAL LITIGATION.....	21
FINANCIAL STATEMENTS.....	21
BONDHOLDERS' RISKS AND MATTERS AFFECTING THE HEALTHCARE INDUSTRY.....	21
General .....	22
National Health Reform .....	22
New Hampshire Disproportionate Share Hospital Legislation and Litigation .....	24
Medicare and Medicaid Programs.....	24
Increased Competition.....	27
Managed Care; Private Health Insurance Plans; Exchanges .....	28
Non-Profit Health Care Environment.....	28
IRS Examination of Executive Compensation .....	29
Litigation Relating to Billing and Collection Practices.....	29
Challenges to Real Property Tax Exemptions.....	29

Charity Care and Community Benefit .....	29
Enforceability of Lien on Gross Revenues .....	30
Enforceability of Master Indenture and Loan Agreement .....	31
Enforceability of Remedies .....	32
Regulation of the Health Care Industry .....	34
Licensing; Surveys; Investigations .....	35
Certificate of Need .....	36
Negative Rankings Based on Clinical Outcomes, Cost, Quality, Patient Satisfaction and Other Performance Measures .....	36
Governmental Enforcement .....	36
Environmental Matters .....	45
Tax-Exempt Status of the 2017 Bonds .....	46
Tax-Exempt Status with Respect to the Obligated Group and Other Tax Matters .....	46
Internal Revenue Service Compliance Initiatives .....	48
Antitrust .....	48
Affiliations, Mergers, Acquisitions and Divestitures .....	49
Physician Medical Staff .....	49
Nursing and Other Shortages .....	49
Labor Relations and Collective Bargaining .....	50
Professional Liability Claims and General Liability Insurance .....	50
Indigent Care .....	50
Interest Rate Swap Risk .....	51
State Budgets .....	51
Investments .....	51
Other Risk Factors .....	51
MISCELLANEOUS .....	52
APPENDIX A - CERTAIN INFORMATION REGARDING THE INSTITUTION AND THE OBLIGATED GROUP .....	A-1
APPENDIX B - CONCORD HOSPITAL, INC. AND SUBSIDIARIES – AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION (WITH INDEPENDENT AUDITORS’ REPORT) FOR THE YEARS ENDING SEPTEMBER 30, 2017 AND SEPTEMBER 30, 2016 .....	B-1
APPENDIX C-1 - CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS .....	C-1-1
APPENDIX C-2 - FORM OF THE SECOND AMENDED AND RESTATED MASTER TRUST INDENTURE .....	C-2-1
APPENDIX D - FORM OF BOND COUNSEL’S OPINION .....	D-1
APPENDIX E - FORM OF CONTINUING DISCLOSURE AGREEMENT .....	E-1

**\$62,000,000\***  
**NEW HAMPSHIRE HEALTH AND EDUCATION FACILITIES AUTHORITY**  
**REVENUE BONDS**  
**CONCORD HOSPITAL ISSUE**  
**SERIES 2017**

**INTRODUCTION**

**Purpose of this Official Statement**

The purpose of this Official Statement, including the cover page and the Appendices hereto, is to set forth certain information concerning the sale and delivery of \$62,000,000\* aggregate principal amount of the New Hampshire Health and Education Facilities Authority (the “Authority”) Revenue Bonds, Concord Hospital Issue, Series 2017 (the “2017 Bonds”) issued under the New Hampshire Health and Education Facilities Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated (the “Act”) and authorized by the Bond Resolution adopted by the Authority on July 20, 2017 (the “Resolution”). Terms used in this Official Statement and not otherwise defined herein have the respective meanings set forth in APPENDIX C-1 – “CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS” and APPENDIX C-2 – “FORM OF THE SECOND AMENDED AND RESTATED MASTER TRUST INDENTURE.”

The 2017 Bonds are being issued by the Authority pursuant to the Resolution and a Bond Indenture (the “Bond Indenture”), dated as of December 1, 2017, by and between the Authority and U.S. Bank National Association, as Bond Trustee (the “Bond Trustee”). The proceeds of the 2017 Bonds will be loaned by the Authority pursuant to a Loan Agreement and Mortgage, dated as of December 1, 2017 (the “Loan Agreement”), by and between the Authority and Concord Hospital, Inc. (the “Institution”), of Concord, New Hampshire. The obligations of the Institution under the Loan Agreement will be evidenced by a note (the “Series 2017 Note”) issued pursuant to the Loan Agreement, the Second Amended and Restated Master Trust Indenture, dated as of December 1, 2017, as supplemented and amended (the “Master Indenture”), by and among the Institution, the other Member of the Obligated Group described below, and U.S. Bank National Association, as successor master trustee (the “Master Trustee”), and a Supplemental Master Trust Indenture No. 11, dated as of December 1, 2017, by and among the Institution, the other Member of the Obligated Group described below, and the Master Trustee (the “Supplemental Master Indenture”). The Institution, along with Concord Hospital Trust (“CHT”), of Concord, New Hampshire, shall constitute, as of the date of issuance of the 2017 Bonds, the Members of the Obligated Group (each, a “Member” and collectively, the “Obligated Group”) established pursuant to the Master Indenture. The Series 2017 Note securing the 2017 Bonds shall constitute a joint and several obligation of the Institution and CHT as the Members of such Obligated Group.

**Use of Proceeds**

The 2017 Bonds are being issued for the purpose of (i) financing and refinancing the cost of the construction, equipping, renovation and installation by the Institution of hospital and health care facilities in the city of Concord, New Hampshire; and (ii) paying certain costs of issuing the 2017 Bonds.

The 2017 Bonds will be secured by the Series 2017 Note issued on a parity with all other Notes issued and to be issued under the Master Indenture. For a description of indebtedness currently secured under the Master Indenture, see APPENDIX A – “CERTAIN INFORMATION REGARDING THE INSTITUTION AND THE OBLIGATED GROUP – Financial Information - Outstanding Debt.” Such

---

\* Preliminary, subject to change.

Indebtedness, together with the 2017 Bonds and any Additional Indebtedness that may be secured under the Master Indenture, will be equally and ratably secured to the extent provided therein. See APPENDIX C-1 – “CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS” and APPENDIX C-2 – “FORM OF THE SECOND AMENDED AND RESTATED MASTER TRUST INDENTURE.”

### **The Obligated Group**

As of the date of issuance of the 2017 Bonds, the Obligated Group will consist of the Institution and CHT. For a more complete description of the Obligated Group, see APPENDIX A.

### **Sources of Payment and Security for the 2017 Bonds**

The 2017 Bonds are secured by the Series 2017 Note issued pursuant to the Loan Agreement, the Master Indenture and the Supplemental Master Indenture. The Series 2017 Note will be pledged and assigned by the Authority to the Bond Trustee under the Bond Indenture for the sole benefit of the Holders of the 2017 Bonds. The Series 2017 Note will be in the same principal amount as the 2017 Bonds and will have terms and conditions to provide payments thereon in the aggregate sufficient to pay all amounts to become due on the 2017 Bonds. The Series 2017 Note is subject to the same payment and prepayment terms as the obligations of the Institution with respect to the 2017 Bonds under the Loan Agreement. The Series 2017 Note, the Loan Agreement and the Supplemental Master Indenture, pursuant to which the Series 2017 Note is issued, provide that the Obligated Group will receive credit, to the extent, in the manner and with the effect provided therein, for payments of principal and premium, if any, and interest required on the Series 2017 Note in amounts including (i) amounts paid under the Loan Agreement for the payment of principal of and premium, if any, and interest on the 2017 Bonds, (ii) the par amount of 2017 Bonds purchased and delivered to the Bond Trustee for cancellation, and (iii) other amounts specified in the Loan Agreement and the Series 2017 Note. To secure their obligations under the Master Indenture and the Series 2017 Note on a parity with all Notes issued under the Master Indenture, the Members of the Obligated Group will grant to the Master Trustee a lien on their Gross Revenues. The Master Indenture provides that any note issued thereunder, such as the Series 2017 Note, is a joint and several obligation of all Members of the Obligated Group. **As of the date of issuance of the 2017 Bonds, the Institution and CHT are the only Members of the Obligated Group.**

Capital Region Healthcare Corporation, the parent holding company and sole member of the Institution, is the fee owner of the land on which the Institution’s main hospital campus is located (the “Land”) and has entered into a Ground Lease with the Institution dated as of November 1, 1990, as amended as of November 1, 2001 (the “Ground Lease”). The Ground Lease expires on December 31, 2089. To secure its obligations under the Loan Agreement, the Institution will grant a mortgage to the Authority on the Buildings and a leasehold mortgage of its interest in the Ground Lease of the Land, which Land and Buildings include the Institution's main campus, and a lien on its Equipment (as defined in the Loan Agreement). As additional security, the Institution has assigned its rights under the Ground Lease to the Bond Trustee. The lien on the Equipment and the mortgage lien on the Land and Buildings will secure the 2017 Bonds on a parity with the Series 2011 Bonds, the Series 2013A Bonds and the Series 2013B Bonds. At such time that the Series 2011 Bonds shall no longer be Outstanding, the Bond Trustee shall have the authority to, and is directed to, discharge the mortgage on the Buildings and the leasehold mortgage in the Ground Lease and the lien on Equipment and thereafter, the obligations of the Institution under the Loan Agreement will not be secured by such mortgages and lien.

**THE 2017 BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY. NEITHER THE STATE OF NEW HAMPSHIRE NOR ANY MUNICIPALITY OR POLITICAL SUBDIVISION THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE 2017 BONDS, EXCEPT FROM THE PLEDGED REVENUES, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW HAMPSHIRE**

OR OF ANY MUNICIPALITY OR POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE 2017 BONDS. THE AUTHORITY HAS NO TAXING POWER.

### **THE AUTHORITY**

The Authority has been created as a public body corporate and agency of the State of New Hampshire (the “State”) for the purpose of exercising the powers conferred on it by virtue of the Act. The purpose of the Authority is to assist certain New Hampshire nonprofit educational institutions and nonprofit health care institutions in the construction, financing and refinancing of projects to be undertaken in relation to educational and health care and related facilities, and to assist qualified entities in the financing of student loan programs. The Authority achieves these purposes by the issuance of its bonds and by making available through its Direct Loan Program monies to its qualified borrowers at below-market rates of interest.

#### **Authority Membership and Organization**

The Act provides that the Authority shall be comprised of a Board of Directors consisting of seven members who shall be appointed by the Governor and Council of the State. All members of the Authority’s Board of Directors serve without compensation but are entitled to reimbursement for necessary expenses incurred in the performance of their duties under the Act. The Authority annually elects one member to serve as Chairman.

The Board of Directors of the Authority is as follows:

Peter F. Imse, Chairman, term expires June 30, 2021. Mr. Imse, a resident of Bow, has been a member of the Board of the Authority since 1981. Mr. Imse is a member of the law firm of Sulloway & Hollis, P.L.L.C., Concord, New Hampshire and his practice includes the representation of businesses and non-profit organizations in the areas of real estate law, business law, and commercial and tax-advantaged financing. The clients of Sulloway & Hollis include the New Hampshire Higher Education Assistance Foundation and Granite State Management & Resources, as well as numerous health care institutions and health care providers. Mr. Imse is also a member of the Board of Corporators of New Hampshire Mutual Bancorp.

Bruce R. Burns, Vice Chairman; term expires June 30, 2019. Mr. Burns, a resident of Hopkinton, was the former Senior Vice President of Finance, Chief Financial Officer and Treasurer for Concord Hospital and its parent corporation, Capital Region Health Care. Prior to joining the Hospital in 1993, Mr. Burns held various finance and accounting positions at Danbury Hospital, Danbury, Connecticut. Mr. Burns is President of Granite Shield Insurance Exchange, a Vermont-domiciled captive insurance company providing hospital and physician liability coverages and Medical Stop-Loss coverage; the Treasurer and a Board member of Capitol Center for the Arts in Concord and former Finance Chair, Treasurer and Board member of University of New Hampshire School of Law.

Jill A. Duncan, term expires June 30, 2018. Ms. Duncan, a resident of Meredith, is Director of Finance for New Hampton School, New Hampton and also has a background in hospital finance. Ms. Duncan is a current member of the Board of Directors for the National Business Officers Association (NBOA) and serves on the National Advisory Council for Teachers Insurance and Annuity Association. She is actively involved with the Independent School Association of Northern New England (ISANNE), most recently serving as Treasurer and on the Executive Board of Directors.

Todd C. Emmons, term expires June 30, 2021. Mr. Emmons, a resident of New London, is the Chief Financial Officer at the Spaulding Youth Center in Northfield, N.H. Mr. Emmons has been

involved in education administration for over 30 years, and has previously worked in New Hampshire at Saint Anselm College, Daniel Webster College, and Colby-Sawyer College. He is a board member of the New Hampshire Higher Education Assistance Foundation (NHHEAF) where he also serves on the Investment Committee.

Deanna S. Howard, term expires June 30, 2020. Ms. Howard, a resident of Etna, most recently was the Vice President of Regional Development for Dartmouth-Hitchcock, Lebanon, N.H. and is currently providing healthcare consulting services. Additionally, Ms. Howard is the past Chairman of the New Hampshire Hospital Association, is a current member of the Board of Trustees of Mt. Ascutney Hospital, Crotched Mountain Foundation and Valley Regional Hospital. Deanna is the former Chief Executive Officer of Upper Connecticut Valley Hospital, Colebrook, New Hampshire.

Mary W. McLaughlin, term expires June 30, 2022. Ms. McLaughlin, a resident of Bedford, was the former Senior Vice President–Healthcare Finance for TD Bank, N.A. Additionally, she is a Trustee of the Havenwood-Heritage Heights Trust Fund Board, a Council member of the NH State Council on the Arts, a Board Member of the Capital Regional Development Council, the Board Chair of the American Masters Furniture Institute (formerly the New Hampshire Institute of Furniture Making) and Co-Chair of Creative Concord, a committee of the Greater Concord Chamber of Commerce.

Allan M. Moses, term expires June 30, 2020. Mr. Moses, a resident of Bow, is the Senior Vice President and Chief Financial Officer for Riverbend Community Mental Health, Inc. in Concord, NH. He has served in that position for the previous 35 years. Mr. Moses is also the President of the Board of the John H. Whitaker Place Assisted Care Community in Penacook, NH and has served in that capacity for the last 16 years. Mr. Moses has also served as the former President for four terms of the NH Assisted Living Association (ARCH) and the former Treasurer and Vice-President of the Temple Beth Jacob.

Senior management of the Authority is as follows:

David C. Bliss is the Executive Director and Secretary of the Authority and is responsible for the general management of the Authority’s affairs. Mr. Bliss worked for two large New Hampshire trust departments prior to joining the Authority. Mr. Bliss is also a member of the bars of New Hampshire and Massachusetts. Mr. Bliss is retiring on December 31, 2017.

Bonnie Payette is the Director of Operations and Finance of the Authority. Ms. Payette is a graduate of the University of Vermont. Ms. Payette has been selected to serve as Executive Director of the Authority, commencing on January 1, 2018.

Susan Cummings has been hired to assume the position of Director of Operations and Finance of the Authority effective January 1, 2018.

Sulloway & Hollis, P.L.L.C., Concord, New Hampshire, is serving as special counsel to the Authority with respect to the 2017 Bonds. Hawkins Delafield & Wood LLP, New York, New York, is serving as bond counsel to the Authority. The Act provides that the Authority may employ such other consulting engineers, architects, attorneys, accountants, construction and financial experts, superintendents, managers and such other employees and agents as are necessary in its judgment and fix their compensation.

### **Powers of the Authority**

Under the Act, the Authority is authorized and empowered, among other things: to issue bonds, bond anticipation notes and other obligations and to refund the same; to charge and collect rates, rents, fees and charges for the use of projects or for services furnished by a project; to construct, reconstruct,

maintain, repair, operate, lease or regulate projects for participating educational institutions and participating health care institutions; to enter into contracts for the management or operation of projects; to establish rules and regulations for the use of projects; to receive, in relation to projects, loans or grants from any public agency or other source; to make loans to participating educational institutions and participating health care institutions for the cost of projects, including the refinancing of existing indebtedness incurred for projects; to mortgage any projects for the benefit of the holders of bonds issued to finance such projects; to provide working capital loans to participating institutions; and to do all things necessary or convenient to carry out the purposes of the Act.

### **Procedure Before Issuance of Bonds**

The Act provides that the Authority is not empowered to undertake any projects unless, prior to the issuance of any bonds, the Governor and Council of the State, or their designee, after public hearing, has found, among other things, that: (a) such project will be owned by a financially responsible participating institution, (b) adequate provision has been made for the payments of the cost of such project and all costs of its operation, maintenance and upkeep so that in no circumstances will the State be obligated, directly or indirectly, for such costs, (c) the construction of such project and its financing are within the authority conferred by the Act, and (d) such construction serves a need presently not fulfilled in providing health care or educational facilities in the State and is of public use and benefit. The Act provides further that, in the case of refinancing of existing indebtedness, it must be found that such refinancing will assist in reducing the cost of providing such facilities within the State or is in connection with a project being provided by the participating institution. The hearing as required under the Act with respect to the 2017 Bonds was held on August 29, 2017, and the findings as required by the Act were made. Such findings were ratified by the Governor and Council at a meeting held on September 27, 2017.

### **Bond Financing Program of the Authority**

The Authority has heretofore authorized and issued various series of its revenue bonds for nonprofit colleges, universities, hospitals and other qualified entities in the State. As of June 30, 2017, the Authority had issued 562 different series of bonds and notes in the aggregate principal amount of \$10,873,361,445. As of June 30, 2017, bonds and notes had been issued on behalf of 25 hospitals, 16 nursing homes, 1 health maintenance organization, 3 home health care providers, 2 ambulatory care clinics, 13 colleges and universities, 18 secondary schools, 4 student loan programs, 11 institutions providing educational programs and 10 institutions providing healthcare programs. Each such series of bonds and notes, other than the 2017 Bonds and any Additional Bonds issued under the Bond Indenture, have been and will be issued and secured pursuant to resolutions, indentures and agreements separate and apart from the Bond Indenture and the Loan Agreement.

## **THE 2017 BONDS**

### **Description of the 2017 Bonds**

The 2017 Bonds shall be issued in fully registered form as provided in the Bond Indenture, and shall be payable as to interest on April 1 and October 1 of each year during the term of the Bonds. Interest payments on the Bonds shall commence April 1, 2018. Interest on the 2017 Bonds shall be calculated based on a 360-day year of twelve thirty-day months. The 2017 Bonds will mature, subject to optional, mandatory sinking fund, and extraordinary optional redemption, as described below.

The 2017 Bonds will be issued in fully registered form registered in the name of Cede & Co., as Holder and nominee for The Depository Trust Company (“DTC”), as described under “Book-Entry-Only

System” in denominations of \$5,000 or any integral multiple thereof. In the event the book-entry only system is terminated, the 2017 Bonds will be issued in certificated form.

Both principal of, premium, if any, and interest on the 2017 Bonds shall be payable in any coin or currency of the United States of America which, on the respective dates of payment of principal and interest, is tender for the payment of public and private debts. Except for Book-Entry Bonds held by DTC in accordance with the terms and provisions of the Bond Indenture, interest on the 2017 Bonds shall be payable by check drawn upon the Paying Agent and mailed to the registered Holders of such 2017 Bonds at the addresses of such Holders as they appear on the books of the Registrar on the Record Date, provided, however, that interest may be paid by wire transfer to the Holder of at least \$1,000,000 aggregate principal amount of 2017 Bonds to the address designated by such Holder to the Paying Agent at or prior to the Record Date for such payment. Principal of, and premium, if any, on, the 2017 Bonds shall be paid when due upon presentation and surrender of such 2017 Bonds at the Corporate Trust Office of the Paying Agent.

### **Redemption Provisions**

The 2017 Bonds are subject to redemption in accordance with the redemption provisions described below.

***Optional Redemption.*** The 2017 Bonds maturing prior to October 1, \_\_\_\_ are not subject to optional redemption. The 2017 Bonds maturing on or after October 1, \_\_\_\_ are subject to redemption at the option of the Institution prior to maturity on and after October 1, \_\_\_\_, in whole or in part at any time by payment of a Redemption Price of the principal amount thereof plus interest accrued to the date fixed for redemption.

#### ***Sinking Fund Account Redemption.***

The 2017 Bonds maturing on October 1, \_\_\_\_ are subject to mandatory redemption prior to maturity and shall be redeemed on October 1 in the years set forth below, in the amount of unsatisfied portion of the corresponding Sinking Fund Account Requirement for such 2017 Bonds of the same maturity by payment from the Sinking Fund Account of a Redemption Price of the principal amount of such 2017 Bonds called for redemption plus payment from the Interest Account of the interest accrued to the date fixed for redemption, but without premium, as follows:

<b>Year</b>	<b>Amount</b>
-------------	---------------

\*

---

\* Final maturity.

The 2017 Bonds maturing on October 1, \_\_\_\_ are subject to mandatory redemption prior to maturity and shall be redeemed on October 1 in the years set forth below, in the amount of the unsatisfied portion of the corresponding Sinking Fund Account Requirement for such 2017 Bonds of the same maturity by payment from the Sinking Fund Account of a Redemption Price of the principal amount of such 2017 Bonds called for redemption plus payment from the Interest Account of the interest accrued to the date fixed for redemption, but without premium, as follows:

**Year**

**Amount**

\*

---

\* Final maturity.

***Extraordinary Optional Redemption.*** All or any number of the 2017 Bonds shall be subject to extraordinary optional redemption prior to maturity, at the option of the Institution in whole at any time or in part on any date by payment of a Redemption Price of the principal amount of each 2017 Bond so called for redemption plus interest accrued to the date fixed for redemption paid from insurance proceeds, at any time, with respect to casualty losses or condemnation awards where the amount of such proceeds or awards exceeds ten percent (10%) of, at the option of the Institution, the Book Value or the Current Value of the Property, Plant and Equipment. Redemption of 2017 Bonds pursuant to this paragraph may be made from proceeds of insurance or condemnation awards if (a) such proceeds shall be sufficient to redeem all Outstanding 2017 Bonds, or (b) the Institution shall furnish a certificate of an Architect stating that (i) the portion of the Property, Plant and Equipment damaged or condemned is not essential to the Institution's use or occupancy of the Property, Plant and Equipment or (ii) the damaged or condemned Property, Plant and Equipment has been restored to a condition substantially equivalent to its previous condition.

***Purchase in Lieu of Optional Redemption.*** In the event the 2017 Bonds have been called for optional redemption, the Institution shall have the right to purchase such 2017 Bonds in lieu of redemption thereof, at a price equal to the applicable Redemption Price of the 2017 Bonds so called for redemption, on the date such 2017 Bonds have been so called for optional redemption, and the payment of the Redemption Price of the 2017 Bonds so called for redemption shall be deemed in such event to be the payment of the purchase price of such 2017 Bonds to be purchased in lieu of such optional redemption and such 2017 Bonds may, at the option of the Institution, remain Outstanding under the 2017 Bond Indenture or be cancelled. To exercise such right to purchase 2017 Bonds in lieu of optional redemption, the Institution shall give written notice of its intent to purchase such 2017 Bonds to the Bond Trustee and the Authority not later than 12:00 noon, New York City time, no later than the Business Day immediately preceding the applicable redemption date, which notice shall state whether such 2017 Bonds are to remain Outstanding or be cancelled, and the Institution shall promptly confirm its purchase thereof in a written notice delivered to the Bond Trustee and the Authority.

***Selection of the 2017 Bonds for Redemption.*** In the event of any redemption of less than all Outstanding 2017 Bonds, any amounts within maturities of 2017 Bonds to be redeemed shall be selected by the Bond Trustee at the direction of the Institution. If less than all of the 2017 Bonds are to be redeemed upon any redemption of 2017 Bonds hereunder, the Bond Trustee shall select the 2017 Bonds to be redeemed by lot in such manner as the Bond Trustee may determine, provided that for so long as the book-entry only system is being used, the particular 2017 Bonds or portions thereof to be redeemed shall be selected by lot by DTC in such manner as DTC and the participants may determine. In making such selection, the Bond Trustee (or DTC) shall treat each 2017 Bond as representing that number of 2017 Bonds of the lowest authorized denomination as is obtained by dividing the principal amount of such 2017 Bond by such denomination. See "THE 2017 BONDS – Book-Entry-Only System" herein.

***Partial Redemption of 2017 Bonds.*** Upon the selection and call for redemption of, and the surrender of, any 2017 Bond for redemption in part only, the Authority shall cause to be executed and the Authenticating Agent shall authenticate and deliver to or upon the written order of the Holder thereof, at the expense of the Institution, a new 2017 Bond or 2017 Bonds of authorized denominations in an

aggregate face amount equal to the unredeemed portion of the 2017 Bond surrendered, which new 2017 Bond or 2017 Bonds shall be a fully registered 2017 Bond or 2017 Bonds without coupons, in authorized denominations.

The Authority and the Bond Trustee may agree with any Holder of any such 2017 Bond that such Holder may, in lieu of surrendering the same for a new 2017 Bond, endorse on such 2017 Bond a notice of such partial redemption, which notice shall set forth, over the signature of such Holder, the redemption date, the principal amount redeemed and the principal amount remaining unpaid. Such partial redemption shall be valid upon payment of the amount thereof to the registered owner of any such 2017 Bond and the Authority and the Bond Trustee shall be fully released and discharged from all liability to the extent of such payment irrespective of whether such endorsement shall or shall not have been made upon the reverse of such 2017 Bond by the owner thereof and irrespective of any error or omission in such endorsement.

***Effect of Call for Redemption.*** On the date designated for redemption by notice given as provided in the Bond Indenture, the 2017 Bonds so called for redemption shall become and be due and payable at the Redemption Price provided for redemption of such 2017 Bonds on such date. If on the date fixed for redemption moneys for payment of the Redemption Price and accrued interest are held by the Bond Trustee as provided in the Bond Indenture, interest on such 2017 Bonds so called for redemption shall cease to accrue, such 2017 Bonds shall cease to be entitled to any benefit or security hereunder except the right to receive payment from the moneys held by the Bond Trustee and the amount of such 2017 Bonds so called for redemption shall be deemed paid and no longer Outstanding.

***Notice of Redemption.*** If less than all the 2017 Bonds are to be redeemed, the 2017 Bonds to be redeemed shall be identified by reference to the issue and series designation, date of issue, serial numbers and maturity date. Notice of redemption of any 2017 Bonds shall be mailed not less than twenty (20) nor more than forty-five (45) days prior to the date set for redemption, to each registered Holder of a 2017 Bond to be so redeemed at the address shown on the books of the Registrar but failure to so mail or any defect in any such notice with respect to any 2017 Bond shall not affect the validity of the proceedings for the redemption of any other 2017 Bond with respect to which notice was so mailed or with respect to which no such defect occurred, respectively. Such notice shall state that any redemption under the Bond Indenture shall be conditional and shall be made only from and to the extent that funds shall be on deposit with the Bond Trustee and available for such purpose on the redemption date.

In addition to the notice required by the prior paragraph, further notice of any redemption of 2017 Bonds held in the Book-Entry System shall be given by the Bond Trustee, concurrently with the notice to Bondholders by publication on the Electronic Municipal Market Access website (<http://emma.msrb.org>) or, in accordance with then-current guidelines of the Securities and Exchange Commission, to such other addresses and/or such other services, as the Authority may designate in a certificate of the Authority delivered to the Bond Trustee. Failure to give all or any portion of such further notice shall not in any manner defeat the effectiveness of a call for redemption if notice thereof is given to the Bondholders as prescribed in the preceding paragraph.

### **Book-Entry-Only System**

DTC will act as securities depository for the 2017 Bonds. The 2017 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 2017 Bond certificate will be issued for each maturity of the 2017 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of the 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2017 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2017 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2017 Bonds, except in the event that use of the book-entry system for the 2017 Bonds is discontinued.

To facilitate subsequent transfers, all 2017 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2017 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 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2017 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping accounts 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 2017 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2017 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the 2017 Bonds may wish to ascertain that the nominee holding the 2017 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2017 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

Redemption proceeds, distributions, and dividend payments on the 2017 Bonds are to be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Bond Trustee, on 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 Authority or the Bond Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Bond Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

DTC may discontinue providing its services as depository with respect to the 2017 Bonds at any time by giving reasonable notice to the Authority or the Bond Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2017 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book entry only transfers through DTC (or a successor securities depository). In that event, 2017 Bond certificates will be printed and delivered to DTC.

NONE OF THE AUTHORITY, THE OBLIGATED GROUP OR THE BOND TRUSTEE SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANT, ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE 2017 BONDS UNDER OR THROUGH DTC OR ANY PARTICIPANT, OR ANY OTHER PERSON WHO IS NOT SHOWN IN THE REGISTRATION BOOKS OF THE BOND TRUSTEE AS BEING A HOLDER, WITH RESPECT TO: THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PRICE, IF ANY, OR INTEREST ON THE 2017 BONDS; ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS UNDER THE BOND INDENTURES; THE SELECTION BY DTC OR ANY PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2017 BONDS; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

THE INFORMATION HEREIN CONCERNING DTC AND DTC'S BOOK-ENTRY-ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AUTHORITY, THE OBLIGATED GROUP AND THE UNDERWRITERS BELIEVE TO BE RELIABLE, BUT THE AUTHORITY, THE OBLIGATED GROUP AND THE UNDERWRITERS DO NOT TAKE RESPONSIBILITY FOR THE ACCURACY THEREOF.

## SECURITY FOR THE 2017 BONDS

The following is a brief description of the security provided for the payment of the 2017 Bonds. For more complete descriptions of the Bond Indenture, the Master Indenture, and the Loan Agreement, see APPENDIX C-1 – "CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS." Certain capitalized terms used herein and not otherwise defined are defined in APPENDIX C-1.

### Loan Agreement

The proceeds of the 2017 Bonds will be loaned by the Authority to the Institution pursuant to the Loan Agreement. The 2017 Bonds are secured by the Series 2017 Note issued under and pursuant to the Loan Agreement, the Master Indenture and the Supplemental Master Indenture. The Series 2017 Note will be pledged and assigned by the Authority to the Bond Trustee under the Bond Indenture for the sole benefit of the Holders of the 2017 Bonds. The Series 2017 Note will be in the same principal amount as the 2017 Bonds, and will have terms and conditions to provide payments thereon in the aggregate sufficient to pay all amounts to become due on the 2017 Bonds. The Series 2017 Note is subject to the same payment and prepayment terms as the obligations of the Institution with respect to the 2017 Bonds under the Loan Agreement. The Series 2017 Note, the Loan Agreement and the Supplemental Master Indenture pursuant to which the Series 2017 Note is issued provide that the Obligated Group will receive credit, to the extent, in the manner and with the effect provided therein, for payments of principal and premium, if any, and interest required in the Series 2017 Note in amounts including (i) amounts paid under the Loan Agreement for the payment of principal of and premium, if any, and interest on the 2017 Bonds, (ii) the par amount of 2017 Bonds purchased and delivered to the Bond Trustee for cancellation, and (iii) other amounts specified in the Loan Agreement and the Series 2017 Note. The Master Indenture provides that any obligation issued thereunder, such as the Series 2017 Note, is a joint and several obligation of all Members of the Obligated Group. **As of the date of issuance of the 2017 Bonds, the Institution and CHT are the only Members of the Obligated Group.**

### Gross Revenues Pledge

To secure the Institution's obligations under the Series 2017 Note, the Members of the Obligated Group have granted to the Master Trustee a security interest in their Gross Revenues (subject to the right of any Member to grant a prior lien or a parity lien thereon as permitted under the Master Indenture), on a parity with the existing security interests in Gross Revenues granted to secure all Outstanding Notes issued under the Master Indenture. The Series 2017 Note issued to secure the 2017 Bonds will be equally and ratably payable with the Notes issued under the Master Indenture to secure indebtedness previously issued on behalf of Members of the Obligated Group. See APPENDIX A – "CERTAIN INFORMATION REGARDING THE INSTITUTION AND THE OBLIGATED GROUP – Financial Information - Outstanding Debt." Upon a default with respect to payment of principal of or interest on any Note issued under the Master Indenture, the Members of the Obligated Group would be required by the Master Trustee to deposit all Gross Revenues in the Gross Revenues Account held by the Master Trustee. The Master Indenture requires amounts deposited in such Gross Revenues Account to be used first to pay Operating Expenses of the Obligated Group as directed by the Obligated Group Agent and second for the payment of debt service on all Notes Outstanding under the Master Indenture. In addition, the enforcement of the lien on Gross Revenues may be subject to limitations imposed by the United States Bankruptcy Code and to the exercise of discretion by a court of equity and to other significant conditions

and limitations including restrictions upon creation and enforcement of a security interest in accounts receivable and the proceeds thereof under the Medicare and Medicaid programs. See “BONDHOLDERS’ RISKS AND MATTERS AFFECTING THE HEALTHCARE INDUSTRY.” Further, the obligation of one Member of the Obligated Group to make payments with respect to obligations in respect of moneys used by another Member of the Obligated Group may be declared void, or such payments may be otherwise prohibited, in certain circumstances. See “BONDHOLDERS’ RISKS AND MATTERS AFFECTING THE HEALTHCARE INDUSTRY” herein. For a discussion on limitations of the security interest in the Gross Revenues, see “BONDHOLDERS’ RISKS AND MATTERS AFFECTING THE HEALTHCARE INDUSTRY – Enforceability of Lien on Gross Revenues .”

### **Mortgage; Equipment Lien**

To secure its obligations under the Loan Agreement, the Institution has granted a mortgage to the Authority on the Buildings and a leasehold mortgage of its interest in the Ground Lease of the Land, which Land and Buildings include the Institution’s main campus, and a lien on its Equipment (as defined in the Loan Agreement). Pursuant to the Indenture, the Authority shall assign its rights with respect to the mortgage lien and the security interest in the Institution’s Equipment to the Bond Trustee. The Bond Trustee may assign such rights to the Master Trustee without the consent of the Bondholders. At such time that the Series 2011 Bonds shall no longer be outstanding, and upon the request of the Institution (as permitted under the terms of the Series 2013A Bonds and the Series 2013B Bonds), the Bond Trustee shall have the authority to, and is directed to, discharge the mortgage on the Buildings, the leasehold mortgage on the Ground Lease and the lien on Equipment and thereafter, the obligations of the Institution under the Loan Agreement will not be secured by such mortgages and lien. For a discussion on the realization of value on the mortgaged property of the Institution, see “BONDHOLDERS’ RISKS AND MATTERS AFFECTING THE HEALTHCARE INDUSTRY – Enforceability of Remedies - Realization of Value on the Mortgaged Property” herein.

### **Master Indenture**

The Master Indenture contains covenants of the Obligated Group regarding restrictions on the creation of liens on the Members’ assets and revenues, the incurrence of additional indebtedness or guarantees, the disposition of the Members’ property and the maintenance of rates and charges. The Master Indenture also contains provisions that would allow other entities to become members of the Obligated Group and that would allow a Member to withdraw from the Obligated Group. See APPENDIX C-1 – “CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS - Certain Provisions of the Master Indenture.”

**The Master Indenture permits the supplement or amendment to the Master Indenture or any Supplemental Master Indenture under certain circumstances without the consent of or notice to any of the Holders of the 2017 Bonds or the Holders of any Outstanding Related Bonds.** Such supplement or amendment may modify, amend, change or remove any covenant, agreement, term or provision of the Master Indenture and any Supplemental Master Indenture (other than modification of the type described in the Master Indenture that require the consent of holders of all Outstanding Obligations) in order to effect (i) the affiliation of the Obligated Group with another entity or entities or the inclusion of any Members of the Obligated Group in another obligated group, and (ii) the replacement of all or a portion of the Obligated Groups financial or operating covenants and related definitions set forth in the Master Indenture with those of the new obligated group set forth in the new master indenture (such transaction is referred to collectively herein as the “Obligated Group Transaction”). See APPENDIX C-2 – “FORM OF THE SECOND AMENDED AND RESTATED MASTER TRUST INDENTURE.”

Such provisions of the Master Indenture would permit, upon the satisfaction of certain conditions, the replacement or amendment of the Master Indenture and the obligations issued thereunder, including the 2017 Bonds, by a master indenture and notes or obligations of a new obligated group or credit group.

In connection with the implementation of such supplement or amendment pursuant to the Master Indenture, the Continuing Disclosure Agreement may be amended without the consent of the holders of the 2017 Bonds.

The registered owners of 100% of the outstanding principal amount of the Authority's Outstanding Revenue Bonds, Concord Hospital Issue, Series 2013B (the "2013 Bonds") and as holders of the Notes securing the Series 2013B Bonds have consented in writing to the amendment and restatement of the Amended and Restated Master Indenture. **By virtue of their purchase of the 2017 Bonds, the beneficial owners of the 2017 Bonds will have consented to, and will be deemed to have consented to, the amendment and restatement of the Amended and Restated Indenture by the Second Amended and Restated Master Indenture and will have waived, and will be deemed to have waived, any requirements set forth in the Amended and Restated Master Indenture for formal notice or written consent to the amendment and restatement of the Amended and Restated Master Indenture.** Upon the issuance of the 2017 Bonds, the Series 2011 Note securing the 2011 Bonds, the Series 2013A Note securing the 2013A Bonds, the Series 2013B Note securing the 2013B Bonds and the Series 2017 Note securing the 2017 Bonds will be outstanding under the Master Indenture.

## **Funds**

The 2017 Bonds will be payable from and secured solely by the funds established under the Bond Indenture and held by the Bond Trustee in trust for the benefit of the Bondholders.

Enforcement of any claims for payment of principal or redemption premium, if any, and interest on the 2017 Bonds, as well as the enforceability of the Loan Agreement, the Master Indenture, and the Bond Indenture would be subject to, and may be limited by, bankruptcy, insolvency, and other laws heretofore or hereafter enacted affecting creditors' rights generally and to the exercise of judicial discretion in accordance with equitable principles, including principles of equitable subordination. See "BONDHOLDERS' RISKS AND MATTERS AFFECTING THE HEALTHCARE INDUSTRY" herein.

## **PLAN OF FINANCING**

The 2017 Bonds are being issued for the purpose of (i) financing and refinancing the cost of the construction, equipping, renovation and installation by the Institution of hospital and health care facilities in the city of Concord, New Hampshire; and (ii) paying certain costs of issuing the 2017 Bonds.

## **THE PROJECT**

A portion of the proceeds of the 2017 Bonds will be used to reimburse the Institution for approximately \$9.8 million of expenditures previously incurred in association with the construction of a new 660 space parking garage. A portion of the proceeds of the 2017 Bonds will also be used to reimburse the Institution for routine capital expenditures of approximately \$8.035 million. See "ESTIMATED SOURCES AND USES OF FUNDS."

A portion of the proceeds of the 2017 Bonds will be used to construct a new 145,000 square foot medical office building ("MOB"). Construction of the MOB is expected to begin in April, 2018 and is expected to cost approximately \$63 million which will be funded in part with a portion of the proceeds of the 2017 Bonds and with Institution equity. See "ESTIMATED SOURCES AND USES OF FUNDS." The MOB will be connected to the Institution's existing medical office buildings and as a part of the

construction of the MOB, the Institution is currently contemplating the build out of one of the MOB's floors as a surgical center at a cost of approximately \$9 million (included in total project costs of \$63 million). The surgical center will not be funded by bond proceeds and may be leased to a joint venture partnership. The Institution has engaged Harvey Construction as general contractor and is working with the architectural firm of Lavallee Brensinger. The construction period is expected to be approximately 18 months. The general contractor will enter into a guaranteed maximum price contract.

**ESTIMATED SOURCES AND USES OF FUNDS**

The proceeds from the sale of the 2017 Bonds, together with other available funds, are expected to be applied as follows (rounded to the nearest dollar):

SOURCES OF FUNDS	<b><u>Total</u></b>
Principal Amount of 2017 Bonds .....	
Institution Equity .....	
Original Issue Premium/Discount.....	
TOTAL SOURCES .....	
USES OF FUNDS	
The Project <sup>(1)</sup> .....	
Financing Costs <sup>(2)</sup> .....	
TOTAL USES.....	

---

<sup>(1)</sup> See "THE PROJECT" above.

<sup>(2)</sup> Includes financing and legal fees, Underwriters' discount, Trustee fees and other costs associated with the issuance of the 2017 Bonds.

## DEBT SERVICE REQUIREMENTS

The following table sets forth, for each year of the Obligated Group ending October 1, the amounts required to be made available in such year by the Obligated Group for payment of the principal of, sinking fund installments and interest on the 2017 Bonds and other Long-Term Indebtedness:

Year Ending October 1	Principal of the <u>2017 Bonds</u>	Interest on the 2017 <u>Bonds</u>	Total Debt Service on Other Long- Term Indebtedness *	Total Debt Service on Long-Term <u>Indebtedness</u>
2018			\$ 11,711,567	
2019			12,039,043	
2020			10,125,034	
2021			7,624,597	
2022			7,593,105	
2023			7,546,449	
2024			7,499,730	
2025			6,291,500	
2026			6,284,825	
2027			3,554,850	
2028			3,551,600	
2029			3,552,900	
2030			3,550,300	
2031			3,548,700	
2032			1,542,900	
2033			1,542,900	
2034			1,546,500	
2035			1,544,000	
2036			1,544,250	
2037			1,547,000	
2038			1,547,000	
2039			1,544,250	
2040			1,543,750	
2041			1,545,250	
2042			1,543,500	
2043			1,543,500	
2044				
2045				
2046				
2047				
Total			\$ 113,008,999	

\* Includes estimated debt service requirements on long-term indebtedness, including the Authority's Hospital Revenue Bonds, Concord Hospital Issue, Series 2011, 2013A and 2013B.

## TAX MATTERS

### Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2017 Bonds is excluded from gross income for Federal income tax purposes

pursuant to Section 103 of the Code, and (ii) interest on the 2017 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, the Institution and others in connection with the 2017 Bonds, and Bond Counsel has assumed compliance by the Authority and the Institution with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2017 Bonds from gross income under Section 103 of the Code. In addition, in rendering its opinion, Bond Counsel has relied on the opinion of counsel to the Institution regarding, among other matters, the current qualification of the Institution as an organization described in Section 501(c)(3) of the Code.

In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, the 2017 Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, will be exempt from taxes directly imposed thereon by The State of New Hampshire and the municipalities and other political subdivisions of The State of New Hampshire.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the 2017 Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2017 Bonds, or under state and local tax law.

### **Certain Ongoing Federal Tax Requirements and Covenants**

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the 2017 Bonds in order that interest on the 2017 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2017 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the 2017 Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority and the Institution have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the 2017 Bonds from gross income under Section 103 of the Code.

### **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral Federal income tax matters with respect to the 2017 Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a 2017 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2017 Bonds.

Prospective owners of the 2017 Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have

incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the 2017 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

### **Original Issue Discount**

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a 2017 Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the 2017 Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of 2017 Bonds is expected to be the initial public offering price set forth on the cover page of this Official Statement. Bond Counsel further is of the opinion that, for any 2017 Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the 2017 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such 2017 Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

### **Bond Premium**

In general, if an owner acquires a 2017 Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the 2017 Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that 2017 Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax

consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

### **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest paid on tax-exempt obligations, including the 2017 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 if the recipient is one of a limited class of exempt recipients. 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 2017 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 2017 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 Internal Revenue Service.

### **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, could adversely affect the tax-exempt status of interest on the 2017 Bonds under federal or state law or otherwise prevent beneficial owners of the 2017 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) or such decisions could affect the market price or marketability of the 2017 Bonds.

For example, the Tax Cuts and Jobs Act ("H.R. 1"), which was passed by the United States House of Representatives on November 16, 2017, would, if enacted into law in its current form, include in gross income the interest on (i) any "qualified" private activity bond and (ii) any advance refunding bond. Such amendments would only apply to bonds issued after December 31, 2017. H.R. 1 would also impact (and generally lower) the current income tax rates for individuals and corporations. On December 2, 2017, the United States Senate passed its own version of H.R. 1, that would also prohibit the issuance of tax-exempt advance refunding bonds after December 31, 2017, but would not change the current tax treatment of qualified private activity bonds. The House Bill would eliminate the alternative minimum tax on individuals and corporations for tax years beginning after December 31, 2017. The Senate Bill would retain the alternative minimum tax on individuals and corporations with increased income thresholds at which the alternative minimum tax will apply to individuals for taxable years beginning after December 31, 2017 and before January 1, 2026. The future of the tax reform legislative efforts is uncertain at this time.

Prospective purchasers of the 2017 Bonds should consult their own tax advisors regarding the foregoing matters.

### **LEGALITY OF 2017 BONDS FOR INVESTMENT AND DEPOSIT**

The Act provides that bonds of the Authority, such as the 2017 Bonds, are securities in which all public officers and public bodies of the State and its political subdivisions, all insurance companies, trust

companies, banking associations, credit unions, building and loan associations, investment companies, executors, administrators, trustees and other fiduciaries, pension, profit-sharing and retirement funds may properly invest funds, including capital in their control or belonging to them. The Act further provides that bonds of the Authority are securities which may properly be deposited with and received by any State or municipal officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized by law.

Notwithstanding the foregoing provisions of the Act, other provisions of New Hampshire law limit permissible investments by certain investors, including some or all of the persons, organizations and entities listed in the preceding paragraph, to eligible investments for savings banks. New Hampshire statutes currently provide that bonds of the Authority rated in the four highest rating categories by a nationally recognized bond rating service are eligible investments for New Hampshire savings banks.

### **STATE NOT LIABLE ON 2017 BONDS**

The State of New Hampshire is not liable for the payment of the principal of or premium, if any, or interest on the 2017 Bonds, or for the performance of any pledge, mortgage, obligation or agreement of any kind whatsoever which may be undertaken by the Authority, and none of the 2017 Bonds nor any of the Authority's agreements or obligations shall be construed to constitute an indebtedness of the State within the meaning of any constitutional or statutory provision whatsoever, nor shall the 2017 Bonds directly or indirectly or contingently obligate the State or any municipality or political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

### **COVENANT BY THE STATE**

Under the Act, the State pledges and agrees with the holders of any obligations of the Authority, such as the 2017 Bonds, that the State will not limit or alter certain rights vested in the Authority until such obligations, together with the interest thereon, are fully met and discharged, provided that nothing in the Act shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such obligations.

### **CONTINUING DISCLOSURE**

The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the 2017 Bonds, and the Authority will not provide any such information. The Institution has undertaken, through an agreement with the Bond Trustee, all responsibilities for any continuing disclosure to Holders as described below, and the Authority shall not have any liability to the Holders or any other person with respect to such disclosures.

The Institution has covenanted with the Bond Trustee for the benefit of the Holders to provide certain financial information and operating data relating to the Institution by not later than 150 days following the end of the Institution's fiscal year (the "Annual Report"), to provide certain financial information and operating data relating to the Institution by not later than 60 days after the end of each of the first, second and third fiscal quarters (the "Quarterly Statements") and to provide notices of the occurrence of certain enumerated events, if deemed by the Institution to be material, with the Municipal Securities Rulemaking Board ("MSRB") in an electronic form specified by the MSRB. The specific nature of the information to be contained in the Annual Report, the Quarterly Statements or the notices of material events is summarized in APPENDIX E – "FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission. In the past 5 years, the Institution failed to file (on both an annual and a quarterly basis) certain information required by the

continuing disclosure agreements entered into by the Institution in connection with the issuance of its Series 2011 Bonds and its Series 2013A Bonds. The Institution has filed the required information and filed a Notice to the MSRB of Failure to File for the Series 2011 Bonds and a separate Notice to the MSRB of Failure to File for the Series 2013A Bonds with the MSRB on December 6, 2017. The Institution also failed to timely file an event notice related to a rating upgrade in 2015.

## **LEGAL MATTERS**

All legal matters incidental to the authorization and issuance of the 2017 Bonds by the Authority are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority, whose approving opinion, in substantially the form attached hereto as APPENDIX D, will be delivered with the 2017 Bonds. Certain legal matters will be passed upon for the Authority by Sulloway & Hollis, P.L.L.C., Concord, New Hampshire, special counsel to the Authority with respect to the 2017 Bonds. Certain legal matters are subject to the approval of Wadleigh, Starr & Peters, PLLC, Manchester, New Hampshire, counsel to the Obligated Group. Butler Snow LLP, Boston, Massachusetts, as counsel to the Underwriters, will pass upon certain legal matters for the Underwriters.

## **RATINGS**

Moody's Investors Service ("Moody's") and Fitch, Inc. ("Fitch") have assigned the 2017 Bonds their municipal bond ratings of "\_\_\_" and "\_\_\_," respectively. Any explanation of the significance of the ratings may be obtained only from Moody's and Fitch.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions by the rating agency. The above ratings are not a recommendation to buy, sell or hold the 2017 Bonds. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. The Underwriters have undertaken no responsibility either to bring to the attention of the Bondholders any proposed revision or withdrawal of the rating of the 2017 Bonds or to oppose any such proposed revision or withdrawal. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the 2017 Bonds.

## **UNDERWRITING**

The 2017 Bonds are being purchased by George K. Baum & Company and RBC Capital Markets, LLC (the "Underwriters"), pursuant to a Contract of Purchase (the "Contract of Purchase") among the Authority, the Institution and the Underwriters. The Underwriters have agreed to purchase the 2017 Bonds at [an aggregate discount of \$\_\_\_\_\_] from the public offering price for the 2017 Bonds. The Contract of Purchase for the 2017 Bonds provides that the Underwriters will purchase all the 2017 Bonds if any are purchased. The Institution has agreed to indemnify the Underwriters and the Authority against certain liabilities, including certain liabilities arising under federal and state securities laws.

The initial public offering prices or yields set forth on the inside cover of this Official Statement may be changed by the Underwriters.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative

securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Issuer and/or Institution. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Issuer and/or Institution.

### **FINANCIAL ADVISOR TO THE INSTITUTION**

The Institution has retained PFM Financial Advisors LLC, Boston, Massachusetts (the “Financial Advisor”) to serve as its financial advisor in connection with the structuring, pricing and marketing of the 2017 Bonds. The Financial Advisor has not independently verified any of the information contained in this Official Statement and makes no guarantee as to its completeness or accuracy. The Financial Advisor’s fee for services rendered with respect to the 2017 Bonds will be paid by the Institution.

### **ABSENCE OF MATERIAL LITIGATION**

To the knowledge of the Authority and the Obligated Group, there is no litigation pending or threatened seeking to restrain or enjoin the issuance or delivery of the 2017 Bonds or questioning or affecting the validity of the 2017 Bonds or the proceedings and authority under which they are to be issued or which in any manner questions the right of the Authority in accordance with the provisions of the Act, the Loan Agreement, and the Bond Indenture. Neither the creation, organization or existence of the Authority, nor the title of the present members or other officers of the Authority to their respective offices, is being contested.

Neither the creation, organization or existence of the Obligated Group, nor the title of the present members, trustees or other officers of the Obligated Group to their respective offices, is being contested. To the knowledge of the Obligated Group, no litigation is pending or threatened that in any manner questions the right of the Obligated Group to engage in the transactions relating to the 2017 Bonds or the execution and delivery of the Loan Agreement. For a discussion of other litigation or investigations affecting the Obligated Group, see APPENDIX A – “CERTAIN INFORMATION REGARDING THE INSTITUTION AND THE OBLIGATED GROUP – Litigation.”

### **FINANCIAL STATEMENTS**

The consolidated financial statements of the Obligated Group for the fiscal years ended September 30, 2017 and September 30, 2016 have been audited by Baker, Newman & Noyes, LLC. Further, Baker, Newman & Noyes, LLC has not audited, reviewed or otherwise verified any other information contained within this Official Statement or in APPENDIX A hereto.

### **BONDHOLDERS’ RISKS AND MATTERS AFFECTING THE HEALTHCARE INDUSTRY**

The following factors, among others, constitute risks with respect to the 2017 Bonds. The ability of the Members of the Obligated Group to pay amounts due with respect to the 2017 Bonds is subject to significant risks relating to both the health care industry generally and to the Members of the Obligated Group.

## **General**

There are risks associated with the purchase of the 2017 Bonds. The principal of, redemption premium, if any, and interest on the 2017 Bonds are payable solely from the amounts paid by the Institution to the Authority under the Loan Agreement and under the Series 2017 Note or from amounts which may be paid to the Bond Trustee pursuant to the Bond Indenture. No representation or assurance can be made that revenues will be realized by the Institution in the amounts necessary to make payments at the times and in the amounts sufficient to pay the debt service on the 2017 Bonds.

The future financial condition of the Members of the Obligated Group and any future Members of the Obligated Group, could be adversely affected by, among other things, legislation, regulatory actions, increased competition from other health care providers, demand for health care services, technological developments and demographic changes, confidence of physicians and the public in the Members of the Obligated Group, the ability of the Members of the Obligated Group to provide the services required by patients, management capabilities, the success of the strategic plans of the Members of the Obligated Group, economic trends and events, physicians' relationships with the Obligated Group, the Obligated Group's ability to control expenses, maintenance of the Obligated Group's relationships with managed care organizations ("MCOs"), malpractice claims and other litigation, changes in the rates, timing and methods of payment for the services of health care providers as well as increased costs and changes in governmental regulations, including Internal Revenue Service ("IRS") policy regarding tax exemption. Such factors may also consequently affect payment of principal and interest on the 2017 Bonds by the Members of the Obligated Group. Third-party payment and charge control statutes and regulations are likely to change, and unanticipated events and circumstances may occur which cause variations from the Obligated Group's expectations, and the variations may be material. There can be no assurance that the financial condition of the Members of the Obligated Group or utilization of their facilities will not be adversely affected in the future.

## **National Health Reform**

On March 23, 2010, President Obama signed into law comprehensive health reform through the Patient Protection and Affordable Health Care Act (Pub. L. 111-148). On March 30, 2010, President Obama signed a budget reconciliation bill that included amendments to the foregoing law (Pub. L. 111-152) (collectively, the "Health Care Reform Act"). These laws in combination include numerous provisions affecting the delivery of health care services, the financing of health care costs, payments to health care providers and the legal obligations of health insurers, providers, employers and consumers. The provisions of the legislation are comprehensive and varied. They are generally directed at: implementing health insurance reforms; increasing health insurance coverage and reducing the number of uninsured; and reshaping the health care delivery system to increase quality and efficiency and reduce cost.

Some of the provisions of the Health Care Reform Act took effect immediately, while others are still being phased in, along with the promulgation of substantial regulations with significant effects on the health care industry and third-party payors. The Health Care Reform Act has subjected industry participants to significant new statutory and regulatory requirements and contractual terms and conditions, and consequently will be subject to structural and operational changes and challenges, for a substantial period of time.

A significant component of the Health Care Reform Act has been 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 health care 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 proposed 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) expansion of private commercial insurance coverage generally through such reforms as prohibitions on denials of coverage for preexisting 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 have ended up producing the expected result, there has been an increase in utilization of health care services by those who were previously avoiding or rationing their health care. Associated with increased utilization has been increased variable and fixed costs of providing health care services, which may or may not have been offset by increased revenues.

The Health Care Reform Act is complex and comprehensive, and includes a myriad of programs and initiatives and changes to previously existing programs, policies, practices and laws, many of which may have, or could have, an impact on the Institution. For a further discussion of the impact of the Health Care Reform Act on the Institution's operations and finances, see APPENDIX A – "CERTAIN INFORMATION REGARDING THE INSTITUTION AND THE OBLIGATED GROUP – Management's Discussion of Recent Financial Performance."

Efforts to repeal or substantially modify provisions of the Health Care Reform Act continue in Congress. On June 28, 2012, the Supreme Court upheld most provisions of the Health Care Reform Act, while limiting the power of the federal government to penalize states for refusing to expand Medicaid. The Supreme Court ruled on various legal challenges to portions of the Health Care Reform Act, finding that its individual mandate was constitutional as a valid exercise of Congress' taxing power but that its Medicaid expansion provisions were improperly coercive on the states to the extent existing Medicaid funding was put at risk if a state opted out of the Health Care Reform Act's expansion of the current Medicaid program. In July 2014, two federal appeals courts issued conflicting rulings with respect to the Health Care Reform Act on whether the federal government could subsidize health insurance premiums in states that use the federal health insurance exchange. On June 25, 2015, the Supreme Court of the United States issued its opinion in *King v. Burwell*, holding that the tax credit subsidies provided in the Health Care Reform Act apply equally to state-run exchanges and the federal exchange, obviating the potential disparate treatment of program participants nationally. On December 2, 2017, the United States Senate passed its own version of H.R. 1 (as defined above), that would repeal the individual mandate requiring most Americans to have a basic level of health insurance coverage enacted as part of the Health Care Reform Act. The ultimate outcomes of legislative attempts to repeal or amend the Health Care Reform Act and other legal challenges to the Health Care Reform Act are unknown and their impact on the operations of the Institution cannot be determined at this time.

Management of the Institution has analyzed the Health Care Reform Act and will continue to do so in order to assess the effects of the legislation and evolving regulations on current and projected operations, financial performance and financial condition. However, other than those provisions that have already been enacted, management of the Institution cannot predict with any reasonable degree of certainty or reliability further interim or ultimate effects of the legislation. In light of the Supreme Court's decision in *King v. Burwell*, the continued efforts to amend and/or repeal the Health Care Reform Act, it is unclear at this time what further action, if any, Congress or the Presidential administration may take with respect to the Health Care Reform Act. In this context, management of the Institution cannot predict with any reasonable degree of certainty or reliability any interim or ultimate effects of future

implementation of the Health Care Reform Act or its possible repeal, either in whole or in part, by Congress.

### **New Hampshire Disproportionate Share Hospital Legislation and Litigation**

Recent federal and state legislation governing disproportionate share hospital (“DSH”) payments to hospitals could have adverse effects on healthcare providers such as the Institution, and the Institution’s ability to make payments under the Loan Agreement. Under the federal Medicaid DSH program, the federal government distributes annual DSH allotments to states to make additional payments to hospitals that serve disproportionately large numbers of low-income patients. States, in turn, are required to match those funds with state funds. To help cover New Hampshire’s non-federal share of Medicaid expenses, New Hampshire law provides for a Medicaid Enhancement Tax (“MET”), which is based on a percentage of the net patient services revenues of certain classes of hospitals.

Beginning in 1991, New Hampshire had used MET proceeds to obtain federal DSH matching funds, and paid hospitals a DSH payment equivalent to the amount each hospital paid the State under the MET. As a result of an audit, this methodology was determined to be unlawful by the Office of Inspector General for the U.S. Department of Health and Human Services. The State undertook a redesign of its DSH program, beginning in 2009. Subsequently, for state fiscal years 2012-13, the New Hampshire General Court made significant reductions in funds available for DSH payments without reducing the MET obligation.

The reduction in DSH payments resulted in litigation in Federal Court by several New Hampshire hospitals. After several years of court proceedings and negotiations, the litigation was settled. Under current legislation, critical access hospitals (small rural hospitals with no more than 25 beds) are reimbursed up to 75% of their uncompensated care costs and noncritical access hospitals, such as the Institution, receive up to 50% of their individual uncompensated care costs. This rate of compensation will remain in effect through the State’s 2017 fiscal year. Under the legislation, the payments to the hospitals from the State are capped at a total of \$224 million. The MET rate, which generates the funds needed to make these payments, is set at 5.45% for 2016 and 5.4% for 2017. In the State’s fiscal years 2018 and 2019, critical access hospitals will continue to receive up to 75% of their uncompensated care costs and acute care hospitals will receive up to 55% of their uncompensated care costs. The cap on such payments will rise to \$241 million. The tax rate for the MET will remain at 5.4% in State fiscal year 2018 and beyond unless the total statewide hospital uncompensated care costs fall below \$375 million, in which case the rate will permanently drop to 5.25%. Payments to hospitals are contingent on the MET revenues reaching agreed upon estimates and if revenues fall short of the estimates, State payments to the DSH pool for noncritical access hospitals will be reduced. As a consequence, under current State statutes regarding DSH payments and the MET, no assurances can be made as to the amount of DSH payments which will be received by the Institution or the amount of the MET which may be levied upon the Institution. In addition, there can be no assurance that the New Hampshire General Court may not amend the current legislation regarding these matters.

### **Medicare and Medicaid Programs**

**Medicare.** Medicare is a federal governmental health insurance system under which physicians, hospitals and other health care providers are reimbursed or paid directly for services provided to Medicare beneficiaries. Medicare is administered by CMS. In order to achieve and maintain Medicare certification, a health care provider must meet CMS’s “Conditions of Participation” on an ongoing basis, as determined by the State Survey Agency in the state in which the provider is located or by verification of compliance by an accrediting organization whose standards and processes have been formally approved by CMS.

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

The Health Care Reform Act has made several changes to the Medicare program, ranging from changes to amounts payable to providers through imposition, directly or indirectly, of quality assurance measures. Those changes are summarized above under the caption, “National Health Reform.”

Medicare gross patient service revenue represented approximately 45% percent and 48% percent of total gross patient service revenue for the Institution in fiscal years 2016 and 2017, respectively. See APPENDIX A – “CERTAIN INFORMATION REGARDING THE INSTITUTION AND THE OBLIGATED GROUP – Financial Information - Sources of Revenue.”

Medicare-participating health care providers are subject to audits and retroactive audit adjustments with respect to the Medicare program. Generally, the Institution maintains reserves for anticipated or proposed audit adjustments. Nevertheless, such adjustments may exceed amounts reserved and may be substantial. Medicare regulations also provide for withholding Medicare payment in certain circumstances, and such withholding could have a material adverse effect on the ability of the Institution to make payments with respect to the 2017 Bonds or on its overall financial condition. Management of the Institution is not aware of any situation where Medicare payments are either currently being withheld or anticipated to be withheld.

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

The Health Care Reform Act amended certain provisions of the Federal False Claims Act and added provisions respecting the timing of the obligation to reimburse overpayments. The effect of these changes on existing programs and systems of the Institution cannot be predicted, although management of the Institution is reasonably confident that the effects will not be materially adverse.

***Physician Payments.*** Payment for physician fees is covered under Part B of Medicare. Under Part B, physician services are reimbursed in an amount equal to the lesser of actual charges or the amount determined under a fee schedule known as the “resource-based relative value scale” or “RBRVS.”

RBRVS sets a relative value for each physician service; that value is then multiplied by a geographic adjustment factor and a nationally-uniform conversion factor to determine the amount Medicare will pay for each service.

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

In 2019, penalties under Medicare’s current quality reporting programs (the Physician Quality Reporting System, Electronic Health Records Incentive Program, and the Physician Value-Based Modifier) will end and be replaced with the Merit-Based Incentive Payment System (“MIPS”). MIPS combines the Physician Quality Reporting System, Electronic Health Records Incentive Program, and Physician Value-Based Modifier into a single payment adjustment. The payment adjustment can be an increase or a decrease.

Alternatively, providers may participate in the Alternative Payment Models (“APMs”). APMs are programs that involve more than nominal financial risk on behalf of the provider. MACRA had created an advisory panel to consider proposals for new payments models and coverage for telehealth services in APMs.

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

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

**ICD-10.** On October 1, 2015, Medicare changed its billing and coding system to ICD-10. The code set has been expanded from a combination of five numbers and letters to a combination of nine numbers and letters. ICD-10 has greatly increased the specificity required when billing Medicare for services rendered. ICD-9 contained approximately 13,000 codes and ICD-10 has increased the number of codes to approximately 68,000. In an effort to assist providers with the transition to ICD-10, CMS is initially allowing flexibility with coding. For the period of one year, ending September 30, 2016, CMS would not deny or audit based solely on the specificity of the ICD-10 code as long as the ICD-10 code used is from an appropriate family of codes. Since October 1, 2016, ICD-10 coding is mandatory. The new required level of specificity in coding may negatively impact the reimbursement amounts received by the Institution and other Members of the Obligated Group.

**Medicaid.** Under Title XIX of the Social Security Act, 42 U.S.C. Sections 1396, et seq., the federal government supplements funds provided by the State for medical assistance under the Medical Assistance Program (“Medicaid”). The DHHS generally administers the Medicaid program in the State of New Hampshire.

The State currently pays for hospital inpatient services utilizing a DRG methodology based upon the federal PPS. Rates for each DRG are established by the State each year according to projections developed by the DHHS. Outpatient services are reimbursed at a percentage of allowable Medicaid costs

calculated using the Medicare cost report methodology. DHHS also contracts with two Managed Medicaid payers (MCOs) willing to accept capitated rates and therefore assume the responsibility to negotiate with and reimburse health care providers for services rendered to the New Hampshire Medicaid recipients. Payments to the Hospital for inpatient and outpatient services are made using the same methodology as that used by New Hampshire Medicaid, albeit the negotiated rates are slightly higher than those paid by New Hampshire Medicaid.

In August, 2014, the State of New Hampshire implemented the ACA's Medicaid expansion with coverage through the Medicaid MCOs. CMS approved New Hampshire's Section 1115 waiver to convert its implementation of the ACA Medicaid expansion to a Marketplace model as of January 1, 2016. New Hampshire continues to operate under such waiver. There is no guaranty that such waiver will continue to be extended by CMS.

New Hampshire's State Medicaid Plan (the "Plan") is overseen by the DHHS. The State Medicaid Budget is subject to the close scrutiny by DHHS and the State Legislature in recent years and the trend is likely to continue. Any reductions in reimbursement would have a material effect on the Institution's revenues. In addition, any increase in eligibility criteria could result in more free care and less compensation.

### **Increased Competition**

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

Other proprietary and non-profit competitors may, in certain instances, have greater financial resources than the Institution and there can be no assurance that its market share will be maintained.

MCOs have become increasingly aggressive in negotiating contracts with acute care hospitals and, where applicable, their affiliated health care systems. In certain cases, major MCOs have declined to contract with specific hospitals, have proposed terms that are financially difficult or unacceptable to those hospitals, and have sought to recoup previously agreed upon rate increases. No assurance can be made that the Institution will be able to obtain or maintain contracts with various MCOs, or that if obtained, such contracts will be on financially viable or favorable terms.

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

Management of the Institution believes that sustained growth in patient volume together with firm cost controls will be increasingly important as the health care environment becomes more competitive. There are many limitations on a provider's ability to increase volume and control costs, and there can be

no assurance that volume increases or expense reductions needed to maintain the financial stability of the Institution will occur.

### **Managed Care; Private Health Insurance Plans; Exchanges**

MCO gross patient service revenue represented approximately 30 percent and 28 percent of total gross patient service revenue for the Institution in fiscal years 2016 and 2017, respectively. See APPENDIX A – “CERTAIN INFORMATION REGARDING THE INSTITUTION AND THE OBLIGATED GROUP – Financial Information - Sources of Revenue.”

As discussed in APPENDIX A – “CERTAIN INFORMATION REGARDING THE INSTITUTION AND THE OBLIGATED GROUP – Financial Information - Sources of Revenue,” the discounts offered to MCOs may result in payment to a provider that is less than its actual cost. Additionally, the volume of patients directed to a provider may vary significantly from projections and changes in utilization may be dramatic and unexpected, thus jeopardizing the provider's ability to manage this component of revenue and cost.

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

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

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

### **Non-Profit Health Care Environment**

As a non-profit tax-exempt organization, the Institution is subject to federal, state and local laws, regulations, rulings and court decisions relating to its organization and operations, including its operation

for charitable purposes. At the same time, the Institution conducts large-scale complex business transactions and is a significant employer in its geographic area. There can often be a tension between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of a complex health care organization.

Recently, an increasing number of the operations or practices of health care providers have been challenged or questioned to determine if they are consistent with the regulatory requirements for non-profit tax-exempt organizations. These challenges, in some cases, are broader than concerns about compliance with federal and state statutes and regulations, such as Medicare and Medicaid compliance, and instead in many cases are examinations of core business practices of the health care organizations. Areas that have come under examination have included pricing practices, billing and collection practices, charitable care, executive compensation, exemption of property from real property taxation and others. These challenges and questions have come from a variety of sources, including state attorneys general, the IRS, labor unions, Congress, state legislatures and patients, and in a variety of forums, including hearings, audits and litigation. These challenges or examinations include the following, among others.

### **IRS Examination of Executive Compensation**

In 2004, the IRS began a new compliance program to measure compliance by tax-exempt organizations with requirements that they not pay excessive compensation and benefits to their officers and other insiders. In February 2009, the IRS issued its Hospital Compliance Project Final Report (the “IRS Final Report”) that examined tax-exempt hospitals’ practices and procedures with regard to compensation and benefits paid to their officers and other defined “insiders.” The IRS Final Report indicates that the IRS (1) will continue to heavily scrutinize executive compensation arrangements, practices and procedures of tax-exempt hospitals and other tax-exempt organizations; and (2) in certain circumstances, may conduct further investigations or impose fines on such organizations.

### **Litigation Relating to Billing and Collection Practices**

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

### **Challenges to Real Property Tax Exemptions**

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

### **Charity Care and Community Benefit**

Hospitals are permitted to obtain federal tax-exempt status under the Code because the provision of health care historically has been treated as a “charitable” enterprise. This treatment arose before most Americans had health insurance, when charitable donations were required to fund the health care provided to the sick and disabled. Some commentators and others have taken the position that, with the onset of employer health insurance and governmental reimbursement programs, there is no longer any

justification for special tax treatment for the health care industry, and the availability of tax-exempt status should be eliminated. Federal and state tax authorities are also beginning to demand that tax-exempt hospitals justify their tax-exempt status by documenting their charitable care and other community benefits. The most recent IRS report on this initiative determined that a lack of uniformity in definitions of community benefit used by reporting hospitals, including those regarding uncompensated care and various types of community benefits, made it difficult for the IRS to assess whether any particular hospital is in compliance with current law. The revised Form 990 includes a new schedule, Schedule H, which hospitals must use to report their community benefit activities, including the cost of providing charity care and other tax-exemption related information.

As described above under the caption, “National Health Reform,” the Health Care Reform Act imposes additional requirements for tax-exemption upon tax-exempt hospitals, including obligations to adopt and publicize a financial assistance policy; limit charges to patients who qualify for financial assistance to the amounts generally billed to insured patients; and control the billing and collection processes. Additionally, effective for the second tax year following enactment of the Health Care Reform Act, tax-exempt hospitals must conduct a community needs assessment and adopt an implementation strategy to meet those identified needs. Failure to complete a community health needs assessment in any applicable three-year period can result in a penalty on the organization of up to \$50,000, in addition to possible revocation of status as a Section 501(c)(3) organization.

The Health Care Reform Act also imposed new reporting and disclosure requirements on hospital organizations. The IRS is required to review information about a hospital’s community benefit activities at least once every three years. The Health Care Reform Act requires the Secretary of the Treasury, in consultation with the Secretary of HHS, to submit annually a report to Congress with information regarding the levels of charity care, bad debt expenses, unreimbursed costs of government programs, as well as costs incurred by tax-exempt hospitals for community benefit activities. The Secretary of the Treasury, in consultation with the Secretary of HHS, must conduct a study of the trends in these amounts, and submit a report on such study to Congress not later than five years after the date of enactment of the Health Care Reform Act. These statutorily mandated requirements for periodic review and submission of reports relating to community benefit provided by Section 501(c)(3) hospital organizations may increase the likelihood that Congress will consider additional requirements for Section 501(c)(3) hospital organizations in the future and may increase IRS scrutiny of particular Section 501(c)(3) hospital organizations.

Since the enactment of the Health Care Reform Act the IRS has provided interim guidance regarding the myriad new requirements, some of which were effective immediately. Final regulations were issued on December 31, 2014, generally effective for fiscal years beginning in 2016. These final regulations provide substantial additional details regarding compliance with all aspects of the Health Care Reform Act, including defined terms, criteria for determining compliance, the community needs assessment and related reporting requirements, and the financial assistance policy and emergency medical care policy. However, even with this additional and ‘final’ guidance available, with the extensiveness and complexity of these requirements, uncertainty about compliance likely will remain for several years, until a few cycles of regular reporting are complete and reviewed by the IRS.

### **Enforceability of Lien on Gross Revenues**

The Loan Agreement provides that the Institution shall make payments to the Bond Trustee for the account of the Authority in amounts sufficient to pay the 2017 Bonds and the interest thereon as the same become due. The obligation of the Institution to make such payments is secured by the Series 2017 Note issued under the Supplemental Master Indenture which, in turn, is secured by a security interest granted to the Master Trustee in the Gross Revenues of the Members of the Obligated Group.

To the extent that Gross Revenues are derived from payments by the federal or state government under the Medicare or Medicaid program, any right to receive such payments directly may be unenforceable. The Social Security Act and state regulations prohibit anyone other than the individual receiving care or the institution providing service from collecting Medicare and Medicaid payments directly from the federal or state government. In addition, Medicare and Medicaid receivables may be subject to provisions of the Assignment of Claims Act of 1940, which restricts the ability of a secured party to collect accounts directly from government agencies. With respect to receivables and Gross Revenues not subject to the Lien, the Master Trustee, would occupy the position of an unsecured creditor. Counsel to the Obligated Group has not provided an opinion with regard to the enforceability of the Lien on Gross Revenues of the Members of the Obligated Group, where such Gross Revenues are derived from the Medicare and Medicaid programs.

In the event of bankruptcy of any Member of the Obligated Group or any other future Member of the Obligated Group and absent court authorization, the Master Trustee may have no lien on receivables created after commencement of the bankruptcy case. In addition, transfers of property by the bankrupt entity, including the payment of debt or the transfer of any collateral, including receivables and Gross Revenues on or after the date that is 90 days (or, in some circumstances, one year) prior to the commencement of the case in bankruptcy court may be subject to avoidance and recovery as preferential transfers. Under certain circumstances, a court may have the power to direct the use of Gross Revenues to meet expenses of the Member before paying debt service on the 2017 Bonds.

Pursuant to the Uniform Commercial Code, a security interest in the proceeds of Gross Revenues may not continue to be perfected if such proceeds are not paid over to the Master Trustee, by the Members under certain circumstances. Under the Master Indenture, upon an event of default with respect to payment of principal of or interest on any Obligation, the Members must transfer or pay over immediately to the Master Trustee, any of their Gross Revenues with respect to which the security interest remains perfected pursuant to law. Any Gross Revenues thereafter received shall upon receipt by the Members, be transferred to the Master Trustee, without such Gross Revenues being commingled with other funds, in the form received (with necessary endorsements) up to an amount equal to the amount of the missed payment.

The value of the security interest in the Gross Revenues could be diluted by the incurrence of additional Indebtedness secured equally and ratably with the Series 2017 Note as to the security interest in the Gross Revenues. See APPENDIX C-1 – “CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – Certain Provisions of the Master Indenture - Permitted Debt” and “- Permitted Encumbrances.”

### **Enforceability of Master Indenture and Loan Agreement**

To be enforceable under the laws of the State of New Hampshire, a guarantee of the debts of another (or a pledge of the assets by a Member to secure the debts of another) must generally be in furtherance of the Member’s corporate purposes. In addition, it is possible that the security interest granted by a Member and the joint and several obligation of a Member to make payments due under the Series 2017 Note in respect of moneys used by another Member may not be valid and enforceable and could be declared void in an action brought by third-party creditors pursuant to the fraudulent conveyance statute of New Hampshire, with certain variations as applicable, or may be avoided by a Member, or a trustee in bankruptcy in the event of the bankruptcy of the Member from which payment is requested, or by the Attorney General of the State of New Hampshire.

In addition, any obligation of a Member of the Obligated Group may be voided under the federal Bankruptcy Code or under the New Hampshire fraudulent conveyance statute, if (a) the obligation was incurred without receipt by the obligor of “fair consideration” or “reasonably equivalent value,” and

(b) the obligor is insolvent or the obligation renders the obligor “insolvent,” as such terms are defined under the statute.

Interpretation by the courts of the tests of “insolvency,” “reasonably equivalent value” and “fair consideration” has resulted in a conflicting body of case law. For example, a Member’s joint and several obligation under the Master Indenture to make all payments thereunder, including payments in respect of funds used for the benefit of the other Member, may be held to be a “transfer” which makes such Member “insolvent” in the sense that the total amount due under the Master Indenture could be considered as causing its liabilities to exceed its assets. Also, one of the Members may be deemed to have received less than “fair consideration” for such obligation because none or only a portion of the proceeds of the 2017 Bonds are to be used to finance facilities occupied or used by such Member. While a Member may benefit generally from the facilities financed from the 2017 Bond proceeds for the other Member, the actual cash value of this benefit may be less than the joint and several obligations. The rights under the fraudulent conveyance statute of New Hampshire may be asserted for a period of up to six years from the incurring of the obligations or granting of security under the Master Indenture.

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

### **Enforceability of Remedies**

*Generally.* The remedies granted to the Authority, the Bond Trustee, the Master Trustee, or the Holders upon an event of default under the Loan Agreement or the Master Indenture may be dependent upon judicial actions, which are often subject to discretion and delay. Under existing law, the remedies specified in the Loan Agreement, the Bond Indenture or the Master Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 2017 Bonds will be qualified as to the enforceability of the provisions of the Loan Agreement, the Bond Indenture, or the Master Indenture by limitations imposed by state and federal laws, rulings and decisions affecting equitable remedies regardless of whether enforceability is sought in a proceeding at law or in equity and by bankruptcy, reorganization, insolvency, receivership or other similar laws affecting the rights of creditors generally.

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

The commencement of a case under the federal Bankruptcy Code operates as automatic stay of any act or proceeding to enforce a lien upon property of the affected Member. A patient care ombudsman could be appointed as an advocate for the welfare of patients. The Master Trustee may not be able to obtain relief from the automatic stay to realize upon security interests created under the Master Indenture as a result of concern for patient welfare or otherwise. Delay in the Master Trustee’s ability to exercise remedies against collateral could impair recovery from the collateral securing the 2017 Bonds.

The commencement of a proceeding under the Bankruptcy Code can also adversely affect the business of the affected Member, including by increasing costs and by deterring recipients of health care services from using such Obligated Group Member for such services. In addition, if the affected Member were to become insolvent or if reorganization under the Bankruptcy Code were to be perceived as being in doubt, accounts receivable could become more difficult or impossible to collect.

In a proceeding under the Bankruptcy Code, in particular if the indebtedness evidenced by the 2017 Bonds were to be deemed not fully secured, payments made in respect of the 2017 Bonds or other transfers of property, including the payment of debt or the transfer of any collateral, including receivables and Gross Revenues, within 90 days prior to the date of a bankruptcy case could be avoided as preferential transfers absent the presence of one of the Bankruptcy Code defenses to avoidance. To the extent avoided, the value of such payments or transfers could be recovered from the Bond Trustee or the Master Trustee or from subsequent transferees and claims in respect of the Series 2017 Note could be disallowed pending recovery of the value of such payments or transfers.

In a Chapter 11 case, an Obligated Group Member could file a plan of reorganization that would adjust its debts and modify the rights of creditors generally, or any class of creditors, secured or unsecured. The plan, if confirmed by the court, binds all creditors and discharges all claims held by creditors who had notice or knowledge of the bankruptcy except as set forth in the plan. No plan may be confirmed unless, among numerous other conditions, the plan is determined to be in the best interest of creditors, is feasible and either has been accepted by each class of claims impaired thereunder, or the court has found sufficient grounds to confirm the plan over the objections of a dissenting class. To accept the plan, at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that vote with respect to the plan must accept the plan. Even if the plan is not so accepted, it may still be confirmed if the court finds that the plan does not discriminate unfairly in favor of junior creditors and is “fair and equitable” with respect to each class of non-accepting creditors impaired thereunder. In addition, the court could allow for a sale of assets of the affected Member to which creditors claim a security interest if the court makes certain findings under Section 363(f) of the Bankruptcy Code. With respect to secured claims of holders of the Series 2017 Note, if certain legal requirements were satisfied, a plan could alter substantive rights such as the maturity date and interest rate of the Series 2017 Note.

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

***Security May Not be Sufficient in the Event of a Default.*** In the event the Obligated Group is unable to generate sufficient Gross Revenues and other revenues to pay debt service on the 2017 Bonds and the other expenses of the Obligated Group, the assets which may be available to the Bond Trustee to liquidate and pay the 2017 Bonds may not be sufficient to pay the 2017 Bonds in full. The 2017 Bonds are not secured by a debt service reserve fund. See “SECURITY FOR THE 2017 BONDS” herein.

***Realization of Value on the Mortgaged Property.*** The mortgaged property is not comprised of general purpose buildings and would not generally be suitable for industrial or commercial use. It could be difficult to find a buyer or lessee for the mortgaged property if it were necessary to foreclose on the mortgaged property. In addition, no cost appraisal has been conducted on the mortgaged property. At such time that the Series 2011 Bonds, Series 2013A Bonds and Series 2013B Bonds shall no longer be Outstanding, the Trustee shall have the authority to, and is directed to, discharge the mortgage on the Buildings and the leasehold mortgage in the Ground Lease and the lien on Equipment and thereafter, the obligations of the Institution under the Loan Agreement will not be secured by such mortgages. Thus, upon any default, it may not be possible to realize the amount of the Outstanding 2017 Bonds and any

additional indebtedness secured by a lien on the mortgaged property from a sale or lease of the mortgaged property.

In addition, in order to operate the portions of the mortgaged property that include licensed health care facilities, a purchaser of such portions at foreclosure sale under present law would have to obtain a license for the facility from the Certificate of Need from the New Hampshire Health Services and Planning Review Board of the New Hampshire Department of Health and Human Services.

Holders also should note that, under applicable federal and state environmental statutes, in the event of any past or future release of pollutants or contaminants on or near the mortgaged property, liens could attach to the mortgaged property to secure the costs of removing or otherwise treating such pollutants or contaminants. Such a lien would adversely affect the Bond Trustee's ability to realize value from disposition of the mortgaged property upon foreclosure. Furthermore, in determining whether to exercise any foreclosure rights with respect to the mortgaged property, the Bond Trustee would need to take into account the potential liability of any owner of the mortgaged property, including an owner by foreclosure, for cleanup costs with respect to such pollutants and contaminants. No environmental site assessment has been conducted on the mortgaged property and, although management believes there are no environmental issues on the mortgaged property that could materially affect the value thereof, there can be no assurance that the proceeds from the enforcement of rights under the mortgage lien will be sufficient to realize the amount of the Outstanding 2017 Bonds and any additional indebtedness secured by a lien on the mortgaged property from a sale or lease of the mortgaged property.

The value of the lien on mortgaged property could be diluted by the issuance of additional bonds or indebtedness secured by a mortgage lien on the mortgaged property. In addition, the lien on the mortgaged property may be released, subordinated, or otherwise affected upon the occurrence of certain events.

***Liquidity Risk.*** No assurance can be given that an active trading market for the 2017 Bonds will develop or, if one develops, that it will be maintained. In addition, further adverse developments affecting the credit markets generally, could cause trading prices to decline in any market that develops for the 2017 Bonds, even if those developments do not affect the Obligated Group's financial condition or its ability to pay debt service on the 2017 Bonds. **Consequently, should such further adverse developments arise in the future, Bondholders who wish to sell their 2017 Bonds in the secondary market may not be able to do so on the terms or at the times they wish and consequently may lose a substantial portion of their investment.**

**PROSPECTIVE INVESTORS SHOULD NOT INVEST IN THE 2017 BONDS UNLESS THEY ARE PREPARED TO HOLD THE 2017 BONDS TO MATURITY OR TO SELL THE 2017 BONDS AT A LOSS.**

### **Regulation of the Health Care Industry**

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

Legislation is periodically introduced in Congress and in the legislature of the State of New Hampshire that could result in reductions in provider revenues, third-party payments and costs or charges, or that could result in increased competition or an increase in the level of indigent care required to maintain tax-exempt status. In New Hampshire, Executive Orders have also been utilized to reduce Medicaid rates. No assurance can be given that payments made under any government or third party payment programs will remain at levels comparable to the present levels or be sufficient to cover all existing costs. While changes are anticipated, the impact of such changes on the Institution cannot be predicted.

The Institution is also subject to regulatory and administrative actions by CMS in the administration of the Medicare and Medicaid programs, the New Hampshire Department of Health and Human Services, the New Hampshire Department of Justice, Division of Charitable Trusts, the United States Food and Drug Administration (“FDA”), the United States Department of Labor, the National Labor Relations Board, and other federal, state and local government agencies and private bodies. In addition, the Institution and certain of the services and educational programs that it offers are subject to accreditation by Det Norske Veritas, Accreditation Council for Graduate Medical Education and other entities. Actions of these organizations could adversely affect future operations or revenue of the Institution. See APPENDIX A – “CERTAIN INFORMATION REGARDING THE INSTITUTION AND THE OBLIGATED GROUP – Financial Information - Sources Of Revenue” and Licensure, Accreditation and Membership.

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

### **Licensing; Surveys; Investigations**

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

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

## **Certificate of Need**

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

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

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

## **Governmental Enforcement**

There is an expanding and complex body of laws, regulations and policies relating to federal and state health programs. These include reporting and other technical rules, as well as broadly stated prohibitions regarding inducements for referrals, all of which carry potentially significant penalties for noncompliance. Violations carry significant civil, criminal or administrative sanctions. In certain instances, private individuals may also bring suit and may be eligible for incentive payments for providing information that leads to recoveries or sanctions. Civil penalties range from monetary fines that may be levied on a per violation basis to temporary or permanent exclusion from federal health programs (which account for a significant portion of revenue and cash flow of hospitals that are health care providers, including the Institution). Criminal penalties or administrative sanctions may also be imposed.

These penalties may be applied to many cases in which hospitals and physicians conduct joint business activities, physician practice acquisitions, physician recruitment and retention programs, various forms of hospital assistance to individual physicians and medical practices or physician contracting entities, physician referral services, hospital-physician service or management contracts, and space or equipment rentals between hospitals and physicians. The Institution conducts activities of these general types and similar activities which pose varying degrees of risk. Much of that risk cannot be assessed accurately due to the lack of case law or material guidance by the Office of the Inspector General of the Department of Health and Human Services (“OIG”). The government often pursues aggressive investigative and enforcement actions. The government has a wide array of civil, criminal and monetary penalties, including withholding essential hospital payments from the Medicare or Medicaid programs or exclusion from those programs. Aggressive investigation tactics, negative publicity and threatened penalties can be, and often are, used to force settlements, payment of fines and prospective restrictions that could have a material adverse impact on hospital operations, financial condition, results of operations and reputation. Multi-million dollar fines and settlements are common. These risks are generally uninsured. If determined adversely to the Institution, an enforcement or whistleblower action could have

a material adverse effect on the Institution. Government enforcement and private whistleblower suits are generally expected to increase in the hospital sector. See “BONDHOLDERS’ RISKS AND MATTERS AFFECTING THE HEALTHCARE INDUSTRY – National Health Reform” for expansion of fraud and abuse liabilities and enforcement under health reform.

***Federal Fraud and Abuse Liability of Healthcare Providers.*** Both individuals and organizations are subject to prosecution under the criminal and civil fraud and abuse statutes relating to health care providers. The sentencing of organizations for federal health care crimes is governed by the U.S. Sentencing Guidelines, which permit the imposition of substantial fines, but which permit the fine to be reduced significantly if the provider had in place at the time of the crime an effective corporate compliance program and/or accepts responsibility for its actions. Criminal conviction for an offense related to a health care provider's participation in the Medicare program results in the provider's exclusion and debarment from all government programs; exclusion may also result from other types of health care fraud convictions. Exclusion from the Medicare or other federal or state funded program would have a material adverse effect on the Institution's financial condition.

***Patient Transfers/Anti-Dumping.*** In response to concerns regarding inappropriate hospital transfers of emergency patients based on the patients’ inability to pay for the services provided, Congress enacted the Emergency Medical Treatment and Active Labor Act (“EMTALA”), the so-called “anti-dumping” statute. This law requires hospitals with emergency rooms, including the Institution, to treat or conduct an appropriate and uniform medical screening for emergency conditions (including active labor) on all patients and to stabilize a patient’s emergency medical condition before releasing, discharging or transferring the patient to another hospital. A hospital that violates EMTALA is subject to significant civil penalties per offense and exclusion from the Medicare and Medicaid programs. In addition, the hospital is liable for any claim by an individual who has suffered harm as a result of such violation.

***Federal False Claims Acts and Civil Monetary Penalties Law.*** There are multiple federal laws concerning the submission of inaccurate or fraudulent claims for reimbursement and errors or misrepresentations on cost reports by hospitals and other providers. The coding, billing and reporting obligations of Medicare providers are extensive, complex and highly technical. In some cases, errors and omissions by billing and reporting personnel may result in liability under one of the federal False Claims Acts or similar laws, exposing a health care provider to civil and criminal monetary penalties, as well as exclusion from participation in the Medicare and Medicaid programs.

The federal False Claims Act prohibits knowingly submitting a false or fraudulent claim for payment to the United States. This statute is violated if a person acts with actual knowledge, or in deliberate ignorance or reckless disregard of the falsity of the claim. Penalties under the federal False Claims Act currently include fines of up to \$11,000 per violation occurring prior to November 2, 2015 and up to \$21,563 (subject to annual escalations based on the Consumer Price Index) per violation occurring on or after November 2, 2015, plus treble damages, potentially resulting in penalties aggregating in the multiple millions of dollars for ongoing claims submission errors. Anyone who knowingly makes a false statement or representation in any claim to Medicare, Medicaid or other federally funded programs may be subject to criminal penalties, including fines and imprisonment. Moreover, the Health Care Reform Act revised the Social Security Act to state that retention of Medicare, Medicaid and other federally funded overpayment more than 60 days after the overpayment is identified constitutes a federal False Claims Act violation. The Health Care Reform Act also provides that a violation of the Anti-Kickback law is also deemed to be a federal False Claims Act violation. CMS issued final regulations effective March 14, 2016, implementing the Health Care Reform Act’s provisions for Medicare Part A and B providers and suppliers, which expand the overpayment reporting and return obligations, and include a 6-year look-back period, a change from the former 4-year look-back period. The final rule departed from the federal False Claims Act’s well-established requirement of “actual

knowledge,” “reckless disregard,” or “deliberate ignorance” to provide that the 60-day deadline for reporting a Medicare overpayment is triggered whenever an entity has determined “or should have determined through the exercise of reasonable diligence” that there was an overpayment. Rule-making has not been initiated to implement the Health Care Reform Act provision as it relates to provider obligations under traditional Medicaid. However, the Health Care Reform Act provision is self-implementing, meaning that all persons that it covers have an obligation to report and refund overpayments within the time limit set out in the statute. On May 19, 2014, CMS issued a final rule implementing the above Health Care Reform Act provision for Medicare Part C and D. That final rule also includes a 6-year look-back provision. On June 1, 2015, CMS published a proposed rule covering (among other things) the return of overpayments by Medicaid managed care plans.

The federal False Claims Act includes “whistleblower” provisions under which a person who believes that someone is violating the federal False Claims Act can file a sealed complaint against the alleged violator in the name of the United States government. The nature of the allegations is not revealed to the target during the time the United States Department of Justice (“DOJ”) investigates the complaint and determines whether to join in the suit. The initial sealing period is for 60 days but is often extended for months or even years while the DOJ conducts its investigation. If the DOJ decides not to join in the suit, the original whistleblower nonetheless can proceed. If the case is successful, the whistleblower is entitled to between 15% and 30% of the proceeds of any fines or damages paid, the percentages vary depending on whether or not the United States has joined the suit. Although the federal False Claims Act has been in effect for many years, in recent years there has been a significant increase in the number of whistleblower allegations filed under the federal False Claims Act, a large number of which involve the health care and pharmaceutical industries. Additionally, on April 29, 2013, CMS issued a proposed rule that would increase the reward for a successful whistleblower, which is intended to incentivize individuals to report suspected fraud. On December 5, 2014, CMS adopted a final rule, which included a statement that it “may finalize provisions relating to the Incentive Reward Program in future rule making.” There has been no further action on this proposed rule to date.

On May 9, 2014, the OIG issued a proposed rule that provided, in part, that there would be no statute of limitations period applicable to the OIG’s exclusion authority, unlike the OIG’s other administrative remedies which have a six-year statute of limitations, even when the exclusion is based on a violation of another statute that has a specific limitations period. The OIG reasoned that federal False Claims Act cases often take longer than six years after the underlying conduct to resolve. If finalized, health care entities could find themselves subject to exclusion long after an underlying violation has been resolved. The proposed rule also expands the OIG’s authority to impose permissive exclusions pursuant to Health Care Reform Act.

On June 16, 2016, the United States Supreme Court decided *Universal Health Services v. United States ex rel. Escobar*. This case analyzed whether a violation of the FCA occurs when a defendant submitting a claim that includes specific representations about the goods or service provided, fails to disclose non-compliance with material statutory, regulatory or contractual requirements that makes those representations misleading with respect to those goods or services (the implied false certification theory). The Supreme Court ruled that the implied false certification theory can be a basis for liability under the FCA, and that liability under the FCA for failing to disclose violations of legal requirements does not turn upon whether those requirements were expressly designated as conditions of payments.

The Civil Monetary Penalties Law under the Social Security Act (“CMP Law”) provides for the imposition of civil monetary penalties against any person who submits a claim to Medicare, Medicaid or any other federal health care program that the person knows or should know: (a) is for items or services not provided as claimed; (b) is false or fraudulent; (c) is for services provided by an unlicensed or uncertified physician or by an excluded person; (d) represents a pattern of claims that are based on a

billing code higher than the level of service provided; or (e) is for services that are not medically necessary. Penalties under the CMP Law include a fine of \$10,000-\$50,000 for each item or service claimed, damages of up to three times the amount claimed for each item or service, and exclusion from participation in the federal health care programs. The CMP Law also provides for the imposition of penalties against a hospital that knowingly makes a payment to a physician as an inducement to reduce or limit services provided to federal program beneficiaries. On May 12, 2014, the OIG issued a proposed rule that would codify expanded conduct covered by the CMP pursuant to the Health Care Reform Act. New prohibited acts include: (a) failing to grant OIG timely access to records; (b) ordering or prescribing while excluded when the excluded person knows or should know that the items or services may be paid for by a Federal healthcare program; (c) making false statements, omissions, or misrepresentations in an enrollment or similar bid or application to participate in a Federal healthcare program; (d) failing to report and return a known overpayment; and (e) making or using a false record or statement that is material to a false or fraudulent claim. If an excluded individual is employed/contracted with and he or she provides items or services that are not separately billed, the OIG will calculate penalties based on the number of days of employment/contract with a penalty of not more than \$10,000 per day. Finally, the proposed rule provides for a default penalty of up to \$10,000 for each day a person fails to report and return an overpayment after the 60-day window under the federal False Claims Act, but the OIG asked for input on whether the penalty should be \$10,000 for each item or service for which there was an identified overpayment. This provision would allow the OIG to impose penalties even when the DOJ or a whistleblower could not make the showing under the federal False Claims Act that the defendant “knowingly and improperly” avoided repayment.

Under an interim final rule published on June 14, 2016, the penalty amounts were increased using the Consumer Price Index to account for inflation. This rule also clarified that CMPs may be imposed for upcoding claims. The rule also proposes changes to the definition of “knowing.” Historically, regulations have applied a “knows or should know” standard of proof with regard to false claims and other prohibited acts. The “should know” standard historically placed a duty on providers to use reasonable diligence to ensure that claims submitted to the government are true and accurate. Under the revised definition for “should know or should have known”, individuals and entities would only be liable under the CMP authority if they acted with actual knowledge, or with reckless disregard or deliberate ignorance of information supporting the truth or falsity of a claim or other fraud. No specific intent to defraud would be required. The rule also added that the term “knowingly” will be applied to the presentation of a claim under the CMP statute consistent with the standard of knowledge set forth in the False Claims Act.

The threats of large monetary penalties and exclusion from participation in Medicare, Medicaid and other federal health care programs, and the significant costs of mounting a defense, create serious pressures on providers who are targets of false claims actions or investigations to settle. Therefore, an action under the False Claims Act, CMP Law or Program Fraud Civil Remedies Act could have an adverse financial impact on the Obligated Group, regardless of the merits of the case.

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

*Anti-Kickback Law.* Section 1128(b) of the Social Security Act (the “Anti-Kickback Law”) prohibits the knowing and willful offer, solicitation, payment or receipt of remuneration in exchange for or as an inducement to make or influence a referral of a patient for goods or services, or the purchase, lease, order or arrangement for the provision of goods or services, that may be reimbursed under Medicare, Medicaid or other health benefit programs funded by the federal government. The scope

of the Anti-Kickback Law is very broad, and it potentially implicates many practices and arrangements common in the health care industry, including space and equipment leases, personal services contracts, purchase of physician practices, joint ventures, and relationships with vendors. Penalties for violation of the Anti-Kickback Law include criminal prosecution with imprisonment up to 5 years, civil penalties of up to \$50,000 for each violation and damages of up to three times the amount of the illegal remuneration, as well as exclusion from the federal health care programs. Under the Health Care Reform Act, a violation of the Anti-Kickback Law is deemed to be a violation of the federal False Claims Act. A May 12, 2014 proposed rule from the OIG provides that for violations of the Anti-Kickback Law, penalties may be imposed for “each offer, payment, solicitation, or receipt of remuneration and that each action constitutes a separate violation.” Current safe harbor regulations are narrowly drawn and do not cover all of the practices and arrangements that health care providers may consider legitimate business arrangements that do not violate the Anti-Kickback Law. Compliance with the safe harbor regulation is not mandatory, and the failure to comply with all elements of an applicable safe harbor does not indicate that an arrangement violates the law. However, arrangements that do not comply with all of the strict requirements of the safe harbors, though not necessarily illegal, may nevertheless face an increased risk of investigation or prosecution.

In light of the narrowness of the safe harbor regulations, there can be no assurances that the Institution will not be found to have violated the Anti-Kickback Law, and if such a violation were found, that any sanctions imposed would not have a material adverse effect upon the future operations and financial condition of the Institution, or the status of the Institution as an organization described in Section 501(c)(3) of the Code.

*Stark Law.* Section 1877 of the Social Security Act (the “Stark Law”) prohibits a physician (or an immediate family member of the physician) who has a financial relationship with an entity that provides certain “designated” health services from referring Medicare and Medicaid patients to that entity for the provision of such health services, with limited exceptions. Financial relationships include direct or indirect ownership or investment interests, as well as compensation arrangements. These restrictions currently apply to referrals for several designated health services and goods, including clinical laboratory services, physical therapy services, occupational therapy services, radiology or other diagnostic services, durable medical equipment, radiation therapy services, parenteral and enteral nutrients, equipment and supplies, prosthetics, orthotics and prosthetic devices, home health services, outpatient prescription drugs, and inpatient and outpatient hospital services.

The Stark Law is a strict liability statute. Intent behind violations does not matter and even technical violations can result in harsh penalties. Sanctions for violations of the Stark Law include refunds of the amounts collected for services rendered pursuant to a prohibited referral, civil monetary penalties of up to \$15,000 for each claim arising out of such referral, plus up to three times the reimbursement claimed, and exclusion from the Medicare program. The Stark Law also provides for a civil penalty of up to \$100,000 for entering into an arrangement with the intent of circumventing its provisions. In addition, knowing violation of the Stark Law may also serve as the basis for liability under the federal False Claims Act. As required under the Health Care Reform Act, CMS released a protocol under which health care providers can make self-disclosures of actual and potential Stark violations, with reduced penalties for self-disclosure violations.

The Stark Law and its accompanying regulations do not specifically refer to Medicaid, however DOJ has applied the Stark Law to health care services covered by Medicaid, and CMS has indicated that it believes that the Stark Law already applies to Medicaid, although it does not state that in its regulations. Numerous federal district and appellate courts have likewise held that the Stark Law applies to health services covered by Medicaid. Although the Stark Law only applies to Medicare (and possibly also

Medicaid), a number of states have passed similar statutes pursuant to which similar types of prohibitions are made applicable to all other health plans or third-party payors.

Some federal courts, including federal circuit courts, have opined on the Stark Law as it applies to arrangements between hospitals and physicians, and these decisions have added some uncertainty to the interpretation of the Stark Law. Because of the complexity of the Stark Law and the evolving nature of quality improvement and cost-reduction efforts, there can be no assurances that the Members of the Obligated Group will not be found to have violated the Stark Law or the state law equivalent. If such violation were found to have occurred, any sanctions imposed could have a material adverse effect upon the future operations and financial condition of the Obligated Group. The Members of the Obligated Group attempt to comply with the Stark Law in structuring their relationships with physicians. However, because of the complexity of the Stark Law and the lack of final, comprehensive regulatory guidance on many of its provisions, there can be no assurances that the Members of the Obligated Group will not be found to have violated the Stark Law. If such violation were found to have occurred, any sanctions imposed could have a material adverse effect upon the future operations and financial condition of the Obligated Group.

***OIG Compliance Guidelines.*** In 1998, the OIG published Compliance Program Guidance for the hospital industry which it supplemented in 2005 with the publication of the Supplemental Compliance Program Guidance. These issuances (collectively, the “OIG Guidances”) provide recommendations to hospitals for adopting and implementing effective programs to promote compliance with applicable Federal and state law and the program requirements of Federal, state, and private health plans, and they include a discussion of significant risk areas for hospitals. Compliance with the OIG Guidances is voluntary but is nevertheless an important factor in controlling risk because the OIG will consider the existence of an effective compliance program that pre-dated any governmental investigation when addressing the appropriateness of administrative penalties. However, the presence of a compliance program is not an assurance that healthcare providers, such as the Institution, will not be investigated by one or more Federal or state agencies that enforce healthcare fraud and abuse laws or that they will not be required to make repayments to various healthcare insurers (including the Medicare and/or Medicaid programs). The Federal Deficit Reduction Act of 2005 added specific requirements effective January 1, 2007. Those requirements include creating a Medicaid Compliance Plan, as well as educating staff, agents and contractors about state and Federal anti-fraud and abuse laws. Having a Medicaid Compliance Plan is a prerequisite to entitlement to receive Medicaid payments. The Institution has developed compliance programs.

***Health Insurance Portability and Accountability Act.*** 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 would 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, among others, that conduct certain financial and administrative transactions electronically (the “Privacy Rule”) and standards relating to the security of such health information (the “Security Rule”). Compliance with the requirements of the Privacy Rule, the Security Rule and other HIPAA requirements has required the Institution 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

Institution and to designate a privacy officer responsible for seeing that privacy procedures are adopted and followed. HIPAA imposes civil monetary penalties and criminal penalties for knowingly obtaining or using individually identifiable health information.

***HITECH Act.*** The American Recovery and Reinvestment Act of 2009 (“ARRA”) appropriated approximately \$20 billion for the development and implementation of health information technology standards and the adoption of electronic health care records. ARRA includes the Health Information Technology for Economic and Clinical Health Act (“HITECH”), which contains a number of provisions that affect HIPAA’s privacy and security provisions applicable to Covered Entities and their business associates.

Under HITECH, Covered Entities that use an “electronic health record” are required to account for disclosures of protected health information, including disclosures for treatment, payment and health care operations. Covered Entities must comply with strict reporting procedures in connection with breaches of protected health information. A covered entity must report any breach of information involving over 500 individuals in a state to HHS and the local media. All other breaches must be reported annually to HHS.

HITECH includes provisions requiring Covered Entities to agree to a patient request to restrict disclosure of information to a health plan, if the information pertains solely to an item or service for which the provider was paid out of pocket in full. In addition, if a Covered Entity maintains an electronic health record, it must provide individuals with a copy of the protected health information maintained in the record in an electronic format, if requested. HITECH also includes a prohibition on the payment or receipt of remuneration in exchange for protected health information without specific patient authorization, except in limited circumstances, and places additional restrictions on the use and disclosures of protected health information for marketing communications and fundraising communications.

HITECH revises the civil monetary penalties associated with violations of HIPAA, and provides state attorneys general with authority to enforce the HIPAA privacy and security regulations in some cases, through a damages assessment of \$100 per violation or an injunction against the violator. The revised civil monetary penalties range: (a) in the case of violations due to willful neglect, from a minimum of \$10,000 or \$50,000 per violation depending on whether the violation was corrected within 30 days of the date the violator knew or should have known of the violation, and (b) in the case of all other violations, from a minimum of \$100 to \$1,000 per violation.

On January 25, 2013, HHS released the final HIPAA “Omnibus Rule,” which implements a number of provisions of HITECH. Among other things, the Omnibus Rule revises the standard for requiring notification to individuals following a HIPAA breach. It also further restricts the use of protected health information for marketing and further enhances government enforcement mechanisms and remedies to HIPAA violations.

The Institution is actively engaged in continuing compliance efforts with HIPAA and HITECH and their accompanying regulations. However, no guarantee can be made that the Institution will remain HIPAA compliant in the future. The financial costs of compliance with HIPAA, as amended by HITECH, and their accompanying regulations are substantial.

***Security Breaches and Unauthorized Release of Personal Information.*** State and local authorities are increasingly focused on the importance of protecting the confidentiality of individuals’ personal information, including patient health information. Many states have enacted laws requiring businesses to notify individuals of security breaches that result in the unauthorized release of personal information. In some states, notification requirements may be triggered even where information has not

been used or disclosed, but rather has been inappropriately accessed. New Hampshire has a security breach law to which the Institution is subject. State consumer protection laws may also provide the basis for legal action for privacy and security breaches and frequently, unlike HIPAA, authorize a private right of action. In particular, the public nature of security breaches exposes health organizations to increased risk of individual or class action lawsuits from patients or other affected persons, in addition to government enforcement. Failure to comply with restrictions on patient privacy or to maintain robust information security safeguards, including taking steps to ensure that contractors who have access to sensitive patient information maintain the confidentiality of such information, could consequently damage a health care provider's reputation and materially adversely affect business operations.

***Cybersecurity Concerns.*** Information technology systems may be vulnerable to breaches, hacker attacks, computer viruses, physical or electronic break-ins and other similar events or issues. The Federal Bureau of Investigation has expressed concern that health care systems are a prime target for such cyber-attacks due to the mandatory transition from paper records to EHRs and a higher financial payout for medical records in the black market. Such events or issues could lead to the inadvertent disclosure of protected health information or other confidential information or could have an adverse effect on the ability of the Members of the Obligated Group to provide health care services.

Health care providers are increasingly a primary target of cyber criminals seeking the private information of patients and employees, including protected health information, social security numbers and financial information. Breaches of hospital information technology systems may result in fines imposed by HHS under HIPAA and potential tort actions by individuals adversely impacted by such breaches. Additionally, the Federal Trade Commission ("FTC") in a July 29, 2016 ruling upheld its jurisdiction to enforce data security requirements against a health care company irrespective of evidence of particularized harm to customers. Although the ultimate implications of the recent FTC ruling remain unclear, it suggests that HHS and FTC may exert parallel jurisdiction over data security with respect to health care providers. Due to the increasing prevalence of cybercrime, there can be no assurance that the Members of the Obligated Group will not be exposed to fines and other liability in the event of a cyber-attack or security breach, and in the event of the occurrence of a cyber-attack or breach, that any sanctions imposed or liability incurred would not have a material adverse effect upon the future operations and financial condition of the Obligated Group.

***Increased Enforcement Affecting Academic Research.*** In addition to increasing enforcement of laws governing payment and reimbursement, the federal government has also increased enforcement of laws and regulations governing the conduct of clinical trials at hospitals. In recent years, DHHS elevated and strengthened its Office of Human Research Protection, one of the agencies with responsibility for monitoring federally funded research. In addition, the National Institutes of Health significantly increased the number of facility inspections that these agencies perform. The FDA also has authority over the conduct of clinical trials performed in hospitals when these trials are conducted on behalf of sponsors seeking FDA approval to market the drug or device that is the subject of the research. Moreover, the OIG, in its recent "Work Plans" has included several enforcement initiatives related to reimbursement for experimental drugs and devices (including kickback concerns) and has issued compliance program guidance directed at recipients of extramural research awards from the National Institutes of Health ("NIH") and other agencies of the U.S. Public Health Service. The Members of the Obligated Group receive payments for health care items and services under many of these grants and are subject to complex and ambiguous coverage principles and rules governing billing for items or services they provide to patients participating in clinical trials funded by governmental agencies and private sponsors. These agencies' enforcement powers range from substantial fines and penalties to exclusion of researchers and suspension or termination of entire research programs.

Errors in billing of the Medicare Program for care provided to patients enrolled in clinical trials that are not eligible for Medicare reimbursement can subject the Institution to sanctions as well as repayment obligations.

***Transparency in Pricing.*** The Health Care Reform Act requires hospitals to establish and make public a list of the hospital's standard charges for items and services, including DRGs. CMS issued a final rule which became effective on October 1, 2014 to implement this Health Care Reform Act provision. It provides hospitals with flexibility in choosing how to comply with the pricing transparency requirements. Hospitals can either make public a list of their standard charges or make public their policy for allowing the public to view such a list in response to an inquiry. Hospitals should update the information at least annually. A 2006 executive order required four federal agencies to make available the prices that they, their health insurance issuers or their health insurance plans pay for procedures to providers in the health care programs with which the agency, issuer or plan contracts. CMS also has made "outcomes" reporting a condition of Medicare participation. These are examples of a trend in which hospitals will be required to divulge proprietary information to the general public in order to participate in federal health care programs. The disclosure of proprietary information may have a negative impact on the ability of the Institution to gain advantages in negotiations with payors. This, in turn, could negatively influence the revenues of the Institution. Due to the relative novelty of these disclosure requirements, it is impossible to predict the effect, if any, that cost and outcomes reporting will have on the finances of the Institution.

***Transparency and Reporting under the Physician Payment Sunshine Act.*** The Health Care Reform Act amended the Social Security Act to require applicable manufacturers of drugs, devices, biologicals or medical supplies ("Applicable Manufacturers") covered under Medicare, Medicaid, or the State Children's Health Insurance Program ("CHIP") to report annually certain payments or other transfers of value made to physicians and teaching hospitals (the, "Physician Payment Sunshine Act" or "Sunshine Act"). One of the purposes of the Sunshine Act is to promote transparency in the collaborative efforts among physicians, teaching hospitals and Applicable Manufacturers. The payments that are reported on an annual basis are now made available for public review through the CMS Open Payments website. It is unclear what, if any, effect this expanded reporting and disclosure requirement may have on the Institution. However, the disclosures may lead to increased scrutiny, and oversight, which may result in increased exposure under fraud and abuse laws as described more fully above under the subheading "Governmental Enforcement."

***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 or which 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. The Secretary of 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.

***Compliance with Conditions of Participation.*** CMS, in its role of monitoring participating providers' compliance with conditions of participation in the Medicare program, may determine that a provider is not in compliance with such conditions. In that event, a notice of termination of participation may be issued to such provider or other sanctions potentially could be imposed. As of the date of this Official Statement, management of the Institution is not aware of any such notices pending or

contemplated against the Institution or its facilities that would have material adverse consequences on the financial condition of the Institution.

***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 and physician groups will be subject to an investigation, audit or inquiry regarding billing practices or false claims. Management of the Institution 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 Institution.

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 instituting 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, any affected hospital could experience materially adverse settlement costs, as well as materially adverse costs associated with implementation of any settlement agreement. Prolonged and publicized investigations could be damaging to the reputation, business and credit of the Institution, regardless of the outcome, and could have material adverse consequences on the Institution's financial condition.

Certain acts or transactions may result in violation or alleged violation of a number of the federal health care fraud laws described above, and therefore penalties or settlement amounts are often compounded. Generally, these risks are not covered by insurance.

## **Environmental Matters**

Health care providers are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations. These requirements govern medical, toxic and hazardous waste management, air and water quality control, related notices to employees and the public, and training requirements for employees. As a health care operator and employer, the Institution is subject to potentially material liability for the costs of investigating and remedying releases of any hazardous substances either on their properties or that have migrated from their properties, as well as those that have been improperly disposed of off-site, and the harm to persons or property that such releases may cause.

In its role as an owner and/or operator of properties or facilities, the Institution may be subject to liability for investigating and remedying any hazardous substances that have come to be located on the property, including any such substances that may have migrated off their property. Typical health care provider operations include, but are not limited to, in various combinations, the handling, use, storage, transportation, disposal and/or discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. As such, health care provider operations are particularly susceptible to the practical, financial and legal risks associated with the obligations imposed by applicable environmental laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations and/or increase their cost; may result in legal liability, damages, injunctions or fines and may result in investigations, administrative proceedings, civil litigation, criminal prosecution, penalties or other governmental agency actions; and may not be covered by insurance. There can be no assurance that the Institution will not encounter such risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of the Institution.

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

### **Tax-Exempt Status of the 2017 Bonds**

The tax-exempt status of the 2017 Bonds is based on the continued compliance by the Authority and the Institution with certain provisions of the Code and certain covenants contained in the Loan Agreement and the Tax Regulatory Agreement. These covenants relate generally to arbitrage limitations, rebate of certain excess investment earnings to the federal government, restrictions on the amount of issuance costs financed with proceeds of the 2017 Bonds, the tax-exempt status of the Institution, and other use, expenditure and investment restrictions. Failure to comply with any of these provisions may result in the treatment of interest on the 2017 Bonds as taxable retroactive to the date of issuance. See “TAX MATTERS” herein.

In the event the interest on the 2017 Bonds is determined to be includable in the gross income of the recipients thereof for federal income tax purposes, there is no provision requiring redemption of the 2017 Bonds or a higher interest rate on the 2017 Bonds.

### **Tax-Exempt Status with Respect to the Obligated Group and Other Tax Matters**

*Limitations on Contractual and Other Arrangements with Physician Imposed by the Code.* Third-party payment methodologies create financial incentives for hospitals to recruit and retain physicians who will admit patients and utilize hospital services. The Institution's use of these incentives is limited, however, by legal restrictions, including limitations with respect to permitted activities of tax-exempt organizations. As a tax-exempt organization, a hospital is limited with respect to its use of practice income guarantees, reduced rent on medical office space, below market-rate loans, joint venture programs, and other means of recruiting and retaining physicians and executives and otherwise conducting its affairs. The IRS has intensified its scrutiny of a broad variety of contractual and compensation relationships commonly entered into by hospitals and has issued detailed audit guidelines suggesting that field agents scrutinize numerous activities of hospitals in an effort to determine whether any action should be taken with respect to penalties on excess compensation arrangements, revocation of tax-exempt status, or assessment of additional tax. The IRS has also commenced intensive audits of selected health care providers to determine whether the activities of these providers are consistent with their continued tax-exempt status. The IRS has indicated that, in certain circumstances, violation of the fraud and abuse statutes or Stark Law could constitute grounds for revocation of a hospital's tax-exempt status. Like many health care providers, the Institution may have entered into arrangements with physicians, either directly or through affiliates that are of the kind that the IRS has indicated it will examine in connection with audits of tax-exempt hospitals. Any suspension, limitation or revocation of the tax-exempt status of the Institution or assessment of significant tax liability could have a material adverse effect on the Institution and might lead to loss of tax exemption of interest on the 2017 Bonds.

*Revocation of Tax Exemption: Private Inurement.* Revocation of the tax-exempt status of the Institution under Section 501(c)(3) of the Code could subject the interest paid to Bondholders to federal income tax retroactively to the date of issuance of the 2017 Bonds and defaults in covenants regarding the 2017 Bonds and other related tax-exempt debt would likely be triggered. Loss of tax-exempt status could also result in substantial tax liabilities on income of the Institution. Section 501(c)(3) of the Code specifically conditions the continuing exemption of all organizations described in such section upon the requirement, among others, that no part of the net earnings of the organization inure to the benefit of any private individual. Any violation of the prohibition against private inurement may cause the organization to lose its status as tax-exempt under Section 501(c)(3). The IRS has issued guidance in informal private letter rulings and general counsel memoranda on some situations that give rise to private inurement, but

there is no definitive body of law, regulations or public advisory rulings that addresses many common arrangements between exempt hospitals and non-exempt individuals or entities. While management of the Institution believes that the arrangements between the Institution and private persons and entities are generally consistent with the IRS's guidance, there can be no assurance concerning the outcome of an audit or other investigation by the IRS given the lack of clear authority interpreting the range of activities undertaken by the Institution.

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

Although management of the Institution believes that the sanction of revocation of tax-exempt status is likely to be imposed only in cases of pervasive excess benefit, the imposition of penalty excise taxes in lieu of revocation based upon a finding that the Institution engaged in an “excess benefit transaction” is likely to result in negative publicity and other consequences that could have a material adverse effect on the operations, property or assets of the Institution.

***Unrelated Business Income.*** In recent years, the IRS and state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt health care organizations with respect to their exempt activities and the generation of unrelated business income (“UBI”). The Institution believes that it has properly accounted for and reported UBI; nevertheless, an investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported UBI and in some cases could ultimately affect the tax-exempt status of the Institution as well as the exclusion from gross income for federal income tax purposes of the interest payable on the 2017 Bonds and other tax-exempt debt of the Institution.

***Maintenance of Tax-Exempt Status of Interest on the 2017 Bonds.*** The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the 2017 Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that certain investment earnings on bond proceeds be paid periodically to the United States, and a requirement that issuers file an information report with the IRS. The Institution will covenant in certain of the documents referred to herein that it will comply with such requirements. Future failure by the Institution to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the 2017 Bonds as taxable, retroactively to the date of issuance. The Institution has covenanted in certain of the documents referred to herein that it will not take any action or refrain from taking any action that would cause interest on the 2017 Bonds to be included in gross income for federal income tax purposes.

IRS officials have recently indicated that more resources will be invested in audits of tax-exempt bonds, including the use of their proceeds, in the charitable organization sector. The 2017 Bonds may be,

from time to time, subject to audits by the IRS. There is no assurance that an IRS examination of the 2017 Bonds will not adversely affect the market value of the 2017 Bonds.

### **Internal Revenue Service Compliance Initiatives**

***Post-Issuance Bond Compliance.*** As noted above, IRS officials have indicated that more resources will be invested in audits of tax-exempt bonds in the charitable organization sector with specific review of private use. In addition, in 2007, the IRS sent compliance check questionnaires to over 200 tax-exempt organizations to review compliance with rules governing tax-exempt bonds. The questionnaire included questions relating to the nonprofit corporation's (i) record retention, which the IRS has particularly emphasized, (ii) qualified use of bond-financed property, (iii) arbitrage yield restriction and rebate requirements, (iv) debt management policies, and (v) voluntary compliance and education. In 2008, the IRS issued an interim report analyzing the responses from the completed questionnaires. The report indicates that there are significant gaps in the implementation by nonprofit corporations of post-issuance compliance and record retention procedures. IRS representatives indicate that after analyzing responses from the first set of questionnaires, thousands more will be sent. A schedule on tax-exempt bonds has been made a part of the Form 990. See also “- Maintenance of Tax-Exempt Status of Interest on the 2017 Bonds” above.

***Revision of IRS Form 990 for Non-Profit Corporations.*** The IRS Form 990 is used by 501(c)(3) not-for-profit organizations (including the Members of the Obligated Group) to submit information required by the federal government for tax exemption. The revised Form 990 requires detailed public disclosure of compensation practices, corporate governance, loans to management and others, joint ventures and other types of transactions, political campaign activities, and other areas the IRS deems to be compliance risk areas. The revised form also requires the disclosure of a significantly greater amount of both hard data and anecdotal information on community benefit information on Schedule H to the Form, and establishes uniform standards for reporting of information relating to tax exempt bonds, including compliance with the arbitrage rules and rules limiting private use of bond-financed facilities, including compliance with the safe harbor guidance in connection with management contracts and research contracts. The redesigned Form 990 is intended to result in enhanced transparency as to the operations of exempt organizations. It is also likely to result in enhanced enforcement, as the redesigned Form 990 will make a wealth of detailed information on compliance risk areas available to the IRS and other enforcement agencies. At this time it is difficult to predict the additional burden that completion of the revised Form 990 may place on the Members of the Obligated Group and their operations.

### **Antitrust**

Enforcement of antitrust laws against health care providers is becoming more common. Antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, payor contracting, physician relations, joint ventures, merger, affiliation and acquisition activities, certain pricing or salary setting activities, and other areas of activity. The application of federal and state antitrust laws to health care is still evolving, and enforcement activity appears to be increasing. Violation of the antitrust laws could result in criminal and/or civil enforcement proceedings by federal and state agencies, as well as actions by private litigants. In certain actions, private litigants may be entitled to treble damages, and in others, governmental entities may be able to assess substantial monetary fines. The most common areas of potential liability are joint activities among providers with respect to payor contracting, medical staff credentialing, merger, acquisition and affiliation activity and use of a hospital's local market power for entry into related health care businesses. From time to time, the Institution is or may be involved with all of these types of activities. In general, it cannot be predicted when or to what extent liability, if any, may arise. Liability in any of these or other trade regulation areas may be substantial, depending upon the facts and circumstances of each case. With respect to payor contracting,

the Institution may from time to time be involved in joint contracting activity with other hospitals or providers. The precise degree to which this or similar joint contracting activities may expose the participants to antitrust risk from governmental or private sources, is dependent on a myriad of factual matters that may change periodically.

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

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

### **Affiliations, Mergers, Acquisitions and Divestitures**

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

Currently, the Institution also has operating affiliations and joint ventures with other nonprofit and for-profit corporations. See APPENDIX A – “CERTAIN INFORMATION REGARDING THE INSTITUTION AND THE OBLIGATED GROUP – Introduction.” In certain instances, such affiliates may conduct operations which are of strategic importance to the Institution, and their operations may subject the Institution to potential legal or financial liabilities. In some cases, the Institution provides funding to the affiliates on a start-up or ongoing basis, and this funding may be significant.

### **Physician Medical Staff**

The primary relationship between a hospital and the physicians who practice in it is through the hospital’s organized medical staff. Medical staff bylaws, rules and policies establish the criteria and procedures by which a physician may have his or her privileges or membership curtailed, denied or revoked. Physicians who are denied medical staff membership or certain clinical privileges or who have such membership or privileges curtailed or revoked often file legal actions against hospitals and medical staffs. Such actions may include a wide variety of claims, some of which could result in substantial uninsured damages to a hospital. In addition, failure of the hospital governing body to adequately oversee the conduct of its medical staff may result in hospital liability to third parties.

### **Nursing and Other Shortages**

At the present time, a significant nursing shortage exists in the service areas of the Institution, and various studies have predicted that this nursing shortage will become more acute over time. Further, legislation is periodically introduced that would require specified nurse staffing ratios, which could in

turn intensify the nursing shortage. In addition, shortages of other professional and technical staff such as diagnostic imaging techs, pharmacists, rehabilitation therapists, laboratory technicians and others may occur or worsen. Operations, patient and physician satisfaction, financial condition, results of operations and future growth of the Institution could be negatively affected by these shortages, resulting in a material adverse effect on the Institution.

### **Labor Relations and Collective Bargaining**

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

### **Professional Liability Claims and General Liability Insurance**

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

While the Institution participates in program(s) of self-insurance and commercial insurance policies which management of the Institution considers adequate, no assurances can be given that the maintenance of such coverage will continue to be financially feasible or available in the market in the future. See APPENDIX A – “CERTAIN INFORMATION REGARDING THE INSTITUTION AND THE OBLIGATED GROUP – Insurance.”

### **Indigent Care**

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

## **Interest Rate Swap Risk**

The Members of the Obligated Group may in the future enter into interest rate swap agreements with respect to certain of its outstanding and anticipated future indebtedness. Each swap agreement will be subject to periodic “mark-to-market” valuations. Changes in the market value of such agreements could negatively or positively impact the financial condition of the Members of the Obligated Group, and such impact could be material. For example, future swap agreements could require that the Members of the Obligated Group post collateral to secure their obligations to the swap counterparty when the swap agreement has a negative value to the Members of the Obligated Group in excess of stipulated threshold amounts. Any of the Obligated Group Members’ swap agreements may be subject to early termination upon the occurrence of certain specified events. If either the Obligated Group Member or the counterparty terminates such an agreement when the agreement has a negative value to such Obligated Group Member, the Obligated Group could be obligated to make a termination payment to the counterparty in the amount of such negative value, and such payment could be substantial. In the event of an early termination of a swap agreement, there can be no assurance that (i) the Obligated Group Member will receive any termination payment payable to it by the related swap provider, (ii) the Obligated Group Member will have sufficient monies to make a termination payment payable by it to the related swap provider, or (iii) the Obligated Group Member will be able to obtain a replacement swap agreement with comparable terms.

## **State Budgets**

Many states, including the State of New Hampshire, face severe financial challenges that have resulted in a shortfall between revenue and spending demands. The financial challenges facing New Hampshire may negatively affect health care providers in a number of ways, including but not limited to, a greater number of indigent patients who are unable to pay for their care and a greater number of individuals who qualify for all Medicaid programs and reductions in such programs’ payment rates.

## **Investments**

The Institution has significant holdings in a broad range of investments. Market fluctuations may affect the value of those investments and those fluctuations may be and historically have been at times material. See APPENDIX A – “CERTAIN INFORMATION REGARDING THE INSTITUTION AND THE OBLIGATED GROUP – Financial Information” and APPENDIX B – “CONCORD HOSPITAL, INC. AND SUBSIDIARIES – Audited Consolidated Financial Statements and Additional Information (With Independent Auditors’ Report) for the years ending September 30, 2016 and September 30, 2017.”

## **Other Risk Factors**

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

- Adoption of legislation that would establish a national or statewide single-payor health program or that would establish national, statewide or otherwise regulated rates;
- Employee strikes and other adverse labor actions and conditions, which could result in a substantial reduction in revenues without corresponding decreases in costs;
- Efforts by employers to reduce the costs of health insurance by having employees bear a greater portion of their health care costs, causing employees to be more selective and cost-conscious in choosing health care services;

- Efforts by insurers and governmental agencies to limit the cost of hospital services, to reduce the number of beds and to reduce the utilization of hospital facilities by such means as preventive medicine, improved occupational health and safety and outpatient care, quality or efficiency measurement initiatives, or comparable regulations or attempts by third-party payors to control or restrict the operations of certain health care facilities;
- Reduced demand for the services of the Institution that might result from decreases in population;
- Bankruptcy of an indemnity/commercial insurer, managed care plan or other payor;
- The occurrence of a natural or man-made disaster that could damage the Institution's facilities, interrupt utility service to the facilities, result in an abnormally high demand for health care services or otherwise impair the Institution's operations and the generation of revenues from the facilities;
- The outbreak of a pandemic, which could cause a sharp increase in demand for health care services and a dramatic reduction in qualified health care personnel; and
- Adoption of a so-called "flat tax" federal income tax, a reduction in the marginal rates of federal income taxation or replacement of the federal income tax with another form of taxation, any of which might adversely affect the market value of the 2017 Bonds and the level of charitable giving to the Obligated Group.

#### **MISCELLANEOUS**

The references herein and in the appendices hereto to the 2017 Bonds, the Act, the Bond Indenture, the Loan Agreement, the Master Indenture, and the Supplemental Master Indenture are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to such statutes and documents for full and complete statements therein. The agreement of the Authority with the holders of the 2017 Bonds is fully set forth in the Bond Indenture, and neither any advertisement of the 2017 Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the 2017 Bonds. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the office of the Bond Trustee.

Information relating to DTC and the book-entry system described under the heading "THE 2017 BONDS – Book-Entry-Only System" has been furnished by DTC and is believed to be reliable, but none of the Authority, the Obligated Group, or the Underwriters make any representations or warranties whatsoever with respect to such information.

APPENDIX A – "CERTAIN INFORMATION REGARDING THE INSTITUTION AND THE OBLIGATED GROUP" has been prepared by or on behalf of the Obligated Group.

APPENDIX B – "CONCORD HOSPITAL, INC. AND SUBSIDIARIES – Audited Consolidated Financial Statements and Additional Information (With Independent Auditors' Report) for the years ending September 30, 2017 and September 30, 2017" have been prepared by Baker, Newman & Noyes, LLC.

APPENDIX C-1 – "CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS" has been prepared by Hawkins Delafield & Wood LLP, Bond Counsel to the Authority.

APPENDIX C-2 – “FORM OF THE SECOND AMENDED AND RESTATED MASTER TRUST INDENTURE” has been prepared by Hawkins Delafield & Wood LLP, Bond Counsel to the Authority.

APPENDIX D – “FORM OF BOND COUNSEL’S OPINION” has been prepared by Hawkins Delafield & Wood LLP, Bond Counsel to the Authority.

APPENDIX E – “FORM OF CONTINUING DISCLOSURE AGREEMENT” has been prepared by Butler Snow LLP, counsel to the Underwriters.

All of the Appendices hereto are incorporated as an integral part of this Official Statement.

The Members of the Obligated Group have reviewed the portions of this Official Statement describing the Obligated Group, the Plan of Financing, Estimated Sources and Uses of Funds, Debt Service Requirements, Continuing Disclosure, Absence of Material Litigation, Bondholders’ Risks and Matters Affecting the Health Care Industry, and Financial Statements, and have furnished APPENDIX A and APPENDIX B to this Official Statement, and have approved all such information for use with this Official Statement. As a condition to the issuance of the 2017 Bonds, the Members of the Obligated Group will certify that such portions of this Official Statement, except for any projections and opinions contained in such portions, do not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they are made, not misleading.

The Authority has only participated in the preparation of the Section captioned “THE AUTHORITY” herein and, to the extent it applies to the Authority, “ABSENCE OF MATERIAL LITIGATION.”

The execution and delivery of this Official Statement has been duly authorized by the Authority.

NEW HAMPSHIRE HEALTH AND EDUCATION  
FACILITIES AUTHORITY

By: \_\_\_\_\_  
David C. Bliss, Executive Director

**(THIS PAGE LEFT BLANK INTENTIONALLY)**

**APPENDIX A**

**CERTAIN INFORMATION REGARDING THE INSTITUTION  
AND THE OBLIGATED GROUP**

**(THIS PAGE LEFT BLANK INTENTIONALLY)**

**New Hampshire Health and Education Facilities Authority**

**Revenue Bonds, Concord Hospital Issue, Series 2017**

**APPENDIX A**

**TABLE OF CONTENTS**

<b>INTRODUCTION.....</b>	<b>3</b>
DEFINING CHARACTERISTICS .....	3
HISTORY .....	6
CORPORATE STRUCTURE.....	7
CONCORD HOSPITAL .....	8
OTHER AFFILIATED CORPORATIONS.....	9
<b>GOVERNANCE AND MANAGEMENT.....</b>	<b>10</b>
THE CORPORATION.....	10
THE HOSPITAL .....	10
CONCORD HOSPITAL TRUST.....	11
CONFLICT OF INTEREST AND PECUNIARY BENEFITS POLICY .....	12
MANAGEMENT.....	12
<b>PATIENT SERVICES .....</b>	<b>14</b>
<b>EDUCATIONAL AFFILIATIONS AND PROGRAMS.....</b>	<b>18</b>
<b>INFORMATION TECHNOLOGY.....</b>	<b>21</b>
<b>MEDICAL STAFF.....</b>	<b>22</b>
PHYSICIAN RECRUITMENT .....	25
<b>EMPLOYEES.....</b>	<b>26</b>
<b>LICENSURE, ACCREDITATION AND MEMBERSHIPS .....</b>	<b>27</b>
<b>PRIMARY SERVICE AREA.....</b>	<b>28</b>
CONCORD HOSPITAL’S PSA .....	29
POPULATION TRENDS .....	29
SOURCE OF PATIENT ADMISSIONS.....	30
ECONOMIC CHARACTERISTICS .....	31
<b>COMPETITIVE ENVIRONMENT .....</b>	<b>31</b>
<b>UTILIZATION.....</b>	<b>34</b>
<b>STRATEGIC PLANNING AND FUTURE INITIATIVES.....</b>	<b>35</b>
<b>FACILITIES.....</b>	<b>37</b>
THE PROJECT .....	37
<b>THE PLAN OF FINANCE .....</b>	<b>38</b>
<b>FINANCIAL INFORMATION.....</b>	<b>38</b>
MANAGEMENT’S DISCUSSION OF RECENT FINANCIAL PERFORMANCE .....	42

Appendix A

INVESTMENTS ..... 43  
LIQUIDITY ..... 44  
OUTSTANDING DEBT ..... 45  
TOTAL DEBT TO CAPITALIZATION ..... 46  
PENSION PLAN ..... 46  
FUNDRAISING AND DEVELOPMENT ..... 47  
COMMUNITY BENEFITS AND PROGRAMS ..... 47  
SOURCES OF REVENUE ..... 48  
**INSURANCE ..... 51**  
**LITIGATION ..... 51**

[Rest of Page Intentionally Left Blank]

\_\_\_\_\_, 2017

New Hampshire Health and  
Education Facilities Authority  
54 South State Street  
Concord, New Hampshire 03302

Dear Members of the Authority:

We are pleased to submit the following information with respect to Concord Hospital, Inc. (the "Hospital" or "Concord"). This letter and the information contained herein are submitted to the New Hampshire Health and Education Facilities Authority (the "Authority") for inclusion in its Official Statement (the "Official Statement") relating to the Authority's Revenue Bonds, Concord Hospital Issue, Series 2017 (the "Bonds"). Capitalized terms used in this letter, not otherwise defined, shall have the meanings defined in the forepart of the Official Statement. As used herein, and unless otherwise indicated by the context, all cities and towns referred to herein are located in the State of New Hampshire (the "State" or "New Hampshire") and all utilization and financial data for any year refer to the fiscal year ended September 30.

## INTRODUCTION

Capital Region Health Care Corporation (the "Corporation" or "CRHC") is the sole member of the Hospital as well as the holding company for several other organizations including: a visiting nurse association, an outpatient behavioral health company and a medical care services group. CRHC's purpose is to support, promote and coordinate the activities of the Hospital and the other Corporation affiliates, through strategic planning and coordination efforts in order to develop and maintain a comprehensive health system for its primary service area.

The Hospital operates a 295-licensed bed acute care hospital on an 114-acre campus in Concord, the capital of New Hampshire, which is located 65 miles north of Boston. The Hospital participates in several joint ventures, including two imaging centers and four ambulatory surgery centers.

The Hospital has a primary service area consisting of 28 cities/towns that had a 2015 estimated population of 134,826, a slight increase of 0.12% from 2010. The Hospital is licensed for a total of 295 acute care beds including 239 medical, surgical and pediatric beds, 20 intensive care unit beds, 16 psychiatric beds and 20 obstetric beds. The Hospital staffs 242 beds. In addition to acute inpatient care, the Hospital provides a variety of outpatient services and a trauma center emergency room verified by the American College of Surgeons (ACS) that experienced approximately 48,000 visits during the year ended September 30, 2017.

The Hospital sponsors the New Hampshire-Dartmouth Family Medicine Residency Program, which is accredited by the American College of Graduate Education and was the first family practice residency program in New Hampshire. The Hospital sponsors residency programs in General Surgery and Urology, in coordination with the Geisel School of Medicine at Dartmouth. The associated medical staff members hold faculty appointments at the Geisel School of Medicine at Dartmouth.

### Defining Characteristics

Management believes that the Hospital's defining characteristics are as follows:

## Appendix A

Strong Competitive Niche. As of 2015, the most recent period for which complete data is available, the Hospital had a 69% share of the market in its primary service area, excluding the city of Concord. The Hospital accounted for more than 87% of the patient discharges within the city of Concord in 2015. The five competitor hospitals whose primary service areas intersect with the Hospital's primary service area accounted for less than 23% of the approximately 12,544 discharges for the primary service area in 2015.

Financial Strength. Hospital management has made financial discipline a priority, especially with respect to operations. Consistent with this approach, the Administration has focused on managing labor and supply costs, as well as implementing cost effective methods to provide quality care to help drive a positive operating margin. Management assesses and balances its financial risk with reasonable net revenue expectations before instituting any new programs.

The Corporation and its Subsidiaries (collectively the "System") have a history of financial growth as measured by operating and operating cash flow margins, which have averaged 3.8% and 10.2%, respectively, for the past five years. As of September 30, 2017, the Obligated Group's market value of cash and investments totaled \$355 million, of which \$298 million was unrestricted. Cash and investments represented 267 days of cash on hand at fiscal year-end.

Strength and Continuity of Management. The Hospital has a history of continuity and strength in its senior management team, most of whom have been with the Hospital for over 10 years. The senior management team has continued to diversify the Hospital's service offerings while maintaining an operating surplus for the last 24 years. The Chief Financial Officer, Chief Medical Officer, Chief Information Officer, and Chief Human Resources Officer have been with the Hospital since 1998, 1987, 1976, and 2007 respectively. The senior management team is led by the President and CEO, Robert Steigmeyer, who was selected in 2013 following a nationwide search. Mr. Steigmeyer previously served as Chief Executive Officer of Geisinger Community Medical Center in Scranton, Pennsylvania. Prior to his position in Pennsylvania, Mr. Steigmeyer served as the senior vice president of operations and finance for Northwest Hospital and Medical Center in Seattle, Washington.

Strength through Quality and Network. The Hospital has built its reputation through a focus on quality care that is patient-focused. With the changing healthcare environment, the Hospital believes that a focus on quality, combined with strong economic value, will position it well for the future. It participates in several quality initiatives, including the Robert Wood Johnson Foundation's "Transforming Care at the Bedside" program and the Dartmouth Institute collaborative on Accountable Care Organizations ("ACOs"), among others. Concord Hospital received an "A" grade from the Leapfrog Hospital Safety Survey in 2017, the highest mark possible based on factors including errors, accidents, and infections.

Patient satisfaction is a key operating indicator for the Hospital, which was named a Guardian of Excellence Award Winner by Press Ganey Associates, Inc. in 2013. The Guardian of Excellence Award recognizes top performing facilities. Fewer than five percent of all Press Ganey clients reach this threshold and consistently maintain it for the one year reporting period. The Hospital performed in the 86<sup>th</sup> percentile for inpatient services in Press Ganey's national database for 2017.

In addition, the Hospital operates a health care network that contains a range of management and administrative models. The business relationships between CRHC and its Subsidiaries are best described as collaborative rather than proprietary. Joint ventures with physicians and collaborative relationships with other hospitals have established the Hospital as a regional referral facility. The Hospital has formed four surgery centers in collaboration with various physician groups and works closely with a local Dartmouth Hitchcock group practice site to provide services to their patients.

The Hospital has also been aggressive in using information technology to better integrate its health care network and to provide more efficient and cost effective care. Concord Hospital and Concord Hospital

Medical Group are in the midst of implementing The Cerner Millennium Electronic Health Record System (“EHR”) through a campaign known as the “Transforming Care Now” (“TCN”) project. The System will improve the patient portal and replace all clinical IT and administrative revenue systems with an integrated system and is expected to be complete in 2017.

The Hospital participates with five other acute care healthcare systems through Granite Health (“GH”). The purpose of GH is to “Improve the health of our communities by partnering to provide high-quality and affordable health care.”

Concord Hospital Medical Group. The Hospital employs nearly 280 primary and specialty care providers in 28 locations throughout Concord and its surrounding communities. Organized under the name Concord Hospital Medical Group (“CHMG”), CHMG operates through various departments in the Hospital, giving the providers and practices access to leading-edge technology, additional Hospital resources, and advanced educational training.

Through CHMG, the benefits and programs of the Hospital can efficiently and effectively be extended to cover more of its primary service area. One of CHMG’s primary goals is working collaboratively with all members of the Concord Hospital Medical Staff. This arrangement allows each of the CHMG practices to retain the authority to make practice specific decisions while benefiting from the advantages of a larger system. The Hospital also provides CHMG’s providers substantial opportunities for education as well as increased opportunities for its physician practices to take advantage of economies of scale for purchasing activities. This integrated arrangement enables the CHMG’s providers to enjoy such benefits as a common Electronic Medical Record, the Hospital’s Financial and Prescription Assistance Program, state-of-the-art facilities and technology, and access to fully accredited and board-certified medical providers throughout the Concord area.

Recognition within Community. The Hospital and the System have been recognized for their work in a range of areas, including information systems technology, environmentally sound practices, specialized care, and overall excellence. Recent acknowledgements include:

- Concord Hospital has been recognized 16 times over the last 17 years, as one of the nation’s “Most Wired” hospitals by *Hospitals & Health Networks* magazine, the journal of the American Hospital Association. This award recognizes the Hospital’s ability to implement sophisticated technology that enhances quality, efficiency, and safety of patient care.
- In 2016, Concord Hospital received a three-year national accreditation from Det Norske Veritas (“DNV”) Healthcare as a Primary Stroke hospital. Det Norske Veritas is the first Medicare-approved hospital accreditation program that integrates the ISO 9001 quality management system with the Medicare hospital standards.
- The Commission on Cancer (CoC) granted the Hospital a three-year accreditation for its Payson Center for Cancer Care, which demonstrates the facility exceeded industry standards in the full scope of its cancer program. The Center also received a best practice acknowledgement for its “Affordability of Care” program.
- Concord Hospital received the second annual Healthy Eating Active Living (HEAL) Award from New Hampshire Hospital Association. This award was created to recognize an Association member organization that has demonstrated significant progress in making the healthy choice the easy choice for its employees, patients and the community.
- Named a Baby Friendly® Birth Facility by Baby-Friendly USA, Inc.

## Appendix A

- Awarded The Blue Distinction Award for Excellence in Maternity Care by Anthem Blue Cross Blue Shield.
- Verified Level III Trauma Center by the American College of Surgeons
- Adult Level II Trauma Center for the State of New Hampshire
- Received the MAP (“Measure, Apply, Perform”) Award for High Performance in Revenue Cycle by Healthcare Financial Management Association (HFMA)
- Acknowledged as a Patient Centered Medical Home Level III by National Committee for Quality Assurance (NCQA)
- Certificate of Accreditation National Integrated Accreditation for Healthcare Organizations Hospital Accreditation Program (DNV GL – Healthcare)
- Primary Stroke Center Hospital (DNV GL – Healthcare)
- Accreditation for Hyperbaric Medicine (Undersea and Hyperbaric Medical Society)
- Center of Excellence in Education and Training for Infants and Families Impacted by Neonatal Abstinence Syndrome (Vermont Oxford Network)
- Accredited Breast Center (National Accreditation Program for Breast Centers)
- Accreditation with Commendation (Commission on Cancer – American College of Surgeons)
- Recognized by Becker’s Hospital Review as one of the top 100 ACOs to Know
- New Hampshire Accountable Care Partners 2016 quality performance at 94.5% which exceeds performance standards and is higher than prior year

### **History**

The Hospital’s origins date to the 1944 merger of the Margaret Pillsbury Hospital (founded in 1884) and the New Hampshire Memorial Hospital (founded in 1892). In 1985, as part of a corporate restructuring, the original hospital corporation was reorganized to form CRHC, which became the parent organization of the Hospital and its affiliated corporations. At the same time, a new corporation, named Concord Hospital, Inc., was organized to own and operate the Hospital’s facilities as well as the Concord Regional Visiting Nurse Association.

In 1998, the Corporation and Riverbend Community Mental Health, Inc. entered into an affiliation agreement. The agreement established a sustainable relationship for integrating and improving the coordination and delivery of behavioral health services principally within Merrimack County, and more specifically within the Concord community.

In 2003, Concord partnered with Elliot Health System (Manchester, New Hampshire) and Radiation Oncology Associates (Concord, New Hampshire) to grow services related to cancer care. Consistent with the Hospital’s goal to better service cancer patients, the Hospital constructed the 28,000-square-foot Payson Center for Cancer Care featuring state-of-the-art radiation oncology services, medical oncology, and chemotherapy provided by New Hampshire Oncology-Hematology, one of the State’s premier oncology groups. In 2004, Concord introduced a Breast Care Center to provide comprehensive diagnosis

and treatment of breast disease. In 2009 the Hospital introduced digital mammography and breast MRI services to add to, and complement, the services provided at the Center.

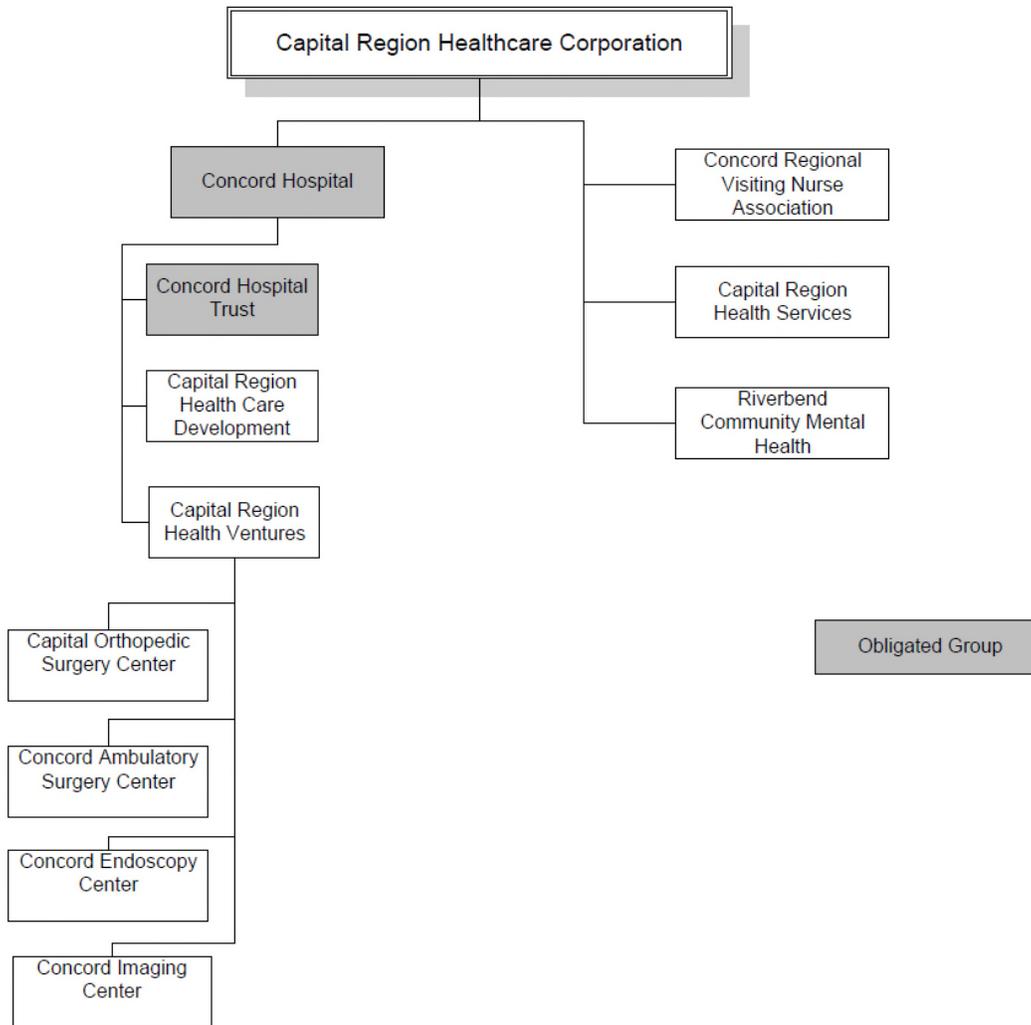
In 2007, to meet rising demand the Hospital opened a renovated and expanded Emergency Department and Intensive Care Unit and added additional private rooms and four operating suites. The Hospital now offers 100% private rooms to patients, with the ability to increase capacity when demand is high.

The Hospital, with other health systems located in the State of New Hampshire, formed Granite Shield Insurance Exchange ("GSIE"), an insured reciprocal insurance entity, in 2010. In early 2016, GSIE partnered with the ELM Education Exchange to offer an e-learning program geared towards multi-disciplinary education with a focus on risk prevention and patient safety issues. In addition to the new educational effort, GSIE began a new program of offering Medical Stop Loss Coverage for the Member Institutions.

Concord Hospital, along with four other New Hampshire Health Systems, and Tufts Health Plan created a New Hampshire based insurance plan named Tufts Health Freedom Plan, which launched in 2016. This plan was developed to be a local New Hampshire insurance alternative to compete with the regionally and nationally owned plans offered in the State of New Hampshire.

### **Corporate Structure**

The organizational chart below illustrates the relationship among CRHC and its affiliates:



**The Hospital and the Concord Hospital Trust are the only members of the Obligated Group. The assets of the Corporation and its subsidiaries, other than those of the Hospital and the Concord Hospital Trust, are not included in the assets pledged as security for the Bonds.**

### Concord Hospital

The Hospital is a 501(c)(3), not-for-profit acute care hospital that offers a range of inpatient, outpatient, and emergency care services characteristic of a community hospital and also offers more specialized services in several areas, including orthopaedic and spinal surgery, complex gynecological procedures, single room maternity care, Level II nursery care, and open heart surgery, among others. The Hospital is the sole member of the following Corporations:

- *Concord Hospital Trust* (“CHT”) is a not-for-profit organization, separately incorporated and established in September 2008 to serve as the Hospital’s philanthropic arm. In establishing the Trust, the Hospital transferred permanently and temporarily restricted funds, board designated funds, endowments, indigent care funds and specific purpose funds, to the newly formed organization together with the stewardship responsibility of directing investment of these monies. With a separate Board providing leadership, the Trust focuses on strengthening the philanthropy programs and relationships with donors to support the Hospital’s charitable mission.

- *Capital Region Health Care Development Corporation* (“CRHCDC”) is a not-for-profit real estate corporation that owns and operates medical office buildings and other properties including the Yeaple Building; the Pillsbury and Memorial Medical Office Buildings; and a parking structure all on the Hospital’s campus, as well as property in the town of Hopkinton. In addition, CRHCDC operates a physician practice site located in Pembroke.
- *Capital Region Health Ventures Corporation* (“CRHVC”) is a not-for-profit corporation that engages in health care delivery partnerships and joint ventures. It operates an ambulatory surgery facility in cooperation with Concord Orthopaedics, the State’s largest orthopaedic practice, an ambulatory surgery joint venture with several individual physicians, and an endoscopy services joint venture with the gastroenterology physicians on the Hospital’s medical staff. CRHVC also is involved in extensive outpatient diagnostic radiology services through Concord Imaging Center, a joint venture with the Hospital’s radiology group, which performed just under 54,700 exams in fiscal year 2017. In addition, CRHVC provides chiropractic services.

### **Other Affiliated Corporations**

In addition to being the sole member of the Hospital, the Corporation is also the sole member of three corporations:

- *Concord Regional Visiting Nurse Association* (“CRVNA”) is a not-for-profit corporation which operates Medicare licensed services and provides home care and other home nursing services from a location off the Hospital campus as well as end-of-life care and other services in a freestanding ten-bed hospice house on the Hospital campus. CRVNA also offers school-based nursing services to the Concord school district. This 118-year old entity is the primary provider of public health services for the Concord region
- *Capital Region Health Services Corporation* (“CRHSC”) is a for-profit corporation located on the Hospital campus which participates in health service ventures. It is an equity owner in a joint venture known as Capital Region/Genesis ElderCare LLC, which operates Granite Ledges of Concord, an assisted living residence, and in a joint venture with local ophthalmology groups which operate Concord Eye Surgery Center, LLC.
- *Riverbend Community Mental Health Services, Inc.* (“Riverbend”) is a not-for-profit organization that provides outpatient counseling services in Concord, Henniker and Franklin; 24-hour emergency mental health services; parenting education and family support services; substance abuse services; vocational and residential services for adults with serious and persistent mental illness; assisted living residential care in two locations; and employee assistance programs.

Concord Hospital is a member of two other corporations:

- *Granite Shield Insurance Exchange* (“GSIE” or the “Reciprocal”). GSIE is an insured reciprocal insurance entity and unincorporated association formed to provide healthcare professional liability and general liability insurance to the members of the Reciprocal through GSI Services, LLC (“GSI”), the attorney-in-fact. GSI was formed in the State of Vermont as a limited liability company on December 14, 2010, and acts as an agent to enable members of the Reciprocal to exchange insurance contracts. GSI is equally owned by each of the members of the Reciprocal, all of which are health systems located in the State of New Hampshire. GSI has no employees and has hired various third party service providers to handle the duties of the attorney-in-fact, on its behalf, as well as the day-to-day management and record keeping of the Reciprocal.

## Appendix A

- *Tufts Health Freedom Plan.* The Tufts Health Plan is a New Hampshire based insurance plan which Concord Hospital owns along with four other New Hampshire Health Systems. The plan was developed to be a New Hampshire insurance alternative to compete with the regionally and nationally owned plans offered in the State of New Hampshire. Concord Hospital is the largest of the health system owners of the new plan by revenues and ownership.

## GOVERNANCE AND MANAGEMENT

### The Corporation

The Corporation is governed by a Board of Trustees (“CRHC Board”). The CRHC Board is composed of not less than 14 or more than 25 persons (excluding ex-officio Trustees) who meet at least annually. The regular officers of the Corporation are the Chairman, Vice-Chairman, President, Treasurer and Secretary. The Board of Trustees may, from time to time, establish other officers as appropriate. Members of the Board of Trustees of the Corporation are elected for staggered three-year terms.

As the sole member of the Hospital, the Corporation has the power to elect the Board of Trustees of the Hospital (the “Hospital Board”) and to approve other major corporate actions, including: amendments to the Hospital’s bylaws; the dissolution, merger or consolidation of the Hospital or any affiliate, sale or transfer of all or substantially all of the Hospital’s assets; and creation or acquisition of any subsidiary. The Hospital Board meets at least six times per year.

### The Hospital

The Hospital Board consists of not less than 14 or more than 19 persons (excluding ex-officio Trustees), the number to be established by and elected by the Corporation. The ex-officio members are the President of the Corporation and the President of the Medical Staff. All Trustees have equal voting rights. Board members can serve up to four consecutive three year terms.

Current Board members, year of their initial appointment, year their term expires, and their affiliations are listed below:

<u>Board Member</u>	<u>Initially Appointed</u>	<u>Term Expires</u>	<u>Affiliation/Address</u>
David Ruedig <sup>1</sup> <i>Chair</i>	2007	2019	Vice President-Investments, UBS Financial Services
Sol Asmar <sup>1</sup> <i>Vice Chair</i>	2010	2020	Retired, President, Valeo Sylvania
William L. Chapman, Esq. <sup>1</sup> <i>Treasurer</i>	2010	2018	Attorney, Orr & Reno, PA
Valerie Acres, Esq <sup>1</sup>	2015	2018	Director of Advocacy, New Hampshire Medical Society
Philip Boulter, MD <sup>1</sup>	2007	2019	Retired, CMO, Tufts Health Plan
Frederick Briccetti, MD	2015	2018	Physician, New Hampshire Oncology Hematology
Michelle Chicoine	2008	2020	Vice Rector for Operations & Finance, St. Paul’s School
Peter Cook	2017	2020	CEO, Concord Litho
Philip Emma	2017	2020	President, Merrimack County Savings Bank

<u>Board Member</u>	<u>Initially Appointed</u>	<u>Term Expires</u>	<u>Affiliation/Address</u>
Peter Noordsij, MD	2016	2019	Physician, Concord Orthopaedics, PA
Manisha Patel, DDS	2017	2020	Dentist, Center for Contemporary Dentistry
Muriel D. Schadee, CPA <sup>1</sup>	2007	2018	Shareholder/Director, Nathan Wechsler & Co., PA
Robert Segal	2015	2018	CEO, Sanel Auto Parts
David Stevenson, MD <sup>1</sup>	2008	2018	Concord Hospital Family Health Center
Jeffrey K. Towle <sup>1</sup>	2012	2018	President, Davis & Towle Insurance Group
Robert P. Steigmeyer <sup>1</sup>	2014	<i>Ex-officio</i>	President and CEO, Concord Hospital and CRHC
Robert Thomson, MD	2016	<i>Ex-officio</i>	President, Concord Hospital Medical Staff

<sup>1</sup> Member of CRHC Board

### **Concord Hospital Trust**

The Concord Hospital Trust Board consists of not less than five or more than 17 persons (excluding ex-officio Trustees). The ex-officio members are the President of the Corporation and the Chair of the Hospital Board. Additionally, a minimum of three of the elected trustees are also members of the Hospital Board. Current Board members, year of their initial appointment, year their term expires, and their affiliations are listed below:

## Appendix A

<u>Board Member</u>	<u>Initially Appointed</u>	<u>Term Expires</u>	<u>Affiliation/Address</u>
Michael Lynch, MD <i>Chair</i>	2008	2019	Physician, Concord Emergency Medical Associates
Jayne Millerick <i>Vice Char</i>	2011	2019	Chief of Staff to Governor, State of New Hampshire
Ronald Yap, MD <i>Secretary</i>	2014	2019	Physician
C. Tom Brown	2008	2019	President/Owner, NH Distributors, Retired
Mary Boucher	2008	2019	Community Representative
Gerard Smith, MD	2008	2019	Physician Retired
Mostafa El-Sherif, DMD	2009	2017	Dentist, Independent, Retired
Charles Fanaras	2009	2017	President/Owner The Prescription Center
Claudia Walker	2009	2017	Senior VP, Merrimack County Savings Bank, Retired
David Conley, Esq.	2011	2019	Attorney
Richard Pitman	2011	2019	Owner, Center Hill Barns
Natalia Strong	2014	2019	Community Representative
Robert Segal	2017	2019	CEO, Sanel Auto Parts
Jeffery Towle	2017	2019	President, Davis & Towle Insurance
James D. Cook	2008	<i>Trustee Emeritus</i>	CEO/Chairman, Concord Litho Corp, Retired
Harriet Resnicoff	2014	<i>Honorary Trustee</i>	Community Representative
Robert P. Steigmeyer	2014	<i>Ex-Officio</i>	President and CEO, Concord Hospital and CRHC
David Ruedig	2016	<i>Ex-Officio</i>	Chair, Concord Hospital Board of Trustees

### **Conflict of Interest and Pecuniary Benefits Policy**

The bylaws of the Hospital contain a prohibition against self-dealing by its officers and trustees. In addition, the Hospital Board has formally adopted a policy providing that the Hospital, its officers, and trustees shall comply in full with the provisions of New Hampshire Revised Statute Annotated 7:19-a, which requires that transactions involving certain officers and Board members (or their families) must be fair, are subject to a supermajority Board approval, and in certain instances require prior publication and notification to the Attorney General's office. The administration is unaware of any transactions that violate either the Hospital's bylaws or RSA 7:19-a.

### **Management**

The day-to-day operations of the Hospital are managed by the President/Chief Executive Officer, who is assisted by an Executive Management Team of six persons responsible for the major functional areas of the Hospital. Biographical information of these key personnel appears below:

Robert P. Steigmeyer, *President and CEO*. Mr. Steigmeyer joined Concord Hospital in January, 2014. Before assuming his current position, Mr. Steigmeyer was CEO at Geisinger Community Medical Center in Scranton, Pennsylvania, which included a 297-bed hospital and trauma center, as well as a 180-bed skilled nursing facility. Prior to his position in Pennsylvania, Mr. Steigmeyer served as the Senior Vice

President of Operations and Finance for Northwest Hospital & Medical Center in Seattle, Washington where he was responsible for overseeing all clinical programs, nursing, medical groups, and support functions, including information technology and finance. Prior to his experience in healthcare administration, Mr. Steigmeyer was a partner in ECG Management Consultants, Inc. a national firm that provides a broad range of strategic, management, and information technology-related consulting services to healthcare providers. Mr. Steigmeyer holds a Bachelor of Arts degree from Wabash College, a Master of Business Administration degree from St. Louis University School of Business, and a Master of Health Administration degree from St. Louis University Center for Health Services Education and Research.

Timothy P. Jones, *Chief Operating Officer, Senior Vice President*. With more than 30 years leadership experience in healthcare, including seven as an Executive, Mr. Jones joined Concord Hospital in September 2015. Having experience in acute care, ambulatory care, and support/administrative settings, his career reflects both clinical expertise as a Radiation therapist together with progressive leadership experience culminating with C-suite experience in both the not-for-profit and for-profit healthcare systems. Mr. Jones was awarded a Masters of Business Administration from California State University and a Bachelor of Science degree from California State University. He also holds an Associate degree in Radiation therapy.

Scott Sloane, *Chief Financial Officer, Senior Vice President*. Mr. Sloane joined Concord Hospital in February 1998, serving as Director of Managed Care Contracting and Reimbursement through 2002 and as Vice President for Finance before accepting his current position in 2016. Prior to joining Concord Hospital, Mr. Sloane was employed as the Regional Director of Accounting and Financial Services for Lahey-Hitchcock Clinic, Bedford, New Hampshire and was Director of Finance at Southern New Hampshire Medical Center, Nashua, New Hampshire (1992 to 1997). Mr. Sloane was employed as a Senior Auditor for Ernst & Young from 1989 to 1992 and previously served as an Auditor for the State of New Hampshire Office of the Legislative Budget Assistant. He is a Certified Public Accountant (CPA) and a Chartered Global Management Accountant (CGMA). Mr. Sloane is a member of the American Institute of Certified Public Accountants, the New Hampshire Society of Certified Public Accountants, and the Healthcare Financial Management Association. Mr. Sloane received his BS in Accountancy (1988) from Bentley College, Waltham, Massachusetts and his MS in Healthcare Administration (2010) from New England College, Henniker, New Hampshire.

David F. Green, MD, FACS, *Sr. Vice President of Medical Affairs and Chief Medical Officer*. Dr. Green is a senior partner at Concord Hospital's Center for Urologic Care, where he has practiced since 1987. He is also an Adjunct Associate Professor of Surgery at Geisel School of Medicine at Dartmouth. Since October 2006, he has served in the role of Senior Vice President of Medical Affairs and Chief Medical Officer for Concord Hospital. He is a Fellow in the American College of Surgeons, a Member in the American College of Physician Executives, and a Diplomate of the American Board of Urology. He has served in several capacities since 1987 with the New England Section of the American Urologic Association, as well as with the American Urologic Association ("AUA"). Currently, Dr. Green is a member of the AUA Board of Directors and serves on its Audit Committee. He is also a past President of the Concord Hospital Medical Staff and has served on the Concord Hospital Board of Trustees. Dr. Green received his BA in Psychology from Allegheny College and is a 1979 graduate of the Pennsylvania State University School of Medicine. He completed his post-graduate training in Urology at Yale University. He was an American Urologic Association Scholar and Assistant Professor of Surgery at Yale following his residency.

Deane Morrison, *Chief Information Officer*. Mr. Morrison joined Concord Hospital in 1976. He has 25 years of experience in various fields within the information technology industry, including as CIO at the Hospital and CRHC since 1996. Mr. Morrison has been a member of HIMSS (Healthcare Information Management Systems Society) since 1993 and a member of CHIME (College of Healthcare Information Management Executives) since 1995. Along with five other hospital Chief Information Officers, he co-

founded the HBOC STAR Product Users Group in 1987 and served on its board from 1987 to 1992 and in multiple other roles, including as President in 1993. Mr. Morrison authored award-winning papers for the Modern Healthcare/CISCO Innovation in Technology Awards Program in 1998 and 1999. He currently serves on the Board of Red River Theater in Concord, is Past Chair of the Greater Concord Chamber of Commerce Board, and a former member of the Board at Canterbury Shaker Village.

Amy Guilfoil-Dumont, *Chief Nursing Office, Vice President, Operations*. Ms. Guilfoil-Dumont joined Concord Hospital in October 2016. Prior to joining the Hospital she served as Chief Clinical Officer/Vice President Patient Care Services at Frisbie Memorial Hospital, Rochester, Vice President Clinical Support Services & Innovation at Elliot Health System, Manchester, Director Cardiovascular & Women's Health Services at St. Joseph Hospital, Nashua, Emergency Department Clinical Nurse Specialist at Holy Family Hospital and Medical Center, Methuen, MA; Critical Care Clinical Nurse Specialist at Lowell General Hospital, Lowell, Massachusetts and held staff nurse positions in other organization in the greater Boston area. She is a past President and Chair of the New Hampshire Heart Association. She is a Fellow of the Academy of Health Care Executives (FACHE). She sits on the Mary Sweeney Home board, Nashua and has served on the YMCA of Greater Nashua Board and Association Board and Regional Affiliate Heart Association Board. Ms. Guilfoil-Dumont received her BS in Nursing from Saint Anselm College, Manchester, and her MS in Nursing from Salem State University, Salem, Massachusetts. Ms. Guilfoil-Dumont maintains her nursing licensure in New Hampshire.

Robin A. Moore, *Chief Human Resources Officer*. Ms. Moore joined Concord Hospital in December 2007. Prior to joining Concord Hospital, she was the Vice President of Human Resources at Bassett Healthcare in Cooperstown, New York (2001-2007), Director of Human Resources at Saint Thomas Health Services in Nashville, Tennessee (1996-2001) and held several human resources management positions in hospitals in Connecticut (1979-1996). Ms. Moore is a Certified Senior Professional in Human Resources and is a member of the American Society of Healthcare Human Resources Administrators, the Society for Human Resource Management, and World at Work. She has received a lifetime achievement award from the American Compensation Association. Ms. Moore received her BA in Geography from Syracuse University (1977) and her MA in Geography from Kansas State University (1981).

## **PATIENT SERVICES**

The Hospital offers a broad range of medical, surgical, specialty and sub-specialty services to adults, children and infants. These services include several important areas of focus that the Administration believes are important in maintaining the Hospital's competitive position within its primary service area. These services include the following:

1. Specialized orthopaedic services including joint replacements, spinal surgery, and joint surgeries with the Hospital acting as a regional referral center for many New Hampshire hospitals.
2. Interventional cardiac services including heart bypass, angioplasty, stenting, electrophysiology ablation and mapping, Transcatheter Aortic Value Replacement (TAVR), and open heart surgery.
3. Oncology services that include traditional radiation therapy, Intensity Modulated Radiation Therapy ("IMRT"), gated imaging, PET scanning and a partnership with New Hampshire Oncology-Hematology, an independent specialty Medical Oncology group.
4. A specialized Family Health Center that hosts the NH Dartmouth Family Medicine Residency. This Center experiences approximately 36,000 patient visits each year; 60% of these patients have incomes at or below 200% of the federal poverty level.
5. An Emergency/Trauma Center that is one of the busiest in the State of New Hampshire and meets the Level III Trauma standards established by the American College of Surgeons.

The following section describes the general patient service areas:

General Medical/Surgical Services. The Hospital offers services for a range of medical specialties, including internal medicine, anesthesiology, cardiology, dermatology, gastroenterology, infectious disease, nephrology, neurology, obstetrics/gynecology, oncology, ophthalmology, pathology, pediatrics, physical medicine, psychiatry, pulmonary medicine, and radiology/imaging services. Surgical services are provided on both an inpatient and outpatient basis by physicians with specialties in general surgery, cardiac surgery, urology, gynecology, ophthalmology, orthopaedics, otolaryngology, plastic surgery, neurosurgery, thoracic and vascular surgery. The Hospital's surgical program includes a pre-operative screening process that streamlines testing and surgical preparation.

Oncology Services. Currently provided as part of its general medical/surgical services, the Hospital offers cancer diagnosis and inpatient cancer care services. The Payson Center for Cancer Care houses Concord's full-service outpatient oncology treatment services. The Hospital partners with The Elliot Hospital of the City of Manchester ("Elliot Hospital") in Manchester, New Hampshire to offer radiation therapy, and with New Hampshire Oncology-Hematology, an independent physician group, to provide medical oncology services.

Cardiac Surgery Services. The Center for Cardiac Care offers interventional cardiac procedures such as angioplasty and stenting in the Hospital's Cardiac Catheterization Suite, as well as open-heart surgery. In 2011, a new Electrophysiology Lab was developed offering mapping and ablation services by a fellowship trained cardiac imaging expert. Following surgery, cardiac patients receive specialized care and monitoring in the Cardiac Intensive Care Unit and Progressive Care Unit. A longtime member of the Northern New England Cardiovascular study group, the Hospital has consistently demonstrated good clinical outcomes in its cardiac program.

The Hospital also offers a full range of cardiac diagnostic procedures and therapy services such as echocardiography, holter monitoring, stress testing, cardiac catheterization, cardiac and vascular ultrasound, and progressive cardiac rehabilitation. In addition, the Center for Cardiac Care also offers cardiac education and prevention, including "HeartSmart" and the "Take Heart!" aggressive lifestyle modification programs.

The Hospital created the REACT program in 2016 to wirelessly transmit EKG results from ambulances to the Emergency Department to better serve heart attack patients. This program went into service with Lakes Region General Hospital, where further cardiac testing and services are expected to be developed.

Orthopaedic Surgery Services. More orthopaedic surgery is performed at the Hospital than in any other hospital in New Hampshire (source: NH Uniform Hospital Discharge Data Set). As a regional referral center for complex procedures, the Hospital's services include total joint replacements; specialized cervical, thoracic and lumbar spinal surgeries; hand, foot and ankle, elbow and hip surgeries; and treatment of fractures. The Hospital was the first in New Hampshire to offer Anterior Hip Replacement, a new technique that reduces recovery time. This surgical technique is credited with speeding patient recovery, often resulting in the patient being discharged on the same day as their surgery.

Women's Health Services. The Hospital provides access to health care for all women throughout their lifetimes. The Family Place offers single-room, family focused birthing, a Level II special care nursery, and programs like "Baby Steps" for new mothers and "Just for Dads" for new fathers. The Hospital has been named a Baby Friendly® Birth Facility by Baby-Friendly USA, Inc. Currently, The Family Place has 20 Labor/Delivery/Recovery/Postpartum ("LDRP") rooms, eight pediatric beds and six postpartum rooms. The other components of The Family Place are a dedicated ten-bed pediatrics unit and a women's care unit.

Through the Women's Diagnostic Suite at Concord Imaging Center and the Hospital's Radiology Department, the Hospital provides breast health services, including mammograms, ultrasound exams,

## Appendix A

stereotactic breast biopsies, needle localizations, ultrasound-guided breast biopsies and ductography. A Breast Care Center opened in May 2004 to coordinate these services with professional diagnostic and surgical services currently available in the greater Concord community. In 2009, The Breast Care Center expanded, converted to digital mammography, and began to offer Breast MRI services in a dedicated unit. Additionally, the Center provides local genetic counseling services for people who may be at risk based on their family medical history.

Urologic Services. The Concord Hospital Center for Urologic Care is one of the Hospital's "Centers of Excellence" and a regional referral center for specialty urologic care. It employs ten urologists and six Advanced Providers, Advanced Practice Registered Nurses ("APRNs") and Physician Assistants ("PAs"). The Center has a subspecialty orientation with specific dedicated programs for uro-oncology, medical and surgical aspects of stone disease, pelvic medicine and reconstruction, male reproduction and sexual dysfunction. The Center has extensive experience in robotic and minimally invasive surgery. The Center for Urologic Care has the only lithotripter available 24 hours a day, seven days a week in the State. In 2010, the Center received grant funding for research on urologic applications of lasers. The Center's urology group participates in the Geisel School of Medicine at Dartmouth Section of Urology resident training program. All of the group's physicians hold adjunct faculty positions at Geisel School of Medicine at Dartmouth.

The Family Health Center. The Family Health Center ("FHC") treats the whole family, from newborns to seniors. In 2017, there were nearly 9,900 registered patients in the primary care practice accounting for approximately 36,000 visits. In addition to providing vital primary care, the FHC provides dental care, teen care, and behavioral health care. Specialty programs include physician home and nursing home visits to frail elders, addiction medicine, primary care to the homeless, refugee care, and vital pre-and post-natal care. Also offered are STD testing and counseling clinics, as well as intensive care coordination for people with multiple health issues. Long term benefits of the FHC include healthier families in the community, less reliance on emergency services for routine illnesses, and patient-physician bonds that otherwise might not have developed.

The FHC is staffed by physician faculty and medical residents of the NH Dartmouth Family Medicine Residency, advanced providers, a clinical nursing staff, health educators, behavioral health clinicians, nutritionists, and care coordinators.

Emergency/Trauma Care. The Advanced Level II Regional Trauma Center (State designation) and Emergency Department, with its adjacent helipad, is open 24 hours a day, seven days a week. It is staffed by board certified emergency medicine physicians of Concord Emergency Medical Associates, as well as certified physician assistants and emergency department nurses certified in Advanced Life Support. The Center recently received (September, 2016) confirmation from the American College of Surgeons Committee ("ACS") that it meets Level III Trauma standards established by the American College of Surgeons. This nationally recognized verification is the result of an intensive and rigorous review process of the optimal care of the trauma patient and required a back-up neurosurgery call schedule and a 24/7 interventional radiology schedule, both of which were new requirements. The trauma team can be called in at a moment's notice 24 hours a day for treatment of multiple critical injuries. The Emergency Department staffs an off-campus Urgent Care Walk-in Center located near the junction of I-93 and 393 in Concord. Annually, the Emergency Department and Urgent Care Walk in Center experience over 67,000 visits annually.

Intensive Care and Coronary Care Services. This Unit includes a 20-bed Intensive Care Unit ("ICU") and a Cardiac Care Unit ("CCU"), which provides care to patients requiring a high level of technical intervention and continuous monitoring and assessment. All members of the nursing staff receive education in critical care nursing and each nurse is certified in advanced life support. Each bed in this unit is provided with bedside monitoring capability, and the Hospital has current point-of-care charting

capability in the ICU that includes flow sheet charting. The unit provides Therapeutic Hypothermia protocols as needed for its cardiac patients.

Behavioral Health Services. Inpatient psychiatric services include a physically distinct 16-bed inpatient unit, as well as a partial hospitalization program for patients requiring a structured day program. The programs offer a multi-disciplinary treatment approach using individual and group therapy, expressive arts, occupational therapy and nutritional counseling. The Hospital also offers an intensive outpatient substance abuse program, “Fresh Start”, and outpatient medication evaluation and treatment programs. Concord’s affiliations with Riverbend and Riverbend Counseling Associates provide a continuum of care.

Radiology Services. Comprehensive diagnostic imaging services include a state-of-the-art CT scanner, with a full range of CT capability, including spiral and dynamic scanning, magnetic resonance imaging (“MRI”), ultrasound, Positron Emission Therapy (“PET”) and nuclear medicine. The Radiology Special Procedures Room is equipped with an angiography X-ray machine that takes digital images of the inside of blood vessels, joints and organ systems.

The Radiology Services began using voice recognition equipment in July, 2016 to speed the delivery of test results. The new system delivers test results in an average of three hours down from 40 hours previously. While patients benefit from faster access to test results, the system is also expected to reduce patients’ average length of stay.

Day Surgery Center Services. The Day Surgery Center has four operating suites, including a dedicated gynecological operating suite. Other surgical specialties offered on an outpatient basis include orthopaedics, ear/nose/throat surgery, pain management, ophthalmology, plastic surgery, oral surgery, podiatry, urological surgery and general surgery.

Rehabilitation Services. The Hospital offers physical therapy, occupational therapy, speech language therapy, pulmonary rehabilitation, and aquatic and industrial medicine programs at its main campus and other locations throughout greater Concord.

Laboratory Services. The Hospital has the ability and capacity to perform virtually all tests ordered by the Hospital’s medical staff. The Hospital’s laboratory, accredited by the College of American Pathologists (“CAP”), offers full-service reference lab capability and performs contract work for the New Hampshire Hospital (a 200-bed, State-supported psychiatric facility in Concord), HealthSouth Rehabilitation Hospital, various area nursing homes, and private physician’s services. In 2010, the Hospital performed a comprehensive upgrade of its laboratory’s information systems, and continues to pursue ways to optimize patient safety by including the laboratory systems in the Cerner Millennium EHR system.

Pharmacy Services. The Hospital includes a full service pharmacy that provides services around the clock to the in-patient and out-patient departments. The Pharmacy Department has also incorporated robotics and automated picking stations into its operation, adding another layer of safety to the medication management process, as well as an automated method for inventory control.

### **New Initiatives in Patient Services**

The following are new Hospital initiatives designed to enhance healthcare outcomes and efficiencies.

Concord Hospital Operational Excellence System. In order to enhance the Hospital’s quality profile while reducing costs Concord implemented an Operational Excellence System to pursue efficiencies through standardization and process improvement activities. Based on the Toyota Production System, an approach to lean manufacturing (“LEAN”) that Toyota Motor Corporation has used for more than 50 years, Concord’s Operational Excellence System is used by management and other hospital staff to

## Appendix A

improve quality and outcomes. Concord began adopting its Operational Excellence System in Fiscal Year 2015 and has since implemented LEAN techniques throughout the organization. The Hospital's Chief Operating Officer was charged with leading the implementation of the Operational Excellence System and has instituted the philosophy into every area of the organization. Recent examples of the process improvements due to the implementation of Operational Excellence practices are as follows:

- Development of a visual conference room to visually link the daily operations of the Hospital to the Strategic Plan.
- Implementation of monthly operating reviews with every department. These meetings are a way for the COO and CFO to discuss quality/safety, finance, and patient satisfaction with the front line department managers.

Telemedicine. A telemedicine program with Cardiac Associates has been designed and implemented to support remote visits for patients with cardiac arrhythmias. This technology allows for an electronic blue tooth stethoscope to replace a face to face visit. This technology enables patients in remote areas to receive diagnosis without a lengthy drive to the Hospital.

One Call System for Regional Referrals. A one call process is in place for referral sources such as Lakes Region General Hospital and Franklin Hospital. This system was created to better facilitate acute patient transfer from referring hospitals to Concord. This one call process is expanding to other surrounding hospitals for referrals.

Section 1115 Behavioral Health Waiver. As of July, 2016 Capital Regional Healthcare was selected to be the region's Integrated Delivery Network for the State's Delivery System Reform Payment Program. Section 1115 of the Social Security Act gives the government authority to waive provisions of major health and welfare programs and to allow states to use federal Medicaid funds in ways that are not otherwise allowed under federal rules. The waivers can allow broad changes in eligibility, benefits, and cost sharing and provider payments. In New Hampshire, the 1115 Behavioral Health Waiver will provide additional resources to be used to champion behavioral health integration. Over the next five years, \$150 million will be available statewide. CRHC will be responsible for distributing \$18 million for regional projects.

## EDUCATIONAL AFFILIATIONS AND PROGRAMS

The Hospital's focus on education is reflected throughout all levels of the organization. The Hospital's Education Services Department provides management and staff training programs and its Center for Health Promotion focuses on community wellness and health education. The Hospital's Family Practice Physician Training Program is accredited by the American College of Graduate Medical Education. Certain of the Hospital's educational programs are summarized below.

Nursing Staff Development provides extensive educational opportunities for the Hospital's nursing staff and extends invitations to clinical nursing staff at other hospitals throughout the State. This program, which is approved by the Commission on Continuing Education of the New Hampshire Nurses' Association, is provided by the Education Services Department.

Health Education programs are offered to the community through the Hospital's Center for Health Promotion. A broad range of programs such as Standard First Aid, Nutrition Counseling, Health and Wellness, Stress Management, and a variety of support groups are offered. Programs are designed to improve health, prepare for lifestyle changes, and prevent or cope with illness.

The Hospital also offers extensive programs for the management of chronic diseases such as asthma, diabetes and chronic heart failure. These programs help patients and their families manage their disease

and care for themselves at home. Programs offered include the Chronic Heart Failure Program, the Asthma Self-Management Program, and the Diabetes Self-Management Program, which is certified by the American Diabetes Association.

Graduate Medical Education Graduate Medical Education has been developed to address the community's and New Hampshire's primary care needs. In 1995, the Hospital collaborated with Mary Hitchcock Memorial Hospital and Dartmouth Medical School, now Geisel School of Medicine at Dartmouth, to sponsor the NH Dartmouth Family Medicine Residency Program. In 1998, the program in Concord was separated, chartered and established with the Hospital as the sponsoring institution. Resident physicians receive inpatient educational training in the Hospital's medical, surgical, pediatric, obstetric, nursery, emergency, ICU/CCU, and psychiatric units. As of September 2017, the Concord-based program had 146 residents graduate from this three-year program, which is accredited by the American College of Graduate Medical Education. In addition, each year the Hospital supports up to three fellowship-level residents in a Leadership Preventive Medicine tract, and as of September 2017, 14 residents have graduated from this program.

The majority of the program's outpatient training occurs in the FHC, which is located on the Hospital's campus, with the balance of the training at the satellite office in Hillsboro, New Hampshire.

In 2010, the Hospital opened the Forrest McKerley Education and Simulation Center, which provides intensive training for residents, physicians, nursing and other professional staff through the set-up, monitoring and evaluation of controlled medical events in a training environment that simulates real life conditions. The Hospital also supports community resources through the Forrest McKerley Education and Simulation Center, educating the local National Guard units prior to overseas deployment, local ambulance services, and community dentists in the use of conscious sedation.

Graduate medical education experiences are also provided for residents in the Dartmouth Hitchcock Medical Center Surgical Residency Program. Concord is now recognized as a "participating institution" in this residency training, as it provides surgical education for two full-time residents per year and one full-time urology resident. In addition, the Hospital provides Clinical Clerkships in obstetrics, gynecology and surgery for medical students at Geisel School of Medicine at Dartmouth. Continuing Medical Education Conferences are held weekly for which the residents earn continuing education units.

The following table highlights clinical and administrative experiences that are currently provided by the Hospital for students from the following institutions:

<b><u>Institution:</u></b>	<b><u>Department(s):</u></b>
Antioch University	Mental Health Counseling Students
Boston College	CRNA student clinical experiences
Capella University	Capella University offers tuition benefit for Concord Hospital employees enrolled at Capella
Chamberlain College	Nursing Students
Cleveland Clinic (WOC)	RNs completing Wound/Ostomy care experience for certification
Colby Sawyer College	Nursing student experiences
Connecticut College	Art Therapy Students
Cottrell, Raelyn	EMT students
Dan Gorman	EMT students
East Caroline University	Doctoral Behavioral Health Students
Endicott College	Art Therapy students
FireMed LLC	EMT students
Fitchburg State University	Nursing Students
Franklin Pierce University	Rehab student contract, Nursing Students, Tuition discount for CH employees enrolled at FPU, Physician Assistant Students
Georgetown University	Nursing Students
Goodwin College	Histology student
Granite State College	Human Service students

## Appendix A

### **Institution:**

Granite State EMS  
Havenwood Heritage Heights  
Kaplan University  
Keene State College  
  
Liberty University  
Manchester Community College  
Mary Hitchcock Memorial Hospital  
  
Marywood University  
Massachusetts College of Pharmacy and Health Sciences  
  
McGregor Memorial EMS  
Merrimack College  
MGH Institute of Health Professionals  
New England College  
New England EMS Institute  
New Hampshire Community Technical College -  
Concord  
New Hampshire CPR  
New Hampshire Technical Institute  
  
NH Musculoskeletal Institute  
Northeastern University  
Northern Essex Community College  
Nutfield Emergency Educators  
Plymouth State University  
  
Premier Education - Salter School of Allied Health  
Raelyn Cottrell EMT Instructor  
Regis College  
Regis University  
River Valley Community College  
  
Rivier University  
Sage College  
Sage University School of Medicine  
Saint Anselm College  
Saint Joseph's College  
Salem State University  
Seacoast Career School  
Simmons College  
South Dakota State University  
Southern Maine Community College  
Springfield College  
Tufts University  
Turner EMS Solutions  
University of Cincinnati  
University of Connecticut School of Pharmacy  
University of New England  
  
University of New Hampshire  
  
University of New Hampshire - Manchester  
University of Pittsburgh  
University of Rhode Island  
University of South Alabama  
University of Vermont  
Walden University

### **Department(s):**

EMT students  
CPE (Clinical Pastoral Education) Students  
Nursing Students  
Dietetic Intern students, Nursing Students, Safety and Occupational  
Health students  
Health Promotion Students, Child Life Students  
Medical Assistant & Phlebotomy Students  
Accredited Residency and Fellowship Graduate Medical Education  
Programs  
Dietetic Intern students  
Nursing Students, Pharmacy students, Physician Assistant Students,  
Occupational Therapy students  
CH provides clinical site for EMT students  
Nutrition students  
NP students  
Mental Health Counseling students, Business Administration students  
EMT, Paramedic students  
Radiology, ultrasound, and radiation therapy and ortho tech students  
  
EMS students  
Addiction Counseling Students, Human Service Program students,  
Nursing students, Paramedic Students, Radiology, Radiation Therapy  
and Ortho Tech students  
NH Musculoskeletal students  
Nursing Students  
Sleep technology students  
Education  
Mental health counseling students, Nursing Students, Health &  
Human Performance (exercise physiology) students, Social Work  
Students, Business students, Rehab student contract  
Medical Assistant Students  
EMT students  
Nursing students  
Rehab student contract  
Clinical lab students, Respiratory Therapy students, Medical lab and  
phlebotomy students, Rehab student contract  
Nursing students  
Dietetic Intern students  
Medical Students  
Nursing student clinical site  
BSN and MSN Nursing Students  
Nursing Students  
Medical Assistant Students  
Nursing Students  
Nursing Students  
Echocardiography students  
Exercise Science & Sport Studies Students  
Physician Assistant Students  
EMT students  
NP students  
Pharmacy Students  
Student Nurse Anesthetists, Pharmacy Students, Physician Assistant  
Students  
Dietetic Intern and Undergraduate Nutrition Students, Marriage and  
Family Therapy, Marriage and Family Therapy, Nursing students,  
MBA students, Rehab student contract, Kinesiology students, Medical  
laboratory students, Social Work students  
Interpreter students  
Nursing Students  
Pharmacy students clinical site, Nursing Students, Child Life Students  
Graduate nursing students  
Education  
BSN and MSN Students, Walden University provides Tuition Benefit  
to CH employee enrolled at Walden

**Institution:**

Wellness Workday Interns

**Department(s):**

Dietetic Intern students

**Source:** Hospital Records**INFORMATION TECHNOLOGY**

The Hospital recognizes information technology (“IT”) as a strategic advantage in the delivery of health care services and in controlling costs. The Hospital has had a longstanding commitment to funding IT initiatives, allocating over 30% of its capital expenditures to IT over the past ten years.

The Hospital has been moving to the Cerner Millennium EHR system and is on track to achieve full adoption by the end of calendar year 2017. The Hospital funded the cost of the EHR system in its capital expenditure budget for Fiscal Years 2017 and 2018. The FY 2018 budget includes the nearly \$10 million impact of EHR implementation, as well as the one-time impact of reduced volume and one-time training and support costs of over \$5 million. The routine operational cost of the EHR, net of savings, is expected to be \$4.6 million. The Cerner system will replace all clinical IT and administrative revenue systems with an integrated Enterprise EHR that will enable authorized providers to see a complete inpatient, outpatient and ambulatory view of the patient’s data. Included with the new system will be a set of advanced tools that will provide the IT infrastructure necessary to support transition to population health and risk contracts. In addition, the system will improve Patient Connect, the patient portal, by offering links for patients to see their medical billing information, request appointments, view test results, and get information to help manage their illnesses at home.

The Hospital’s deployment of its IT strategy has created several competitive advantages. Of the Hospital’s 336 credentialed Medical Staff, nearly 85% will use the new EHR System either in the hospital or in their practice setting. The Hospital Management believes that this degree of integration within a primary service area of approximately 140,000 patients is unique and provides a competitive advantage to the Hospital’s delivery of service. The new system will provide Emergency Department providers with a full view of any patient’s previous conditions, medications and allergies. Another significant advantage is the ability of the Hospital’s medical staff to share information with their patients via the new patient portal or through the use of secure messaging. A third advantage, directly related to quality of service, is the Hospital’s ability to leverage the EHR System to improve outcomes. Examples include Silver Star recognition by the American Heart Association’s, an improvement in mortality for stroke patients from 18% to 12% by using EHR decision support to recommend tPA (tissue plasminogen activator) prophylaxis for stroke patients and American Diabetic Association recognition for 30+ providers for their diabetic care.

The Hospital was the first hospital in New Hampshire to implement an inpatient Computer Provider Order Entry (“CPOE”) program achieving a national best practice adoption rate, where over 70% of all medication orders and over 95% of all orders are entered directly by the Hospital’s physicians and other providers.

The Hospital has implemented a closed loop medication system that includes robotics in the pharmacy and medication bar-coding at bedside. The Hospital’s nursing division has achieved over a 98% bar-coding compliance rate where the medication, the patient and the nurse are all bar-coded prior to medication dispensing. This result is one of the highest bar-coding compliance rates in the nation as evidenced by the 2010 thru 2017 Most Wired analysis. The Hospital has achieved Most Wired recognition from 2003 through 2017.

The Hospital has strong security and privacy programs and performs independent security audits on a regular basis. The Hospital works under a framework called Health Information Trust Alliance (HITRUST) in order to review security risks to computer and information technology systems under

hundreds of assessment topics. Staff members regularly receive training about how to recognize suspicious communications.

### **MEDICAL STAFF**

As of September 30, 2017, the Medical Staff of the Hospital (the "Medical Staff") consisted of 361 actively practicing physicians, dentists, and podiatrists and 104 Affiliate, Active Ambulatory, Courtesy and Consulting Staff representing 43 medical specialties and subspecialties. The Hospital also has relationships with 257 allied health practitioners, including certified nurse anesthetists ("CRNAs"), certified dental assistants, chiropractors, mental health professionals, certified nurse midwives ("CNMs"), nurse practitioners ("APRNs"), an ophthalmologist, perfusionists, physician's assistants ("PA-Cs"), and genetic counselors.

The Medical Staff of the Hospital is divided into Active, Active Ambulatory, Affiliate, Courtesy, and Consulting categories. The Active Staff consists of those physicians who consider the Hospital to be the major center for their medical activities. The Active Ambulatory Affiliate staff consists of physicians who have community practices but refer their patients to the hospitalists for inpatient care. The Affiliate staff consists of community providers who do not hold a hospital appointment at any other facility, yet need to maintain a relationship with their community hospital in an effort to maintain continuous patient care services. The Courtesy Medical Staff consists of qualified physicians who meet the requirements for Active Staff membership but wish to admit patients to the Hospital only on an occasional basis and have active staff membership at another accredited hospital. The Consulting Medical Staff consists of recognized specialists who perform services that are not available from the Active or Courtesy staffs. Of the 457 physicians eligible for board certification (other than dentists, pediatric dentistry, and podiatrists), 407 (89%) are Board Certified. The remaining practitioners are Board Eligible, but are fulfilling practice requirements prior to being eligible to sit for the exam. Under the Medical Staff bylaws, members of the Medical Staff who do not become board certified within six years are subject to review by the Hospital Credentials Committee of the Medical Staff. The table on the following page sets forth information regarding the Medical Staff of the Hospital.

**Medical Staff by Category**

(As of September 30, 2017)

Specialty	Affiliate, Active Ambulatory, Hospital			# Board Certified <sup>1</sup>	% Board Certified <sup>1</sup>	Average Age	Allied Health Practitioners
	Active	Employed	Courtesy & Consulting				
Anesthesiology	20	0	0	15	75%	51	34
Pain Management	0	0	1	1	100%	53	0
Dentistry	7	5	0	N/A	N/A	59	0
Oral/Maxillofacial	2	0	1	3	100%	50	0
Pediatric Dentistry	6	0	0	N/A	N/A	38	0
Emergency Medicine	16	0	0	14	88%	43	14
Family Medicine	64	50	6	65	93%	50	37
Hospital Medicine	26	26	0	22	85%	43	14
Internal Medicine							
Allergy	1	0	0	1	100%	60	0
Cardiology	14	14	3	17	100%	52	7
Interventional Cardiology	3	3	0	3	100%	46	0
Dermatology	4	0	0	4	100%	54	0
Electrophysiology	1	1	0	1	100%	47	0
Endocrinology	0	0	0	N/A	N/A	N/A	0
Gastroenterology	8	0	0	8	100%	45	2
Infectious Disease	3	3	0	3	100%	48	1
Internal Medicine	17	10	4	21	100%	51	11
Nephrology	2	0	2	4	100%	52	0
Neurology	7	7	27	32	94%	47	2
Oncology/Hematology	4	0	5	9	100%	52	5
Palliative Care	2	2	0	2	100%	59	5
Physical Medicine	7	0	0	7	100%	50	0
Pulmonary Medicine	6	6	0	6	100%	50	5
Rheumatology	3	0	0	3	100%	51	0
Sleep Medicine	2	2	0	2	100%	53	2
Obstetrics/Gynecology	19	11	4	19	83%	49	7
Ophthalmology	12	0	1	13	100%	57	0
Orthopaedic Surgery	20	0	4	22	92%	53	11
Other	0	0	0	-	-	-	24
Pathology	3	0	2	5	100%	50	1
Pediatrics	13	11	12	22	88%	52	0
Psychiatry <sup>2</sup>	11	0	1	10	83%	56	38
Radiation Oncology	6	0	11	15	88%	46	0
Radiology	11	0	17	25	89%	48	0
Interventional Radiology	5	0	0	4	80%	45	0
Surgery							
Podiatry	0	0	0	N/A	N/A	53	5
General Surgery	15	11	1	16	100%	52	15
Cardiothoracic Surgery	2	2	0	2	100%	51	3
Neurosurgery	4	0	1	1	80%	53	7
Otolaryngology	4	0	0	3	75%	52	0
Plastic Surgery	2	2	0	2	100%	51	1
Urology	9	9	1	9	90%	49	6
Vascular Surgery	1	1	0	1	100%	39	0
<b>Total</b>	<b><u>362</u></b>	<b><u>176</u></b>	<b><u>104</u></b>	<b><u>412</u></b>	<b><u>88%</u></b>	<b><u>49</u></b>	<b><u>257</u></b>

<sup>1</sup> # and % Board Certified does not include Dentists or Podiatry<sup>2</sup> Employed by Riverbend, a CRHC affiliate

Source: Hospital Records

## Appendix A

There are three Medical Staff Officers, including a President and President-Elect, each of whom serves a two-year term. Information on the President, President-Elect, and Secretary Treasurer appear below:

Robert Thomson, MD, age 53 - President, Concord Hospital Medical Staff. Dr. Thomson was appointed to the Concord Hospital Medical Staff in August, 2000 with privileges in Internal Medicine, with a specialty in Gastroenterology. He received his medical degree from Rush Medical College of Rush University. He completed his internship, residency, and fellowship in Gastroenterology Hepatology at Dartmouth Hitchcock Medical Center. Dr. Thomson is certified by the American Board of Internal Medicine, Gastroenterology.

Lon Setnik, MD, age 42 - President-Elect, Concord Hospital Medical Staff. Dr. Setnik was appointed to the Concord Hospital Medical Staff in June, 2008 with privileges in Emergency Medicine. He received his medical degree from the University of Massachusetts Medical School. He completed his internship and residency at the University of Rochester. Dr. Setnik is certified by the American Board of Emergency Medicine.

Tessa Lafortune-Greenberg, MD, age 45 - Secretary Treasurer, Concord Hospital Medical Staff. Dr. Lafortune-Greenberg was appointed to the Concord Hospital Medical Staff in July, 2005 with privileges in Pediatrics. She received her medical degree from the University of Massachusetts Medical School. She completed her internship and residency at UMass Memorial Medical Center. Dr. Lafortune-Greenberg is certified by the American Board of Pediatrics.

The following table sets forth information on the top five surgical admitting physicians for 2017:

### Concord Hospital's Top Five Surgical Admitting Physicians

(Fiscal Year Ended September 30, 2017)

<u>Specialty</u>	<u>Association w/ Hospital</u>	<u>Age</u>	<u>Board Certified</u>	<u>Admissions</u>	<u>% Total Admissions</u>
Orthopaedics	Independent	61	Yes	453	3%
Orthopaedics	Independent	50	Yes	412	3%
Orthopaedics	Independent	34	Yes	222	2%
Orthopaedics	Independent	37	Yes	165	1%
General Surgery	CH	34	Yes	155	1%

**Source:** Hospital Records

The following table sets forth information on the Hospital's admissions by group affiliation for 2017:

**Concord Hospital's Admissions by Group Affiliation**  
(Fiscal Year Ended September 30, 2017)

<u>Group</u>	<u>Admissions</u>	<u>% Total Admissions</u>
Concord Hospital Hospitalist Program	7,168	53%
Concord Orthopaedics, PA*	1,696	12%
Concord Surgical Associates	807	6%
Dartmouth-Hitchcock Concord OB/GYN	605	4%
Concord Obstetrics and Gynecology	499	4%
All Other	2,902	21%
Total	13,677	100%

Source: Hospital Records

\*Independent physician practice group, not formally affiliated with Concord Hospital. The President of Concord Orthopaedics is a member of the Hospital's Board of Trustees. Concord Orthopaedics operates two surgical centers jointly owned with the Hospital.

### Physician Recruitment

The Hospital's total Medical Staff (including dentists, oral surgeons and podiatrists) has grown from 410 as of September 30, 2013 to 455 as of September 30, 2017.

The following table sets forth information regarding additions and deletions to the Medical Staff for calendar years 2013 through 2017.

**Additions and Deletions to Concord Hospital's Medical Staff**

<u>Year</u>	<u>Additions to Staff</u>	<u>Deletions from Staff</u>	<u>Total Medical Staff</u>
2013	22	33	410
2014	31	33	408
2015	41	26	423
2016	53	34	442
2017	50	37	455

Source: Hospital Records

The majority of departures from the Medical Staff were the result of retirement, change in practice needs or relocation outside of the State.

### Nursing Staff

Concord Hospital employs 554 Hospital-based (bedside) Registered Nurses ("RNs") in clinical positions, which equates to 426.95 FTEs. Annual nursing turnover at the Hospital is approximately 15.34%. With the exception of the Family Health Center, all nurses providing direct patient care at Concord Hospital are RNs. Agency nurses, who sign contracts to fill open positions on a temporary basis until permanent replacements can be hired, are used to fill gaps when necessary. As of November, 2017 there were 2 contracts in place for agency nursing staff at the Hospital.

To ensure nursing staff retention and recruitment, the Hospital offers competitive compensation, strong employee benefits, and internal programs designed to support nursing and clinical nursing practice. Concord Hospital has relationships with six baccalaureate and one associate degree nursing programs that bring nursing students to Concord Hospital for clinical rotations. Concord has also developed a nursing residency program for new nurse graduates and periodically offers specialized training programs for operating room nurses and critical care nurses.

## Appendix A

A recently revised clinical ladder program, which offers three advancement levels, has been in place since 1989. This program provides opportunities for clinical nurses to assume increased responsibility and career advancement while continuing to provide direct patient care. It also fosters continued learning and higher education by providing recognition and opportunities for advancement commensurate to increased knowledge and skill. Nurses are encouraged to become certified in their specialty areas through the American Nurses Credentialing Center and other national certification organizations. They are reimbursed for the costs of certification and recertification.

While both retention and recruitment are essential, Concord considers the retention of its existing nurses to be the more important long term strategy. Toward this end, the Hospital is committed to creating a culture and work environment that fosters therapeutic nurse-patient relationships and where nurses feel valued and successful in their roles. This commitment begins with effective leadership at the patient care unit level and a focus on continuously improving the quality and safety of care, developing high performing patient care teams through team training, and holding staff accountable. Concord is also committed to providing nurses with the resources they need to deliver safe quality patient care effectively and efficiently. This includes state-of-the-art patient care equipment such as a computerized nursing documentation and medication bar coding system. It also includes ongoing staff education and training and favorable nurse-patient ratios. Staffing levels are flexed according to both the volume and acuity level of patients to assure appropriate staffing levels. Nurses are actively involved in decisions that affect their clinical practice and the management of their unit through staff meetings, unit based practice committees, and workgroups. Nurses also serve on organizational committees such as Practice, Committee, Policy & Procedure Committee and the Nurse-Physician Committee.

The Chief Operating Officer, Chief Nursing Officer, Vice President of Human Resources, and Director of the Employee Assistance Program do quarterly rounds on the night shift to provide an opportunity for night staff to ask questions and raise concerns. The "Quality of Work Life" group provides a forum for one to two staff nurses from each patient care unit to meet with the COO, CNO, Vice President of Human Resources and Director of Organizational Development and Director of EAP. This program provides a forum to discuss and prioritize issues related to nursing while educating nurses regarding the internal and external factors that influence patient care delivery.

### **EMPLOYEES**

As of September 30, 2017, the Hospital had 2,664 full-time and 768 part-time employees making it the largest private employer in Concord. Survey data accumulated and published by the New Hampshire Hospital Association shows wages and fringe benefits at the Hospital to be competitive with other regional hospitals and nursing homes in the region.

Approximately 51% of employees have been with the Hospital over five years. The following table describes the length of employment for Hospital employees:

### Length of Employment

(As of September 30, 2017)

<u>Number of Years</u>	<u>Number of Employees</u>
0-5	1,683
6-10	661
11-15	477
16-20	301
21-25	116
26-30	106
31+	<u>88</u>
Total	<u>3,432</u>

Source: Hospital Records

The Hospital believes its relationship with its employees is good. Annual turnover hospital-wide is 15.70%. There is currently no union representing Hospital personnel and, to the best of the Administration's knowledge, there are no efforts to organize. The Hospital's total number of employees has remained stable over the past several years.

During 2016 the Hospital conducted an employee engagement survey to assess the degree of engagement demonstrated by employees. The response rate was 81% (out of a total of 2,296 employees), well above the national response average of 50-60%. Hospital employees ranked in the 81<sup>st</sup> percentile for engagement nationally per Press Ganey, who constructed the survey. Notable results included "This organization provides high-quality care and service (4.5 vs. 4.27 national average) and "Would you recommend this organization to family and friends who need care" (4.45 vs. 4.27 national average).

In 2016 the Capital Area People's Preference Awards voted Concord Hospital, "Best Place to Work" for the sixth year in a row.

In order to maintain its historically strong employee relationship, Concord Hospital implemented Workday's integrated human resources and finance software in November, 2016. This initiative supports Human Resources with the development of "People Analytics" and provides an overall framework for talent management.

Concord Hospital offers its employees a comprehensive benefit package including health insurance, dental insurance, life insurance, long-term disability insurance, a tax-deferred annuity (403b) plan, and worker's compensation insurance. The Hospital also offers several service benefits such as child care, tuition reimbursement, nutrition programs/counseling, counseling, fitness center, dry cleaning, and various educational programs. Concord sponsors a defined benefit pension plan for full time employees who have been employed at least one year at the Hospital.

### LICENSURE, ACCREDITATION AND MEMBERSHIPS

Concord Hospital is fully accredited by DNV under a three-year accreditation expiring in April, 2018 and is licensed by the State Department of Health and Human Services, Division of Public Health. The Hospital expects to keep its accreditation after April, 2018. It is approved for participation in Medicare and Medicaid, and is a member of the American Hospital Association. The following organizations have granted full accreditation, licensure or certification to the Hospital and its programs: New Hampshire Department of Health and Human Services, American Association for Ambulatory Health Care, Inc., Accreditation Council for Graduate Medical Education, American College of Pathology (Laboratory), American Association of Blood Banks, American College of Radiologists, Centers for Medicare and Medicaid Services (Laboratory), American College of Surgeons - The Commission on Cancer,

## Appendix A

Department of Health and Human Services (Social Security Administration – Medicare), and the U.S. Food and Drug Administration, among others.

The Hospital also has received accreditation from The Commission on Cancer, a program of the American College of Surgeons, with commendation for three years. The Concord Hospital Breast Care Center was granted a three year accreditation designation by the National Accreditation Program for Breast Centers, a program also administered by the American College of Surgeons. Other accreditations include recertification as a Primary Stroke Center hospital by DNV, an accreditation of the Hospital's Wound Healing Center practices by the Undersea & Hyperbaric Medical Society.

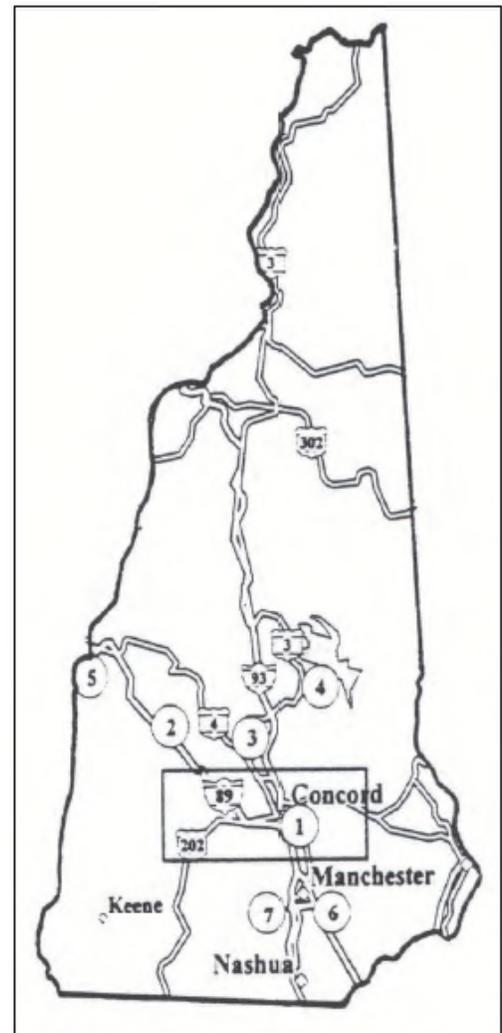
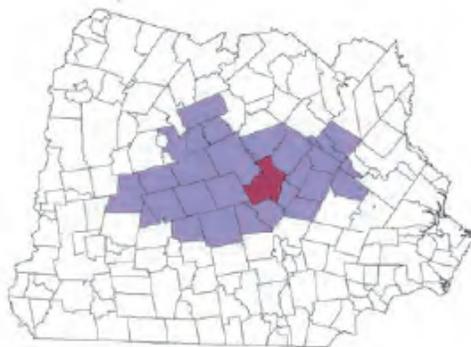
### PRIMARY SERVICE AREA

Concord defines its primary service area ("PSA") as 28 cities and towns to which it has close geographic proximity and significant market share. The map on the following page shows the cities and towns located in the Hospital's PSA and the locations of certain other hospitals in surrounding areas.

#### HOSPITAL KEY

- 1 Concord Hospital
- 2 New London Hospital Association
- 3 Franklin Regional Hospital
- 4 Lakes Region General Hospital
- 5 Mary Hitchcock Memorial Hospital
- 6 Elliot Hospital
- 7 Catholic Medical Center

#### Concord Hospital Primary Service Area



## Concord Hospital's PSA

### Population Trends

According to the State of New Hampshire, the population for the entire State is projected to be 1,349,908 in 2020. This figure represents a 2.5% increase from a population of 1,316,470 in 2010.

From 2010 to 2015, the population of Concord Hospital's PSA remained relatively stable, with a slight increase of 0.12%. The following table presents the census population of each of the cities/towns in the Hospital's PSA in 2010 according to the US Census Bureau and 2015 estimates according to the New Hampshire Office of Energy and Planning:

#### Actual and Estimated Population Growth of PSA: 2010 through 2015

	Actual*	Estimated**	Change: 2010 - 2015	
	<u>2010</u>	<u>2015</u>	<u>Number</u>	<u>Percent</u>
Allenstown	4,322	4,304	-18	-0.42%
Andover	2,371	2,364	-7	-0.30%
Barnstead***	4,593	4,604	11	0.24%
Boscawen	3,965	3,950	-15	-0.38%
Bow	7,519	7,693	174	2.31%
Bradford	1,650	1,659	9	0.55%
Canterbury	2,352	2,365	13	0.55%
Chichester	2,523	2,573	50	1.98%
Concord****	42,695	42,390	-305	-0.71%
Deering	1,912	1,918	6	0.31%
Dunbarton	2,758	2,797	39	1.41%
Epsom	4,566	4,680	114	2.50%
Henniker	4,836	4,875	39	0.81%
Hillsboro	6,011	5,955	-56	-0.93%
Hopkinton*****	5,589	5,601	12	0.21%
Loudon	5,317	5,420	103	1.94%
Northwood	4,241	4,214	-27	-0.64%
Pembroke	7,115	7,088	-27	-0.38%
Pittsfield	4,106	4,077	-29	-0.71%
Salisbury	1,382	1,394	12	0.87%
Warner	2,833	2,870	37	1.31%
Washington	1,123	1,126	3	0.27%
Weare	8,785	8,811	26	0.30%
Webster	1,872	1,872	0	0.00%
Windsor	224	226	2	0.89%
Total	134,660	134,826	166	0.12%

\* Source: U.S. Census Bureau

\*\* Source: New Hampshire Office of Energy and Planning

\*\*\*Includes Center Barnstead

\*\*\*\*Includes Penacook

\*\*\*\*\*Includes Contoocook

According to the State of New Hampshire's "2011 New Hampshire State Health Profile", the county that contains the majority of the Hospital's PSA is projected to have a population increase of 7.5% from 2015 through 2030 (source: State of New Hampshire State and County Population Projections, September 2016). The age profile of the Hospital's PSA is similar to that of the State with a similar amount of 18-24 year olds and 65 year olds and older adults, however the number of people who are 65 years old or more is expected to grow much faster over the next 13 years.

### Source of Patient Admissions

Of the 28 cities/towns that comprise the Hospital's primary service area, 16 are located in Merrimack County, including the city of Concord. The following chart sets forth information concerning the source of admissions at the Hospital for fiscal years 2013 through 2017.

#### Concord Hospital Patient Origin Statistics

	Hospital Admissions by City/Town					Percent of Total Hospital Admissions (%)				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
<b>PSA</b>										
Allenstown	243	237	245	233	248	2.0	2.0	2.0	1.7	1.8
Andover	52	65	54	44	64	0.4	0.6	0.4	0.3	0.5
Barnstead	76	69	58	84	71	0.6	0.6	0.5	0.6	0.5
Boscawen	352	403	420	380	386	2.8	3.4	3.4	2.8	2.8
Bow	377	355	374	404	419	3.0	3.0	3.0	3.0	3.1
Bradford	92	64	82	77	88	0.7	0.5	0.7	0.6	0.6
Canterbury	130	118	129	155	155	1.1	1.0	1.0	1.1	1.1
Center Barnstead	160	160	164	178	182	1.3	1.4	1.3	1.3	1.3
Chichester	148	152	167	186	153	1.2	1.3	1.3	1.4	1.1
Concord	3,023	3,003	3,242	3,324	3,283	24.4	25.5	26.1	24.4	24.0
Contoocook	234	218	203	210	230	1.9	1.8	1.6	1.5	1.7
Deering	71	60	69	84	101	0.6	0.5	0.6	0.6	0.7
Dunbarton	86	77	77	78	77	0.7	0.7	0.6	0.6	0.6
Epsom	332	312	309	325	370	2.7	2.6	2.5	2.4	2.7
Henniker	211	221	217	239	185	1.7	1.9	1.8	1.8	1.4
Hillsboro	385	336	376	380	401	3.1	2.8	3.0	2.8	2.9
Hopkinton	141	103	104	117	133	1.1	0.9	0.8	0.9	1.0
Loudon	360	312	350	402	382	2.9	2.6	2.8	2.9	2.8
Northwood	172	162	172	192	208	1.4	1.4	1.4	1.5	1.5
Pembroke	409	369	377	363	396	3.3	3.1	3.0	2.7	2.9
Penacook	409	400	426	438	474	3.3	3.4	3.4	3.2	3.5
Pittsfield	338	276	309	374	359	2.7	2.3	2.5	2.7	2.6
Salisbury	56	57	64	88	95	0.5	0.5	0.5	0.6	0.7
Warner	181	163	150	212	210	1.5	1.4	1.2	1.6	1.5
Washington	43	37	45	38	53	0.3	0.3	0.4	0.3	0.4
Weare	217	219	197	287	244	1.8	1.9	1.6	2.1	1.8
Webster	124	108	98	125	133	1.0	0.9	0.8	0.9	1.0
Windsor	<u>10</u>	<u>9</u>	<u>10</u>	<u>9</u>	<u>10</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
PSA Total	8,432	8,065	8,488	9,026	9,110	68.2	68.4	68.5	66.1	66.6
Total outside PSA	<u>4,183</u>	<u>3,971</u>	<u>4,157</u>	<u>4,854</u>	<u>4,815</u>	<u>31.8</u>	<u>31.6</u>	<u>31.5</u>	<u>33.9</u>	<u>33.4</u>
Total Admissions	<u>12,372</u>	<u>11,799</u>	<u>12,400</u>	<u>13,647</u>	<u>13,677</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Source: Hospital Records

### Economic Characteristics

Concord, as the capital of the State of New Hampshire, is home to both the Federal and State governments. Accordingly, government employees comprise the greatest number of employees in Concord's PSA. The Corporation, including the Hospital, is the largest private employer in Concord. The following table sets forth information regarding the six largest private employers in the Concord area:

#### Top Private Employers in Concord, NH

(As of April, 2017)

<u>Company Name</u>	<u>Type of Company</u>	<u>Employees</u>
Concord Hospital	Health Care Services	3,230
Lincoln Financial	Insurance Services	593
Sanel Auto Parts	Auto Parts Distributor	540
Genesis Healthcare	Retirement Community & Healthcare Facilities	410
Market Basket	Supermarket	410
Concord Regional Visiting Nurses Association*	Health Care Services	392

\* Subsidiary of Capital Region Health Care Corporation

Source: City of Concord, New Hampshire

### COMPETITIVE ENVIRONMENT

As of 2015, Concord had a 69.11% share of the market in its PSA, excluding the city of Concord. This level is relatively unchanged from a market share of 70.7% in 2010. The Hospital accounted for approximately 88% of the 5,392 discharges in the city of Concord in 2015.

*Mary Hitchcock Memorial Hospital* ("MHMH"). Located approximately 60 miles northwest of Concord in Lebanon, is the nearest tertiary care hospital to the Hospital. MHMH (a part of Dartmouth-Hitchcock Medical Center) has an inpatient capacity of 396 beds and in 2015 had 6.33% and 4.91% market share in Concord's PSA, excluding the city of Concord, and within the city of Concord, respectively.

The outer edge of the Hospital's primary service area intersects with the primary service areas of the following hospitals: Elliot Hospital (296 beds) and Catholic Medical Center (330 beds), both located 18 miles to the south in Manchester; Lakes Region General Hospital (132 beds) located in Laconia, 30 miles to the north; Franklin Regional Hospital (25 beds) located in Franklin, 20 miles to the north, and New London Hospital (25 beds), located in New London, 37 miles to the northwest. Catholic Medical Center (330 beds) and Elliot Hospital (296 beds) had market shares of 6.73% and 7.32% in the Hospital's PSA in 2015.

## Appendix A

The following table contains comparative market share data for the Hospital's primary service area, excluding the city of Concord. The competitor hospitals whose primary service areas intersect with Concord Hospital's accounted for less than 31% of the almost 7,200 discharges for the primary service area (excluding City of Concord) in 2015:

### Inpatient Market Share by Hospital in Concord Hospital's Primary Service Area - 2015 (Excluding the City of Concord)

<u>Hospital</u>	<u>Discharges</u>	<u>% of Discharges</u>
Concord Hospital, <i>Concord</i>	4,943	68.99
Elliot Hospital, <i>Manchester</i>	589	8.22
Catholic Medical Center, <i>Manchester</i>	574	8.01
Dartmouth Hitchcock Medical Center, <i>Lebanon</i>	466	6.50
Wentworth Douglass Hospital, <i>Dover</i>	82	1.14
New London Hospital, <i>New London</i>	66	0.92
Lakes Region General Hospital, <i>Laconia</i>	44	0.61
Frisbie Memorial Hospital, <i>Rochester</i>	37	0.52
Monadnock Community Hospital, <i>Peterborough</i>	33	0.46
Exeter Hospital, <i>Exeter</i>	28	0.39
Portsmouth Regional Hospital, <i>Portsmouth</i>	26	0.36
Southern New Hampshire Medical Center, <i>Nashua</i>	18	0.25
Cheshire Medical Center, <i>Keene</i>	14	0.20
Franklin Regional Hospital, <i>Franklin</i>	11	0.15
St. Joseph Hospital, <i>Nashua</i>	8	0.11
All Other	226	3.15
<b>Total</b>	<b>7,165</b>	

**Source:** New Hampshire Hospital Association "2015 Acute Care Hospital Patient Origin Report"

**Note:** For years in which less than 5 patients were discharged, no information is released due to HIPAA laws.

The following table contains comparative market share data for the city of Concord. The Hospital accounted for approximately 88% of the 5,392 discharges in the city of Concord in 2015:

### Inpatient Market Share by Hospital in the City of Concord - 2015

<u>Hospital</u>	<u>Discharges</u>	<u>% of Discharges</u>
Concord Hospital, <i>Concord</i>	4,730	87.72
Dartmouth Hitchcock Medical Center, <i>Lebanon</i>	265	4.91
Elliot Hospital, <i>Manchester</i>	140	2.60
Catholic Medical Center, <i>Manchester</i>	126	2.34
Cheshire Medical Center, <i>Keene</i>	25	0.46
Lakes Region General Healthcare, <i>Laconia</i>	18	0.33
Frisbie Memorial Hospital, <i>Rochester</i>	15	0.28
Franklin Regional Hospital, <i>Franklin</i>	13	0.24
Southern New Hampshire Medical Center, <i>Nashua</i>	11	0.20
St. Joseph Hospital, <i>Nashua</i>	9	0.17
Wentworth Douglass Hospital, <i>Dover</i>	8	0.15
Portsmouth Regional Hospital, <i>Portsmouth</i>	8	0.15
<b>Total</b>	<b>5,392</b>	

**Source:** New Hampshire Hospital Association "2015 Acute Care Hospital Patient Origin Report"

**Note:** For years in which less than 5 patients were discharged, no information is released due to HIPAA laws.

Patients who seek medical care outside the Concord community are generally seeking services not provided at the Hospital, such as pediatric cancer care, neonatal services, and high-risk OB/GYN care. In addition, some admissions to the Hospital are from patients outside its PSA, primarily for the Hospital's strong orthopaedic, cardiac, and urology programs. Patients from outside the Hospital's PSA accounted for just under 40% of the Hospital's discharges in 2015. In 2009, the Hospital was awarded a three year contract with the Veteran's Administration ("VA") to provide the acute care services for veterans from the Manchester VA Medical Center ("Manchester VA"). A first in the country, this new acute care relationship provides the veterans' with the latest in care locally within New Hampshire, which is one of only two states in the country without a full-service inpatient VA hospital. The Hospital provides all inpatient acute services and selective outpatient care in support of the Manchester VA's capabilities. The Hospital has established IT connections between the Manchester VA and Concord facilities to ease the transfer of imaging and EHR data between the organizations. The contract has been extended through June 30, 2018.

The Administration believes that the Hospital has established strong collaborative relationships with many of the non-Hospital employed physicians in its community. The Hospital has several joint ventures with physician groups, including an imaging center with multiple sites, an orthopaedic-specialty surgery center, an endoscopy center, an eye surgery center, and a multi-specialty surgery center in Concord. These ventures offer patients an alternative to inpatient hospital care and allow local physician groups to participate in the profitability of these centers.

The table on the following page depicts the Hospital's strong inpatient market share for each of the cities/towns in its primary service area in 2010 and 2015:

## Concord Hospital's Market Share in Each PSA City/Town

PSA	2010			2015		
	Total Discharges	Concord Discharges	Concord Share	Total Discharges	Concord Discharges	Concord Share
Allenstown	-	-	-	-	-	-
Andover	164	69	42.1%	173	69	39.9%
Barnstead	75	54	72.0%	88	72	81.8%
Boscawen	-	-	-	-	-	-
Bow	169	441	77.5%	540	411	76.1%
Bradford	142	66	46.5%	162	90	55.6%
Canterbury Center	196	147	75.0%	191	156	81.7%
Barnstead	304	236	77.6%	284	177	62.3%
Chichester	180	148	82.2%	218	188	86.2%
Concord	5,461	4,831	88.5%	5,392	4,730	87.7%
Contoocook	384	337	87.8%	426	368	86.4%
Deering	-	-	-	-	-	-
Dunbarton	172	92	53.5%	175	96	54.9%
Epsom	452	363	80.3%	449	339	75.5%
Henniker	305	260	85.2%	283	237	83.7%
Hillsboro	651	488	75.0%	726	546	75.2%
Hopkinton	-	-	-	-	-	-
Loudon	504	428	84.9%	481	395	82.1%
Northwood	376	202	53.7%	376	196	52.1%
Pembroke	1,122	718	64.0%	1,141	693	60.7%
Penacook	-	-	-	-	-	-
Pittsfield	466	389	83.5%	419	350	83.5%
Salisbury	100	85	85.0%	98	82	83.7%
Warner	262	214	81.7%	243	191	78.6%
Washington	81	50	61.7%	101	50	49.5%
Weare	588	227	38.6%	578	237	41.0%
Webster	-	-	-	-	-	-
Windsor	-	-	-	-	-	-
Total	12,554	9,845	78.4%	12,544	9,673	77.1%

Source: Hospital Records

Note: For years in which less than 5 patients were discharged, no information is released due HIPAA laws.

## UTILIZATION

The Hospital is consistently one of the busiest hospitals in New Hampshire in terms of patient care activity, by measure of acute admissions, inpatient and outpatient surgeries, ER visits and other ambulatory procedures (source: NH Hospital Association). The table on the following page is a summary of various Hospital inpatient and outpatient utilization statistics for the past five years.

	Fiscal Year Ended September 30,				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Hospital Data</b>					
Licensed Beds	295	295	295	295	295
Staffed Beds	237	237	237	242	242
<b>Patient Days</b>					
Medical and Surgical	47,955	46,727	49,676	50,689	51,507
Maternity	3,838	3,384	3,638	3,437	3,448
Psychiatric	<u>3,641</u>	<u>3,547</u>	<u>3,285</u>	<u>4,071</u>	<u>3,862</u>
Subtotal	55,434	53,658	56,599	58,197	58,817
Observation	4,320	5,579	5,898	5,864	6,176
Newborns	<u>4,049</u>	<u>3,523</u>	<u>3,684</u>	<u>3,540</u>	<u>3,636</u>
Total Patient Days	<u>63,803</u>	<u>62,760</u>	<u>66,181</u>	<u>67,601</u>	<u>68,629</u>
Total Patient Days excl. Newborns	<u>59,754</u>	<u>59,237</u>	<u>62,497</u>	<u>64,061</u>	<u>64,993</u>
<b>Admissions</b>					
Medical and Surgical	10,478	10,031	10,659	11,863	12,081
Maternity	1,378	1,250	1,335	1,278	1,252
Psychiatric	<u>516</u>	<u>498</u>	<u>406</u>	<u>506</u>	<u>344</u>
Subtotal	12,372	11,779	12,400	13,647	13,677
Observation	3,893	4,825	5,155	5,298	5,531
Newborns	<u>1,341</u>	<u>1,231</u>	<u>1,294</u>	<u>1,238</u>	<u>1,221</u>
Total Admissions	<u>17,606</u>	<u>17,835</u>	<u>18,849</u>	<u>20,183</u>	<u>20,429</u>
Total Admissions excl. Newborns	<u>16,265</u>	<u>16,604</u>	<u>17,555</u>	<u>18,945</u>	<u>19,208</u>
ALOS	3.7	3.6	3.6	3.2	3.4
Occupancy (staffed beds)	69.1%	68.5%	72.2%	72.3%	73.6%
<b>Other Statistics</b>					
Emergency Department Visits	67,178	64,797	66,245	67,623	67,195
Physician Office Visits	266,608	270,451	268,805	270,319	274,953
Diagnostic Cardiology Exams	17,862	16,622	16,480	17,689	18,818
Cardiac Cath Lab Procedures	1,982	1,934	1,919	2,388	3,096
Radiology	103,234	103,790	103,298	85,362	86,349
Laboratory	1,122,589	1,115,490	1,106,718	1,036,629	1,067,263
Outpatient Surgeries	6,084	6,061	6,162	6,687	7,283

Source: Hospital Records

The Hospital began using visual management whiteboards in patient care units in 2016 to better coordinate care and as an effort to reduce average length of stay. The goal is to display a specific planned discharge date, with information on what services the healthcare team must provide to meet that date. This program includes the Emergency Department. After just 90 days, the program reduced patients' length of stay by 10%, meaning a Hospital bed was available for another patient almost ten hours earlier than before visual management boards were used.

## STRATEGIC PLANNING AND FUTURE INITIATIVES

The Hospital's strategic plan, entitled "Planning Our Future", was developed in 2014 shortly after the arrival of the new CEO. The strategic plan, which includes a number of short and long-term initiatives, focuses on the triple aim of improving the patient experience of care, improving the health of populations, and reducing the per capita cost of health care. The strategic plan identifies five areas of focus, which include: (1) Leading with Quality, Safety and Service, (2) Regional Presence Expansion, (3) Population Health Management, (4) Collaborative Payor Relationships, and (5) Affiliations and Partnerships.

The following outlines the Hospital's current goals and initiatives under the 2014 strategic plan:

## Appendix A

1. Leading with Quality, Safety and Service. The Hospital will continue to invest in its workforce, in clinical and technological initiatives and financial arrangements that deliver patient-focused care and achieve the highest quality, safety and service standards. In order to enhance its quality profile while reducing costs, the Hospital will pursue efficiencies through standardization and process improvement activities through the use of operational excellence and LEAN techniques throughout the organization.
2. Regional Presence Expansion. The Hospital will expand its geographic presence and develop new services to differentiate itself in a broader market and ensure sustainability necessary to continue to serve its community. The Hospital has been investing in the Concord Hospital Medical Group over the past several years in an effort to become more subspecialized and increase its regional appeal for patients. These investments have demonstrated value to the organization as evidenced by continued growth and increase in specialty services provided beyond the primary service area.
3. Population Health Management. The Hospital will continue to invest in and use data to better understand the health needs of its patients, create comprehensive health risk profiles and individual care plans, and promote lifestyle changes and other interventions that will help lower individual risk and provide a better quality of life. The Hospital has made a major investment into a state of the art EHR System (“Cerner”) that includes the tools, such as clinical registries and claims data which can be embedded in the workflow of the providers. Management believes that state of the art information systems, such as Cerner, are a critical component to succeed in effectively managing the total cost to care for a population.
4. Collaborative Payor Relationships. The Hospital will continue the positive partnerships it has been developing with its payors through value based and risk sharing reimbursement. The Hospital has established several Joint Operating Committees with the major payors to meet throughout the year to review quality and financial performance compared to benchmarks and targets. In addition the Hospital and insurance companies are working to set shared goals where each has specific responsibilities to help improve the quality of care provided while lowering cost. Another major accomplishment was the development of Tufts Health Freedom Plan which is a New Hampshire insurance plan that was launched in 2015. This plan is jointly owned by Tufts Health Plan of Massachusetts and a collaborative of New Hampshire Hospitals with Concord Hospital being the largest hospital owner.
5. Affiliations and Partnerships. The Hospital will continue its collaborative tradition, seeking out and leading partnerships which benefit the health of its population. The Hospital continues to work effectively with organizations such as CRVNA and Riverbend Behavioral Health. The service areas of the three organizations significantly overlap enabling the Hospital to offer patients a more complete level of care in the community. In addition, the Hospital has focused on maintaining high quality while also lowering its cost structure and improving its capabilities in population health. Management believes these factors are critical for future success and will position the Hospital for any additional potential partnerships or affiliations in the future.

## FACILITIES

The Corporation's health care complex is located on an approximately 114-acre site in Concord, NH. The following table identifies CRHC's buildings, the approximate square footage of each, the date of construction and the last major renovation, net square footage and the principal use of each building.

### CRHC Facilities

<u>Building</u>	<u>Date of Construction</u>	<u>Date of Renovation</u>	<u>Net Square Footage</u>	<u>Primary Use</u>
Primary Hospital Complex <sup>1</sup>	1956	2017	673,664	Acute Care Hospital
Memorial Medical Office Bldg. <sup>2</sup>	1997	2016	70,019	Medical offices
Pillsbury Medical Office Bldg. <sup>2</sup>	1988	2017	91,762	Medical offices, diagnostic imaging
Health South Rehab. Hospital <sup>3</sup>	1991	-	61,662	Rehabilitation
Granite Ledges <sup>3</sup>	1999	-	54,000	Assisted living facility
The Learning Center <sup>1</sup>	2001	2017	9,910	Child care
Yeaple Building <sup>2</sup>	1962	2016	34,539	Medical office
Hospice House <sup>2</sup>	1993	2016	13,322	
Parking Garages B, D, F, & M <sup>2</sup>	Various	Various	<u>578,836</u>	Hospital parking
<b>Total</b>			<u><b>1,586,886</b></u>	

<sup>1</sup> Owned by the Hospital

<sup>2</sup> Owned by CRHCDC

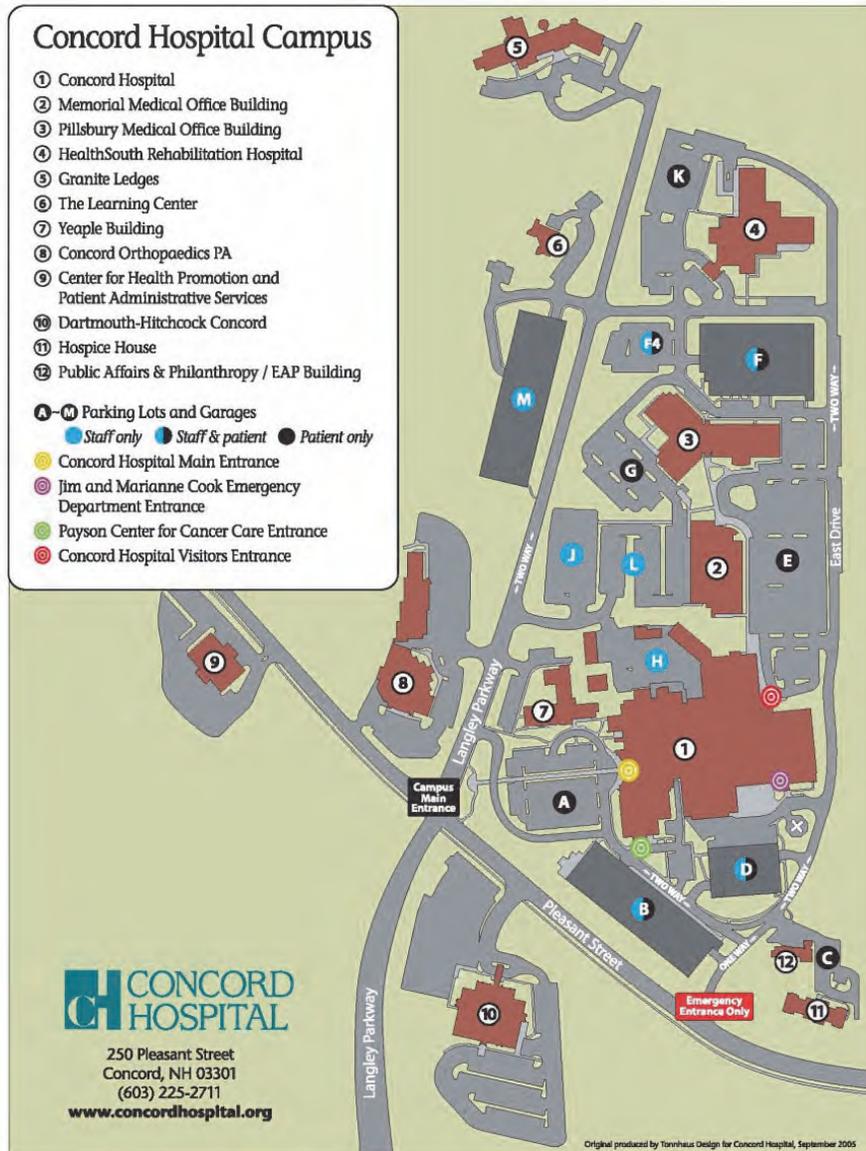
<sup>3</sup> Land-lease relationship with CRHC

**Source:** Hospital Records

### The Project

The Hospital completed the construction of a new 660 space parking garage in 2017. Proceeds of the Series 2017 Bonds will reimburse the Hospital for approximately \$9.8 million of expenditures previously incurred in association with the parking garage. In addition, proceeds of the Bonds will reimburse the Hospital for routine capital expenditures of approximately \$8.035 million.

The Hospital plans to begin construction of a new approximately 145,000 square foot medical office building ("MOB") in April, 2018. The MOB, which will be the third on the CRHC campus, is expected to cost approximately \$63.2 million and will be connected to the Hospital's existing MOBs by an overhead walkway at a cost of \$5-\$6 million. The Hospital is contemplating a build out of the first floor as a potential surgical center at a cost of approximately \$9 million (included in total project costs of \$63.2 million). The surgical center will not be funded by bond proceeds and may be leased to joint venture partnership. The Hospital has engaged Harvey Construction as general contractor and is working with the architectural firm of Lavallee Brensinger. The construction period is expected to be approximately 18 months. The general contractor is expected to enter into a guaranteed maximum price contract prior to the April 2018 start date.



## THE PLAN OF FINANCE

The proceeds of the Bonds will be used to fund (1) all or a portion of the reimbursement of prior capital expenditures for a parking garage on the Hospital campus, (2) the construction of a medical office building, (3) certain other capital expenditures on the Hospital's campus, and (4) costs of issuance.

## FINANCIAL INFORMATION

The following summaries and discussions of financial matters should be read in conjunction with the consolidated financial statements of Concord Hospital, Inc. and Subsidiaries, related notes, and independent auditors' report included as Appendix B to the Official Statement. The consolidated

financial statements have been audited by Baker, Newman & Noyes, LLC. Baker, Newman & Noyes, LLC has not performed any procedures on the accounts, transactions or events contained in the consolidated financial statements subsequent to September 30, 2017, the date of the auditors' report. Further, Baker, Newman & Noyes, LLC has not audited, reviewed or otherwise verified any other information contained within this Appendix A or in the Official Statement.

The following table shows the operating and non-operating income of the Hospital and its subsidiaries for the past five fiscal years.

**Concord Hospital, Inc. and Subsidiaries**  
**Consolidated Statements of Operations and Changes in Unrestricted Net Assets**  
(\$ in thousands)

	Fiscal Year Ended September 30,				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Unrestricted revenue and other support:					
Net patient service revenue	\$ 432,232	\$ 442,951	\$ 438,572	\$ 434,961	\$ 468,347
Provision for doubtful accounts	(31,493)	(32,476)	(16,839)	(17,251)	(20,018)
Net patient revenue	400,739	410,475	421,733	417,710	448,329
Other revenue	24,140	23,387	23,599	20,998	19,350
Disproportionate share revenue	-	5,099	3,497	7,800	12,717
Net assets released from restriction for operations	1,886	1,354	1,648	1,232	1,191
Total unrestricted revenue and other support	<u>426,765</u>	<u>440,315</u>	<u>450,477</u>	<u>447,740</u>	<u>481,587</u>
Operating Expenses					
Salaries and wages	180,716	186,457	193,080	208,274	220,255
Employee benefits	45,644	48,346	52,220	55,298	56,889
Supplies and other	76,347	76,206	81,719	87,060	95,948
Purchased services	59,783	61,668	64,046	29,297	32,373
Professional fees	3,170	2,670	3,491	4,678	5,222
Depreciation and amortization	25,047	25,397	24,437	24,535	24,378
Medicaid enhancement tax	16,541	16,437	12,800	19,679	20,311
Interest expense	4,720	4,057	3,974	3,700	2,918
Total expenses	<u>411,968</u>	<u>421,238</u>	<u>435,767</u>	<u>432,521</u>	<u>458,294</u>
Income from operations	14,797	19,077	14,710	15,219	23,293
Nonoperating (expense) income:					
Unrestricted gifts and bequests	159	218	204	251	1,619
Investment income (loss) and other	92	9,923	11,386	27,497	10,476
Loss on Extinguishment of debt	(3,169)	-	-	-	-
Total nonoperating (expense) income	<u>(2,918)</u>	<u>10,141</u>	<u>11,590</u>	<u>27,748</u>	<u>12,095</u>
Excess of revenues and gains over expenses	11,879	29,218	26,300	42,967	35,388
Net unrealized gains (losses) on investments	22,870	2,627	(23,982)	(5,098)	23,122
Net transfers from affiliates	295	312	372	189	498
Net assets released from restrictions used for purchases of property and equipment	112	62	82	1,331	108
Pension adjustment	26,967	(16,378)	(33,178)	(24,836)	13,098
Increase (decrease) in unrestricted net assets	<u>\$ 62,123</u>	<u>\$ 15,841</u>	<u>\$ (30,406)</u>	<u>\$ 14,553</u>	<u>72,214</u>

Source: Concord Hospital, Inc. and Subsidiaries Audited Consolidated Financial Statements and Additional Information

## Appendix A

The following table shows the operating and non-operating income of CRHC and its subsidiaries for the past five fiscal years:

**Capital Region Health Care Corporation and Subsidiaries**  
**Consolidated Statement of Operations and Changes in Net Assets**  
(\$ in thousands)

	Fiscal Year Ended September 30,				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total income from operations:					
Concord Hospital	\$ 14,144	\$ 18,042	\$ 13,384	\$ 9,000	\$ 17,389
CRCDC	180	483	257	389	331
CRHVC	5,559	5,755	6,371	5,830	5,573
CH/DHC	(5,086)	(5,203)	(5,302)	-	-
Income from operations	14,797	19,077	14,710	15,219	23,293
Other income	(2,918)	10,141	11,590	27,748	12,095
Excess of revenues over expenses	11,879	29,218	26,300	42,967	35,388
Net unrealized gains (losses) on investments	22,870	2,627	(23,982)	(5,098)	23,122
Net assets released from restrictions used for purchases of property and equipment	112	62	82	1,331	108
Net transfers from affiliates	295	312	372	189	498
Pension adjustment	26,967	(16,378)	(33,178)	(24,836)	13,098
Increase (decrease) in unrestricted net assets	62,123	15,841	(30,406)	14,553	72,214

Source: Hospital Records

The following table shows the operating and non-operating income of the Concord Hospital Obligated Group for past five fiscal years:

**Concord Hospital and Trust (Obligated Group)**  
**Statements of Operations and Changes in Unrestricted Net Assets**  
(\$ in thousands)

	Fiscal Year Ended September 30,				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Unrestricted revenue and other support:					
Net patient service revenue	\$ 402,548	\$ 413,139	\$ 409,258	\$ 434,691	\$ 468,105
Provision for doubtful accounts	(30,878)	(31,720)	(16,410)	(17,589)	(20,039)
Net patient revenue	371,670	381,419	392,848	417,102	448,066
Other revenue	17,278	16,392	15,958	14,086	12,240
Disproportionate share revenue	-	5,099	3,497	7,800	12,717
Net assets released from restriction for operations	1,886	1,354	1,648	1,232	1,191
Total unrestricted revenue and other support	<u>390,834</u>	<u>404,264</u>	<u>413,951</u>	<u>440,220</u>	<u>474,214</u>
Operating Expenses					
Salaries and wages	179,508	185,386	192,359	207,843	219,512
Employee benefits	45,330	48,064	52,006	55,159	56,701
Supplies and other	74,975	75,277	80,724	88,542	97,090
Purchased services	29,178	30,751	32,559	28,789	32,326
Professional fees	3,034	2,551	3,428	4,664	5,223
Depreciation and amortization	23,452	23,772	22,897	22,888	22,746
Medicaid enhancement tax	16,541	16,437	12,800	19,679	20,311
Interest expense	4,672	3,984	3,794	3,656	2,916
Total expenses	<u>376,690</u>	<u>386,222</u>	<u>400,567</u>	<u>431,220</u>	<u>456,826</u>
Income from operations	14,144	18,042	13,384	9,000	17,389
Nonoperating (expense) income:					
Unrestricted gifts and bequests	159	218	204	251	1,619
Investment income (loss) and other	92	9,923	11,386	27,497	10,476
Loss on extinguishment of debt	(3,169)	-	-	-	-
Total nonoperating (expense) income	<u>(2,918)</u>	<u>10,141</u>	<u>11,590</u>	<u>27,748</u>	<u>12,095</u>
Excess of revenues and gains over expenses	<u>\$ 11,226</u>	<u>\$ 28,183</u>	<u>\$ 24,974</u>	<u>\$ 36,748</u>	<u>\$ 29,484</u>

**Source:** Concord Hospital, Inc. and Subsidiaries Audited Consolidated Financial Statements and Additional Information

## Appendix A

The following table shows actual and pro-forma debt service coverage of the Concord Hospital Obligated Group for past five fiscal years.

**Concord Hospital, Inc. and Subsidiaries**  
**Obligated Group**  
**Historic and Pro Forma Debt Service Coverage**  
(\$ in thousands)

	Fiscal Year Ended September 30,				
	2013	2014	2015	2016	2017
Excess (Deficit) of Revenues over Expenses	\$ 11,226	\$28,183	\$ 24,974	\$ 36,748	29,484
Plus Loss on Extinguishment	3,169	-	-	-	-
Plus Capitalized Interest	23	-	-	-	509
Plus Depreciation and amortization	23,452	23,772	22,897	22,888	22,746
Plus Interest Expense	4,672	3,984	3,794	3,656	2,916
Net revenues available for debt service	<u>42,542</u>	<u>55,939</u>	<u>51,665</u>	<u>63,292</u>	<u>55,655</u>
Maximum Annual Debt Service	<u>12,072</u>	<u>12,072</u>	<u>12,072</u>	<u>12,072</u>	<u>12,072</u>
Maximum Debt Service Coverage Ratio	3.52x	4.63x	4.28x	5.24x	4.61x
Pro Forma Maximum Annual Debt Service <sup>1</sup>	<u>14,692</u>	<u>14,692</u>	<u>14,692</u>	<u>14,692</u>	<u>14,692</u>
Pro Forma Maximum Debt Service Coverage Ratio <sup>1</sup>	2.90x	3.81x	3.52x	4.31x	3.79x

<sup>1</sup>Based on pro forma maximum annual debt service on the Series 2017 Bonds and the Hospital's existing debt. Preliminary, subject to change

### Management's Discussion of Recent Financial Performance

The Hospital Administration and the Board of Trustees prioritize strong financial performance and effective cost management as critical missions to maintaining the stewardship of the organization as a community resource. To that end, the Hospital seeks to maintain the financial characteristics and performance benchmarks consistent with "A" rated Healthcare institutions as a target for ongoing financial planning and strategic decision-making.

Year Ended September 30, 2017. The Hospital ended the year with an operating margin of \$17.4 million, compared to a budgeted margin of \$6.2 million. The Hospital's operating revenue increased by 8.4% during the year primarily due to a significant increase in volume, including a 2% increase in admissions, a 7% increase in surgical cases, and a 2% increase in physician office visits. Operating expenses increased by 5.9%, due in large part to increased salaries and benefit costs and other expenses primarily related to the preparation and training for the implementation of the new Cerner EHR with a scheduled live date of December 1, 2017 (additional one-time costs estimated at about \$5 million). Profitability increased during the year as the organization began to recognize the benefit of the growing sub-specialty capabilities of the CHMG specialists. The key drivers to the Hospital's success for Fiscal Year 2017 were strong volume, stable payor mix with a decrease in Medicaid, and continued improvement in the case mix index.

Investment performance continued to be strong during Fiscal Year 2017 due to positive market conditions and the receipt of a large unrestricted contribution during the year. The Hospital recognized realized investment gains of \$10.4 million while also recording an unrealized gain of \$23.1 million.

Year Ended September 30, 2016. The Hospital ended the year with an operating margin of \$9.0 million, compared to a budgeted margin of \$4.4 million. The Hospital's operating revenue increased by 6.3% during the year primarily due to a significant increase in volume, including a 10% increase in admissions. Operating expenses increased by 7.7%, due in large part to increased salaries and benefit costs. Profitability remained healthy in fiscal 2016 despite \$2.6 million of increased losses under New Hampshire's Medicaid Enhancement Tax program and the termination of a professional service

agreement with a large physician group. The key drivers to the Hospital's success for Fiscal Year 2016 were strong volume, better than anticipated payor mix, and improved case mix index which are all reflected in net revenue and account for the 4.2% increase over budgeted expectations. Medical staff additions and lower average length of stay further supported Fiscal Year 2016 results. Operating expenses, with the exception of salary expense, came in close to budgeted expectations. Management has taken steps to better control these costs in Fiscal Year 2017.

Investment performance was strong during fiscal year 2016 due to positive market conditions and a significant realized gain related to a rebalancing of the investment portfolio. The Hospital recognized realized investment gains of \$24.4 million while also recording an unrealized loss of \$5.1 million.

Year Ended September 30, 2015. The Hospital ended the year with an operating margin of \$13.4 million, compared to the budget of \$12.8 million. The Hospital's operating revenue increased by 2.4% during the year primarily due to increases in volume in surgical services and admissions. Operating expenses increased by 3.7%, due in large part to increases in salaries and pharmaceutical costs. The key driver to the Hospital's success for Fiscal Year 2015 was its ability to adjust to a significant increase in Medicaid demand, due to Medicaid expansion in New Hampshire during 2014, through several initiatives including qualifying for a Medicaid disproportionate share (DSH) payment and working to settle outstanding Medicaid Enhancement Tax issues with the State of New Hampshire. Despite the challenges with the Medicaid expansion demand, management continued to invest in its medical group and other initiatives, such as nurse navigators, that it believes will be necessary to thrive in the changing reimbursement environment.

Investment performance was positive during fiscal year 2015 due to recognized realized investment gains of \$9.9 million. Overall there were unrealized losses of \$24.0 million recorded during the period.

## Investments

The value of the Obligated Group's unrestricted investments for the past five years is as follows:

<b>Concord Hospital and Trust (Obligated Group)</b>					
<b>Market Value of Cash and Investments</b>					
(\$ in thousands)					
	Fiscal Year Ended September 30,				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Cash and cash equivalents	\$ 42,698	\$ 32,352	\$ 27,536	\$ 33,563	\$ 18,811
Fixed income securities	52,482	46,014	40,294	33,021	30,982
Marketable equity and other securities	185,809	219,524	58,210	105,565	99,069
Inflation-protected securities	16,839	25,039	8,028	21,499	22,186
Trust fund administered by others	10,678	11,070	10,489	10,607	11,002
Funds measured at net asset value:					
Marketable equity and other securities	-	-	157,657	133,944	173,052
Inflation-protected securities	-	-	10,789	-	-
<b>Total Cash and Investments</b>	<b>308,506</b>	<b>333,999</b>	<b>313,003</b>	<b>338,199</b>	<b>355,103</b>
Less: Excluded Investments					
Debt service and other escrow funds	5,583	6,750	7,479	10,304	12,395
Construction funds	10,358	-	-	-	-
Donor restricted investments	32,367	34,932	34,304	37,517	40,350
Held by trustee for workers' compensation reserves	3,629	3,749	3,803	4,024	4,120
<b>Total Unrestricted Cash and Investments</b>	<b>\$ 256,529</b>	<b>\$ 288,568</b>	<b>\$ 267,417</b>	<b>\$ 286,354</b>	<b>\$ 298,238</b>

## Appendix A

### Investment Policy

The Hospital's asset allocation is determined by the specific category of the funds. Endowment funds are identified as permanent in nature and provide support for current or future operations identified by the Board. The policy objective for the endowment funds is to have a rate of return that meets inflation plus 5.0% over a long-term time horizon. Board designated funds have intermediate or long-term time horizons associated with specific spending objectives identified by the Board. The policy objective of investing these funds is to provide a rate of return that meets inflation plus 3.5% over a long-term time horizon.

The following table illustrates the target asset allocation of endowment and board-designated funds:

	<u>Lower %</u>	<u>Neutral %</u>	<u>Upper %</u>
Global Equity	35	45	75
Flexible Capital	0	20	30
Private Equity	0	5	15
Fixed Income	5	15	80
Real Assets	0	15	30
Liquid Capital	0	0	20

Investment of the Hospital's investable assets is the responsibility of the investment subcommittee of the Board. Concord contracts with Prime, Buchholz & Associates, Inc. to advise the Board's Investment Committee on its investments. The Hospital's long-term investments have generally outperformed the policy benchmarks.

The following table shows the one-year, three-year, five-year, ten-year and overall performance of the endowment and board-designated funds:

	<b>Endowment Performance</b>				
	(Endowment and Board-Designated Funds as of September 30, 2017)				
<u>Return</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>	<u>Return since Inception</u>
Total Portfolio	12.1%	5.4%	7.0%	3.9%	6.7%
Domestic Equity	19.0%	11.2%	14.5%	6.9%	9.3%
International Equity	18.1%	5.6%	7.4%	1.7%	7.5%
Total Flexible Capital	8.1%	4.2%	6.8%	4.4%	4.5%
Total Fixed Income	0.3%	1.2%	0.7%	3.1%	5.2%
Total Real Assets	3.4%	(3.9) %	(4.3) %	(3.9) %	(2.2) %
Benchmark (S&P 500)	18.6%	10.8%	14.2%	7.4%	9.9%

<sup>1</sup> Domestic Equity, International Equity, Fixed Income and S&P 500 since June 1994. Total Portfolio since June 1996. Total Flexible Capital since June 2007. Total Real Assets since July 2009.

Source: Prime Buchholz & Associates, Inc

### **Liquidity**

Of the Hospital's unrestricted cash and investment balance, 73% of investments were redeemable on a monthly basis or shorter as of September 30, 2017. Additionally, 27% of investments were redeemable annually. Liquidity includes operating cash, investments and board designated funds for capital improvements (funded depreciation), and excludes temporarily and permanently restricted assets, and trustee-held bond funds.

The following table sets forth the key liquidity metrics of Concord Hospital, Inc. and its Subsidiaries for the past five fiscal years.

**Concord Hospital, Inc. and Subsidiaries**  
**Summary Liquidity**  
(\$ in thousands)

	Fiscal Year Ended September 30,				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Days Cash on Hand</b>					
Unrestricted Operating Cash & Investments	\$ 256,533	\$ 288,568	\$ 267,418	\$ 286,354	\$ 298,238
Average Daily Operating Expenses	<u>1,057</u>	<u>1,082</u>	<u>1,124</u>	<u>1,115</u>	<u>1,189</u>
Days Cash on Hand	<u>242.66</u>	<u>266.81</u>	<u>238.00</u>	<u>256.89</u>	<u>267.55</u>
<b>Unrestricted Cash &amp; Investments to Debt</b>					
Unrestricted Operating Cash and Investments	256,533	288,568	267,418	286,354	298,238
Total Debt Outstanding	<u>120.74</u>	<u>113.54</u>	<u>105.77</u>	<u>95.34</u>	<u>87.01</u>
Ratio of Unrestricted Cash to Total Debt	<u>212.47%</u>	<u>254.16%</u>	<u>252.84%</u>	<u>300.36%</u>	<u>342.76%</u>

The following table sets forth the key liquidity metrics of the Obligated Group for the past five fiscal years.

**Concord Hospital and Trust (Obligated Group)**  
**Summary Liquidity**  
(\$ in thousands)

	Fiscal Year Ended September 30,				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Days Cash on Hand</b>					
Unrestricted Operating Cash & Investments	\$ 256,529	\$ 288,568	\$ 267,417	\$ 286,354	\$ 298,238
Average Daily Operating Expenses	<u>965</u>	<u>990</u>	<u>1,032</u>	<u>1,116</u>	<u>1,189</u>
Days Cash on Hand	<u>265.80</u>	<u>291.39</u>	<u>259.15</u>	<u>256.67</u>	<u>267.32</u>
<b>Unrestricted Cash &amp; Investments to Debt</b>					
Unrestricted Operating Cash and Investments	256,529	288,568	267,417	286,354	298,238
Total Debt Outstanding	<u>119.71</u>	<u>111.63</u>	<u>103.36</u>	<u>94.88</u>	<u>87.01</u>
Ratio of Unrestricted Cash to Total Debt	<u>214.29%</u>	<u>258.51%</u>	<u>258.74%</u>	<u>301.82%</u>	<u>342.76%</u>

### Outstanding Debt

The Hospital's outstanding indebtedness, as of September 30, 2017, consisted of the following:

- \$49,795,000 New Hampshire Health and Education Facilities Authority Hospital Revenue Bonds, Concord Hospital Issue, Series 2011 due October 1, 2026. The bonds were issued to assist in the funding of a significant facility improvement project and pay off the Series 1996 Revenue Bonds. The project included expansion and renovation of various Hospital departments, infrastructure upgrades, and acquisition of capital equipment. Total principal outstanding was \$26,115,000 as of December 1, 2017.
- \$48,631,000 New Hampshire Health and Education Facilities Authority Hospital Revenue Bonds, Concord Hospital Issue, Series 2013A due October 1, 2043. The bonds were issued to assist in the funding of a significant facility improvement project and to advance refund the Series 2001 New Hampshire Health and Education Facilities Authority Hospital Revenue Bonds. The facility improvement project included enhancements to the System's power plant, renovation of certain nursing units, expansion of the parking capacity at the main campus and various other routine capital expenditures and miscellaneous construction, renovation and improvements of the System's facilities. Total principal outstanding was \$40,025,000 as of December 1, 2017.

## Appendix A

- \$32,421,000 New Hampshire Health and Education Facilities Authority Hospital Revenue Bonds, Concord Hospital Issue, Series 2013B due October 1, 2024. The bonds were issued in the bank direct purchase marketplace to advance refund the Series 2004 New Hampshire Health and Education Facilities Authority Hospital Revenue Bonds. This loan carries a 1.71% fixed rate and is set to mature in 2024. Total principal outstanding was \$16,476,774 as of December 1, 2017.

### Total Debt to Capitalization

The Obligated Group's outstanding indebtedness for the past five fiscal years is presented in the table below:

#### Concord Hospital and Trust (Obligated Group) Debt to Capitalization (\$ in thousands)

	Fiscal Year Ended September 30,				
	2013	2014	2015	2016	2017
Series 2011 <sup>1</sup>	\$ 40,841	\$ 37,362	\$ 33,793	\$ 30,109	\$ 26,290
Series 2013A <sup>1</sup>	47,860	46,714	45,538	44,332	43,029
Series 2013B	31,011	27,550	24,024	20,436	16,848
Total Debt	\$ 119,712	\$ 111,626	\$ 103,355	\$ 94,877	\$ 86,167
Unrestricted Net Assets	258,207	274,144	243,306	258,231	331,047
Total Capitalization	377,919	385,770	346,661	353,108	417,214
<b>Total Debt to Capitalization</b>	<b>31.7%</b>	<b>28.9%</b>	<b>29.8%</b>	<b>26.9%</b>	<b>20.8%</b>

<sup>1</sup>Excludes unamortized original issue discount and premium

### Pension Plan

The Hospital has a noncontributory defined benefit pension plan (the "Plan"), covering all eligible employees of the Hospital and subsidiaries. The Plan is a cash balance plan that provides an annual contribution credit based on an employee's years of service, age and the employee's compensation in the year of eligibility plus an annual interest credit. The System's funding policy is to contribute annually the amount needed to meet or exceed actuarially determined minimum funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA).

The Hospital's pension funding for plan year 2017 was \$43.0 million, an additional \$25 million over the previous year. During the past five calendar years, the Hospital's pension funding has totaled \$117.7 million. The Hospital anticipates funding approximately \$16 million in 2018. All contributions to the plan are actuarially determined.

In accordance with accounting guidance, the Hospital recognized the defined benefit plans under funded status (difference between the plan's assets at fair value and the projected benefit obligation) of \$42.8 million. This amount reflects amounts recognized as a change in unrestricted net assets during fiscal year ended September 30, 2017, of \$13.1 million.

The Hospital contributed an additional \$25 million in September, 2017 for a total of \$27 million in Fiscal Year 2017 to reduce the unfunded liability, applied to the 2016 plan year. This contribution is expected to reduce the PBGC insurance premium in fiscal year 2018 by \$2 million. The Hospital also anticipates transitioning retirees to annuity products provided by a third-party insurance company, thereby reducing plan volatility and risk.

## Fundraising and Development

Fundraising and solicitation of charitable donations is the primary responsibility of Concord Hospital Trust. Gifts and donations come from a variety of sources including individual donors, corporations, volunteers, physicians, and employees. Fundraising activities include direct mail campaigns, special events such as golf tournaments and social events, and capital campaigns. Contributions generated are for the Hospital's operations, equipment purchases, free care and other donor-restricted purposes. The table below lists gifts and charitable donations received through various philanthropy program activities over the past five years:

### Summary of Gifts & Charitable Donations

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Unrestricted	\$ 155,433	\$ 221,069	\$ 203,591	\$ 250,199	\$ 1,621,970
Temporarily Restricted	1,300,710	1,079,202	2,556,102	1,539,791	1,424,905
Permanent Restricted	1,022,233	1,210,566	181,755	318,001	126,132
Trusts Administered by Others	<u>496,253</u>	<u>533,505</u>	<u>546,026</u>	<u>567,218</u>	<u>394,758</u>
Total	\$ 2,974,629	\$ 3,044,342	\$ 3,487,474	\$ 2,675,209	\$ 3,567,765

Source: Hospital Records

The Hospital's auxiliary, Concord Hospital Associates, has a membership of 300 persons. The primary purpose of the auxiliary is to foster volunteerism and financial support for various patient needs and services. Each year the auxiliary contributes various amounts of money to the Hospital from profits from its operation of a gift shop and several fundraising events. Over the last several years, the auxiliary has contributed approximately \$40,000 per year to the Hospital.

## Community Benefits and Programs

In fulfilling its mission as a not-for-profit community hospital, Concord provides a substantial level of community benefits and charity care. The responsibility for these programs and services is shared throughout the organization. In 2017, the Hospital provided over \$54 million in community benefit programs and services to address local healthcare needs. The funds for these programs are provided by the Hospital's operating reserves, annual philanthropic support and income from the Hospital's endowment. Over the past five years, the Hospital provided the following benefits to the community:

### Summary of Community Benefits

(\$ in Thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Community Health Services	\$ 2,627	\$ 2,721	\$ 2,096	\$ 1,939	\$ 2,150
Community Benefit Operations	4,141	3,814	4,268	3,749	4,398
Subsidized Health Services	23,938	27,911	30,096	35,624	40,320
Research	89	89	94	94	83
Financial Contributions	1,061	948	1,030	700	752
Community Benefit Operations	45	53	44	46	45
Community Building Activities	49	96	128	77	97
Charity Care Costs	<u>13,304</u>	<u>16,666</u>	<u>6,132</u>	<u>3,807</u>	<u>3,669</u>
Total Programs	\$ 45,254	\$ 52,298	\$ 43,888	\$ 46,039	\$ 51,514

Source: Hospital Records

### Sources of Revenue

The Hospital receives revenues for services from Medicare and Medicaid, Health Maintenance Organizations (“HMOs”), commercial insurance carriers and directly from patients. The following is a summary of the percentage of gross patient service revenue by payor source for the past five years.

#### Gross Hospital Revenue by Payor Source

Payor	Fiscal Year Ended September 30,				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Medicare	44%	44%	45%	45%	48%
Medicaid	8%	8%	12%	12%	10%
Anthem Blue Cross	21%	20%	18%	18%	17%
Cigna	6%	7%	6%	5%	4%
Harvard Pilgrim	5%	5%	6%	7%	7%
Other / Commercial	10%	10%	10%	11%	11%
Self-Pay	<u>6%</u>	<u>6%</u>	<u>3%</u>	<u>2%</u>	<u>3%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Source: Hospital Records

Medicare. Over the past several years, various laws have modified Medicare payment methodologies and levels. The Balanced Budget Act of 1997 (“BBA”) contained numerous provisions intended to reduce or contain Medicare expenditures for hospital services. The BBA has been generally viewed as an important factor in the adverse financial results experienced by many acute care hospitals. The Medicare, Medicaid and SCHIP Balanced Budget Retirement Act of 1999 and the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 modified and delayed some of the reductions contained in the BBA. In December of 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 was enacted. The legislation mandated substantial and wide ranging changes to the Medicare program, including the expansion of outpatient prescription drug coverage through the creation of a new voluntary prescription drug benefit, creation of an expanded Medicare managed care program, modifications to coverage and payment for various providers under traditional fee-for-service Medicare, changes to combat waste, fraud and abuse and reforms to regulatory procedures. The Deficit Reduction Act of 2005 (“DRA”) adopted significant hospital quality requirements, including mandatory quality reporting to receive full market basket increases beginning in federal fiscal year 2007, and DRG adjustments for certain hospital acquired infections. The DRA also directed CMS to develop a plan for establishing an acute care hospital value-based purchasing program that links Medicare payment to performance on quality measures. The American Recovery and Reinvestment Act of 2009 established an incentive program to encourage acute care hospitals and physicians to adopt certified electronic health records systems.

On March 23, 2010, President Obama signed the Patient Protection and Affordable Care Act, as subsequently amended by the Health Care and Education Reconciliation Act of 2010 (collectively, referred to herein as the “ACA”). The ACA addresses disparities in the cost and delivery of healthcare, and its changes to various aspects of the healthcare system are far-reaching, including substantial adjustments to Medicare reimbursement, establishment of individual mandates for healthcare coverage, extension of coverage to certain populations, provision of incentives for employer-provided healthcare insurance, restrictions on physician-owned hospitals, and increased efficiency and oversight provisions. Some of the provisions of the ACA became effective 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 ACA generally, additional legislation likely will be considered and enacted over time. The ACA also will continue to require the promulgation of substantial regulations with significant effects on the healthcare industry.

In June 2012, the U.S. Supreme Court affirmed the constitutionality of certain aspects of the ACA; however, it continues to be challenged in the courts as well as by legislation aimed at repealing the law. Future health reform or actions to implement, modify, or repeal the ACA could have both positive and negative effects on the nation's hospitals and other health care providers, including the Hospital. Subsequent budget control legislation may also affect payment for Hospital services. The Budget Control Act of 2011 includes provisions to reduce the federal deficit. The Budget Control Act, as amended, resulted in the imposition of 2 percent reductions in Medicare payments to providers beginning in 2013. The Bipartisan Budget Act of 2015, signed into law on November 2, 2015, extends these reductions through 2024.

The ACA 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 healthcare expenditures while maintaining or improving quality of care, including bundled payments under Medicare and Medicaid, comparative effectiveness research programs that compare the clinical effectiveness of medical treatments and develop recommendations concerning practice guidelines and coverage determinations, and accountable care organizations ("ACOs") or combinations of provider organizations, which voluntarily meet quality thresholds to share in the cost savings they achieve for the Medicare program. The ACA also creates a new Medicaid state plan option under which Medicaid enrollees with chronic conditions could designate a provider as their health home, including providers based at a hospital. The outcomes of these projects and programs, including their effect on payments to providers and financial performance, cannot be predicted.

Medicaid. Under Title XIX of the Social Security Act, the federal government jointly funds the provision of medical assistance under Medicaid programs ("Medicaid") operated by the State. Under the New Hampshire Medicaid program, the Hospital is currently reimbursed for services to Medicaid inpatients under a prospective payment system. Payments under the system are based on DRGs similar to those used in the Medicare program. For most DRGs, the Hospital is reimbursed a base amount, multiplied by the Medicare DRG weight. Exceptions to this payment mechanism are in the areas of psychiatric and neonatal DRGs. Psychiatric DRGs are reimbursed using a different base amount and a weight different than that used by Medicare. Neonatal DRGs are reimbursed at a per diem rate established by the Medicaid program. Capital costs related to inpatient services are not reimbursed. The Hospital is reimbursed for Medicaid outpatients on a retrospective cost basis. Most outpatient hospital services under the New Hampshire Medicaid program are paid as a percentage of Medicaid costs.

In June of 2012, the New Hampshire Legislature enacted legislation to authorize the Department of Health and Human Resources (DHHS) to contract with at least two Managed Medicaid payers (MCOs) willing to accept capitated rates and therefore assume the responsibility to negotiate with and reimburse health care providers for services rendered to the New Hampshire Medicaid recipients. DHHS awarded the Medicaid contracts to three payers: Meridian Health, New Hampshire Healthy Families (Centene) and Well Sense (Boston Medical Center). Because of litigation between 13 of the State's hospitals and the State over the Disproportionate Share Hospital Payments (DSH), the implementation of the Managed Medicaid contracts was delayed until the litigation was settled in July, 2013. The Hospital contracted with all three MCOs. The Hospital is currently contracted with two MCOs (Meridian exited the market in June 2014). Payments to the Hospital for inpatient and outpatient services are made using the same methodology as that used by New Hampshire Medicaid, albeit the negotiated rates are slightly higher than those paid by New Hampshire Medicaid.

In September of 2014 the State (DHHS) implemented a Medicaid Expansion Program named the New Hampshire Health Protection Program (NHHP) it was intended for individuals who do not qualify for Medicaid but whose income is at or below the federal poverty guideline. The State awarded the contract to the two Managed Medicaid MCOs and the Hospital contracted with each of the MCOs for that line of business. The reimbursement methodology and reimbursement rates for both inpatient and outpatient

services were set at the then current Medicare inpatient and outpatient methodology and rates exclusive of the Medicare sequestration. DHHS then applied for a CMS waiver to convert NHHP to a Premium Assistance Program. The waiver was approved by CMS in March 2015 for a January 1, 2016 effective date. DHHS then required every payer wanting to sell product for the 2016 Qualified Health Product (the Exchange) to offer at least one Silver Plan for the Premium Assistance Program. Five plans enrolled: Ambetter (Centene); Anthem, Community Health Options Co-op, Harvard Pilgrim and Minuteman Health Co-op. DHHS pays the insurance premium to the plan selected by the insured individual. Insureds who are at 100% to 130% of the Federal poverty guidelines must pay minimum out-of-pocket expenses and the out-of-pocket requirement dollar amount is the same irrespective of the plan chosen by the insured person. For the individuals whose income is below 100% of the Federal poverty guidelines, there are no out-of-pocket expenses. The Premium Assistance Programs have had a positive impact on the reduction of free care. The Hospital has contracts with Ambetter (Centene) and Harvard Pilgrim. Community Health Options coverage was not be available in New Hampshire in 2017 and Minuteman Health Co-Op is expected to be unavailable for the coming year. The reimbursement methodology varies by Plan. Inpatient services are reimbursed on a DRG, per diem and/or discount from charges methodology. Outpatient services are reimbursed on fee schedule or discount from charges methodology.

Medicaid Enhancement Tax (MET) and Disproportionate Share (DSH) Payment. Under the New Hampshire tax code, the State imposes a Medicaid Enhancement Tax (MET) equal to 5.4% of net patient service revenues in State fiscal year 2017 and 5.45% of net patient service revenues in State fiscal year 2016, with certain exclusions. The amount of tax incurred by the System for 2017 and 2016 was \$20.311 million and \$19.679 million, respectively.

In the fall of 2010, in order to remain in compliance with stated federal regulations, the State of New Hampshire adopted a new approach related to Medicaid disproportionate share funding (DSH) retroactive to July 1, 2010. Unlike the former funding method, the State's approach led to a payment that was not directly based on, and did not equate to, the level of tax imposed. As a result, the legislation created some level of losses at certain New Hampshire hospitals, while other hospitals realized gains. DSH payments from the State are recorded within certain unrestricted revenue and other support and amounted to \$12.717 million in 2017 and \$7.800 million in 2016, net of reserves reference below.

The Centers for Medicare and Medicaid Services (CMS) has completed audits of the State's program and the disproportionate share payments made by the State through 2014. It is possible that subsequent years will also be audited by CMS. The System has recorded reserves to address its potential exposure based on the audit results to date.

Commercial. The Hospital's commercial payor revenues include revenues received from contracts based upon a discount-from-charges arrangement. Payors include Anthem Blue Cross/Blue Shield, CIGNA Healthcare and Harvard Pilgrim Healthcare. The contracts with Anthem, Harvard Pilgrim, and Cigna expire September 30, 2018, December 31, 2018, and September 30, 2019, respectively. The Hospital has purposefully kept its commercial contracts under five years.

Each of these commercial relationships are primarily fee for service, with some shared upside. The Hospital recognizes the importance of working with managed care companies in an effort to keep health care affordable for the community. However, the Hospital also recognizes that it must maintain fiscal responsibility to be able to provide care to the community. Accordingly, the Hospital has worked with each of the managed care companies through Joint Operating Committees to align incentives, wherever possible, while maintaining a predictable revenue stream to the Hospital.

Tufts Health Freedom Plan was formed in 2016 with six other area hospitals to offer health and dental insurance. While this plan has remained small, it represents a new venture to give the Hospital better understanding of the marketplace. The venture has been cash flow positive.

For the fiscal year ended September 30, 2017, Concord Hospital's revenues from managed care accounted for approximately 47% of the Hospital's total patient service revenues. Revenues from managed care organizations have remained steady over the last ten years, and Hospital management anticipates that this trend will continue as the market continues to consolidate into fewer insurance choices for consumers.

## INSURANCE

The Hospital maintains the following insurance coverage:

1. All-risk real and personal property and business interruption insurance on a blanket endorsement, and boiler coverage, in the amount of \$480,757,321 for 29 buildings and personal property, with a \$25,000 deductible.
2. The Hospital partners with other hospitals to obtain enhanced insurance coverage through a Vermont-based Reciprocal Captive Insurance company, Granite Shield Insurance Exchange ("GSIE"). This company provides claims-made primary coverage up to \$2 million for each claim with a \$12 million aggregate limit for all the hospitals and employed providers within each system. In addition, GSIE purchases \$35 million of reinsurance that includes a \$25 million shared limit and a \$10 million specific limit dedicated to each member hospital system in the event of the erosion of the shared \$25 million. Premiums paid to GSIE by the Hospital are actuarially determined based on experience and exposures. The Hospital originally contributed \$850,000 of equity capital to the GSIE, which has grown to over \$5.7 million at December 31, 2016. GSIE provides excess liability coverage over the Hospital's primary third party coverage for auto, non-owned aircraft, employer's liability, and self-funded health.
3. The Hospital maintains insurance with commercial insurers with varying limits of coverage for directors and officer's liability, automobile liability, and fiduciary liability.
4. The Hospital is self-insured for worker's compensation claims and has purchased excess insurance coverage for any claims above \$450,000. The Hospital has been self-insured since 1994. The Hospital maintains actuarially determined reserve levels to provide for the inherent risks in worker's compensation claims. As of September 30, 2017, the Hospital maintained a \$2.6 million reserve for claims. For the year ending September 30, 2017, the Hospital had \$912,000 in worker's compensation expense.

## LITIGATION

The Hospital's Administration is not aware of any litigation pending or threatened against the Hospital, wherein an unfavorable decision would adversely affect the ability of the Hospital or the Trust to meet their obligations under the Bonds and the documents pursuant to which they will be issued or which may result in any material adverse effect on the Hospital's or the Trust's operations or financial position.

\*

\*

\*

Appendix A

This letter and the information contained herein are submitted to the Authority for inclusion in its Official Statement relating to the Bonds. The use of this letter by the Authority in connection with the sale of the Bonds, and the execution and delivery thereof by the undersigned officers have been duly authorized by the Board of Trustees of Concord Hospital, Inc.

CONCORD HOSPITAL, INC., as Obligated Group Agent

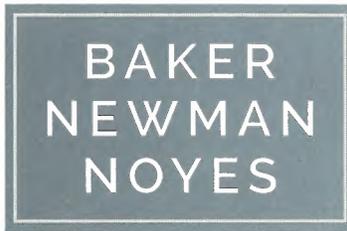
By: /s/ Robert P. Steigmeyer  
Robert P. Steigmeyer,  
President and Chief Executive Officer

By: /s/ Scott Sloane  
Scott Sloane,  
Chief Financial Officer, Senior Vice President

**APPENDIX B**

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES – AUDITED CONSOLIDATED  
FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION (WITH INDEPENDENT  
AUDITORS’ REPORT) FOR THE YEARS ENDING SEPTEMBER 30, 2017  
AND SEPTEMBER 30, 2016**

**(THIS PAGE LEFT BLANK INTENTIONALLY)**



**Concord Hospital, Inc.  
and Subsidiaries**

Audited Consolidated Financial Statements

*Years Ended September 30, 2017 and 2016  
With Independent Auditors' Report*

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

Audited Consolidated Financial Statements

Years Ended September 30, 2017 and 2016

## CONTENTS

Independent Auditors' Report	1
Audited Consolidated Financial Statements:	
Consolidated Balance Sheets	2
Consolidated Statements of Operations	4
Consolidated Statements of Changes in Net Assets	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7

## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Concord Hospital, Inc.

We have audited the accompanying consolidated financial statements of Concord Hospital, Inc. and Subsidiaries (the System), which comprise the consolidated balance sheets as of September 30, 2017 and 2016, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

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

*Baker Newman & Noyes LLC*

Manchester, New Hampshire  
December 1, 2017

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

September 30, 2017 and 2016

ASSETS  
(In thousands)

	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ 3,799	\$ 6,555
Short-term investments	7,552	19,512
Accounts receivable, less allowance for doubtful accounts of \$11,234 in 2017 and \$9,858 in 2016	51,344	52,693
Due from affiliates	634	270
Supplies	1,777	1,262
Prepaid expenses and other current assets	<u>5,855</u>	<u>4,760</u>
Total current assets	70,961	85,052
Assets whose use is limited or restricted:		
Board designated	290,686	260,287
Funds held by trustee for workers' compensation reserves and self-insurance escrows	16,515	14,328
Donor-restricted funds and restricted grants	<u>40,350</u>	<u>37,517</u>
Total assets whose use is limited or restricted	347,551	312,132
Other noncurrent assets:		
Due from affiliates, net of current portion	1,223	1,615
Other assets	<u>15,052</u>	<u>11,848</u>
Total other noncurrent assets	16,275	13,463
Property and equipment:		
Land and land improvements	6,426	7,003
Buildings	190,585	179,824
Equipment	246,586	235,334
Construction in progress	<u>38,725</u>	<u>16,413</u>
	482,322	438,574
Less accumulated depreciation	<u>(305,312)</u>	<u>(282,034)</u>
Net property and equipment	<u>177,010</u>	<u>156,540</u>
	<u>\$ 611,797</u>	<u>\$ 567,187</u>

LIABILITIES AND NET ASSETS  
(In thousands)

	<u>2017</u>	<u>2016</u>
Current liabilities:		
Short-term notes payable	\$ 15	\$ 459
Accounts payable and accrued expenses	39,611	30,104
Accrued compensation and related expenses	25,580	22,830
Accrual for estimated third-party payor settlements	27,382	22,459
Current portion of long-term debt	<u>8,822</u>	<u>8,570</u>
Total current liabilities	101,410	84,422
Long-term debt, net of current portion	76,501	85,399
Accrued pension and other long-term liabilities	<u>60,536</u>	<u>99,258</u>
Total liabilities	238,447	269,079
Net assets:		
Unrestricted	335,148	262,934
Temporarily restricted	17,800	15,293
Permanently restricted	<u>20,402</u>	<u>19,881</u>
Total net assets	373,350	298,108
	<u>\$ 611,797</u>	<u>\$ 567,187</u>

See accompanying notes.

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

Years Ended September 30, 2017 and 2016  
(In thousands)

	<u>2017</u>	<u>2016</u>
Unrestricted revenue and other support:		
Net patient service revenue, net of contractual allowances and discounts	\$468,347	\$434,961
Provision for doubtful accounts	<u>(20,018)</u>	<u>(17,251)</u>
Net patient service revenue less provision for doubtful accounts	448,329	417,710
Other revenue	19,350	20,998
Disproportionate share revenue	12,717	7,800
Net assets released from restrictions for operations	<u>1,191</u>	<u>1,232</u>
Total unrestricted revenue and other support	481,587	447,740
Operating expenses:		
Salaries and wages	220,255	208,274
Employee benefits	56,889	55,298
Supplies and other	95,948	87,060
Purchased services	32,373	29,297
Professional fees	5,222	4,678
Depreciation and amortization	24,378	24,535
Medicaid enhancement tax	20,311	19,679
Interest expense	<u>2,918</u>	<u>3,700</u>
Total operating expenses	<u>458,294</u>	<u>432,521</u>
Income from operations	23,293	15,219
Nonoperating income:		
Unrestricted gifts and bequests	1,619	251
Investment income and other	<u>10,476</u>	<u>27,497</u>
Total nonoperating income	<u>12,095</u>	<u>27,748</u>
Excess of revenues and nonoperating income over expenses	\$ <u>35,388</u>	\$ <u>42,967</u>

See accompanying notes.

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

Years Ended September 30, 2017 and 2016  
(In thousands)

	<u>2017</u>	<u>2016</u>
Unrestricted net assets:		
Excess of revenues and nonoperating income over expenses	\$ 35,388	\$ 42,967
Net unrealized gains (losses) on investments	23,122	(5,098)
Net transfers from affiliates	498	189
Net assets released from restrictions used for purchases of property and equipment	108	1,331
Pension adjustment	<u>13,098</u>	<u>(24,836)</u>
Increase in unrestricted net assets	72,214	14,553
Temporarily restricted net assets:		
Restricted contributions and pledges	1,423	1,539
Restricted investment income	682	2,181
Contributions to affiliates and other community organizations	(163)	(184)
Net unrealized gains (losses) on investments	1,864	(540)
Net assets released from restrictions for operations	(1,191)	(1,232)
Net assets released from restrictions used for purchases of property and equipment	<u>(108)</u>	<u>(1,331)</u>
Increase in temporarily restricted net assets	2,507	433
Permanently restricted net assets:		
Restricted contributions and pledges	126	319
Unrealized gains on trusts administered by others	<u>395</u>	<u>118</u>
Increase in permanently restricted net assets	<u>521</u>	<u>437</u>
Increase in net assets	75,242	15,423
Net assets, beginning of year	<u>298,108</u>	<u>282,685</u>
Net assets, end of year	<u>\$373,350</u>	<u>\$298,108</u>

See accompanying notes.

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years Ended September 30, 2017 and 2016

(In thousands)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase in net assets	\$ 75,242	\$ 15,423
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Restricted contributions and pledges	(1,549)	(1,858)
Depreciation and amortization	24,378	24,535
Net realized and unrealized gains on investments	(29,975)	(19,808)
Bond premium and issuance cost amortization	(75)	(75)
Provision for doubtful accounts	20,018	17,251
Equity in earnings of affiliates, net	(5,812)	(6,170)
Loss on disposal of property and equipment	202	163
Pension adjustment	(13,098)	24,836
Changes in operating assets and liabilities:		
Accounts receivable	(18,669)	(14,840)
Supplies, prepaid expenses and other current assets	(1,610)	1,305
Other assets	(3,702)	2,352
Due from affiliates	28	441
Accounts payable and accrued expenses	(1,411)	362
Accrued compensation and related expenses	2,750	(4,212)
Accrual for estimated third-party payor settlements	4,923	8,136
Accrued pension and other long-term liabilities	<u>(25,624)</u>	<u>(7,266)</u>
Net cash provided by operating activities	<u>26,016</u>	<u>40,575</u>
Cash flows from investing activities:		
Increase in property and equipment, net	(34,132)	(32,533)
Purchases of investments	(66,306)	(120,966)
Proceeds from sales of investments	72,671	113,592
Equity distributions from affiliates	<u>6,310</u>	<u>5,778</u>
Net cash used by investing activities	<u>(21,457)</u>	<u>(34,129)</u>
Cash flows from financing activities:		
Payments on long-term debt	(8,571)	(8,338)
Change in short-term notes payable	(444)	(1,953)
Restricted contributions and pledges	<u>1,700</u>	<u>2,304</u>
Net cash used by financing activities	<u>(7,315)</u>	<u>(7,987)</u>
Net decrease in cash and cash equivalents	(2,756)	(1,541)
Cash and cash equivalents at beginning of year	<u>6,555</u>	<u>8,096</u>
Cash and cash equivalents at end of year	<u>\$ 3,799</u>	<u>\$ 6,555</u>

Supplemental disclosure:

At September 30, 2017, amounts totaling \$10,918 related to the purchase of property and equipment were included in accounts payable and accrued expenses.

See accompanying notes.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

### 1. Description of Organization and Summary of Significant Accounting Policies

#### Organization

Concord Hospital, Inc., (the Hospital) located in Concord, New Hampshire, is a not-for-profit acute care hospital. The Hospital provides inpatient, outpatient, emergency care and physician services for residents within its geographic region. Admitting physicians are primarily practitioners in the local area. The Hospital is controlled by Capital Region Health Care Corporation (CRHC).

In 1985, the then Concord Hospital underwent a corporate reorganization in which it was renamed and became CRHC. At the same time, the Hospital was formed as a new entity. All assets and liabilities of the former hospital, now CRHC, with the exception of its endowments and restricted funds, were conveyed to the new hospital. The endowments were held by CRHC for the benefit of the Hospital, which is the true party in interest. Effective October 1, 1999, CRHC transferred these funds to the Hospital.

In March 2009, the Hospital created The Concord Hospital Trust (the Trust), a separately incorporated, not-for-profit organization to serve as the Hospital's philanthropic arm. In establishing the Trust, the Hospital transferred philanthropic permanent and temporarily restricted funds, including board designated funds, endowments, indigent care funds and specific purpose funds, to the newly formed organization together with the stewardship responsibility to direct monies available to support the Hospital's charitable mission and reflect the specific intentions of the donors who made these gifts. Concord Hospital and the Trust constitute the Obligated Group at September 30, 2017 and 2016 to certain debt described in Note 6.

Subsidiaries of the Hospital include:

Capital Region Health Care Development Corporation (CRHCDC) is a not-for-profit real estate corporation that owns and operates medical office buildings and other properties.

Capital Region Health Ventures Corporation (CRHVC) is a not-for-profit corporation that engages in health care delivery partnerships and joint ventures. It operates ambulatory surgery and diagnostic facilities in cooperation with other entities.

CH/DHC, Inc. d/b/a Dartmouth-Hitchcock-Concord (CH/DHC) is a not-for-profit corporation that provides clinical medical services through a multi-specialty group practice. CH/DHC was formed under a joint agreement between the Hospital and DH-Concord. The joint agreement terminated effective September 30, 2015.

The Hospital, its subsidiaries and the Trust are collectively referred to as the System. The consolidated financial statements include the accounts of the Hospital, the Trust, CRHCDC, CRHVC and CH/DHC. All significant intercompany balances and transactions have been eliminated in consolidation.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

### 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

#### 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Concentration of Credit Risk

Financial instruments which subject the Hospital to credit risk consist primarily of cash equivalents, accounts receivable and investments. The risk with respect to cash equivalents is minimized by the Hospital's policy of investing in financial instruments with short-term maturities issued by highly rated financial institutions. The Hospital's accounts receivable are primarily due from third-party payors and amounts are presented net of expected contractual allowances and uncollectible amounts, including estimated uncollectible amounts from uninsured patients. The Hospital's investment portfolio consists of diversified investments, which are subject to market risk. The Hospital's investment in one fund, the Vanguard Institutional Index Fund, exceeded 10% of total Hospital investments as of September 30, 2017 and 2016.

#### Cash and Cash Equivalents

Cash and cash equivalents include money market funds and secured repurchase agreements with original maturities of three months or less, excluding assets whose use is limited or restricted.

The Hospital maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Hospital has not experienced any losses on such accounts.

#### Supplies

Supplies are carried at the lower of cost, determined on a weighted-average method, or net realizable value.

#### Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted include assets held by trustees under workers' compensation reserves and self-insurance escrows, designated assets set aside by the Board of Trustees, over which the Board retains control and may, at its discretion, subsequently use for other purposes, and donor-restricted investments.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

### 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

#### Investments and Investment Income

Investments are carried at fair value in the accompanying consolidated balance sheets. Investment income (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues and nonoperating income over expenses unless the income is restricted by donor or law. Gains and losses on investments are computed on a specific identification basis. Unrealized gains and losses on investments are excluded from the excess of revenues and nonoperating income over expenses unless the investments are classified as trading securities or losses are considered other-than-temporary. Periodically, management reviews investments for which the market value has fallen significantly below cost and recognizes impairment losses where they believe the declines are other-than-temporary.

#### Beneficial Interest in Perpetual Trusts

The System has an irrevocable right to receive income earned on certain trust assets established for its benefit. Distributions received by the System are unrestricted. The System's interest in the fair value of the trust assets is included in assets whose use is limited and as permanently restricted net assets. Changes in the fair value of beneficial trust assets are reported as increases or decreases to permanently restricted net assets.

#### Investment Policies

The System's investment policies provide guidance for the prudent and skillful management of invested assets with the objective of preserving capital and maximizing returns. The invested assets include endowment, specific purpose and board designated (unrestricted) funds.

Endowment funds are identified as permanent in nature, intended to provide support for current or future operations and other purposes identified by the donor. These funds are managed with disciplined longer-term investment objectives and strategies designed to accommodate relevant, reasonable, or probable events.

Temporarily restricted funds are temporary in nature, restricted as to time or purpose as identified by the donor or grantor. These funds have various intermediate/long-term time horizons associated with specific identified spending objectives.

Board designated funds have various intermediate/long-term time horizons associated with specific spending objectives as determined by the Board of Trustees.

Management of these assets is designed to increase, with minimum risk, the inflation adjusted principal and income of the endowment funds over the long term. The System targets a diversified asset allocation that places emphasis on achieving its long-term return objectives within prudent risk constraints.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

### 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

#### Spending Policy for Appropriation of Assets for Expenditure

In accordance with the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA), the System considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (a) the duration and preservation of the fund; (b) the purpose of the organization and the donor-restricted endowment fund; (c) general economic conditions; (d) the possible effect of inflation and deflation; (e) the expected total return from income and the appreciation of investments; (f) other resources of the organization; and (g) the investment policies of the organization.

Spending policies may be adopted by the System, from time to time, to provide a stream of funding for the support of key programs. The spending policies are structured in a manner to ensure that the purchasing power of the assets is maintained while providing the desired level of annual funding to the programs. The System has a current spending policy on various funds currently equivalent to 5% of twelve-quarter moving average of the funds' total market value.

#### Accounts Receivable and the Allowance for Doubtful Accounts

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the System analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for doubtful accounts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for doubtful accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the System records a provision for doubtful accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The System's allowance for doubtful accounts for self-pay patients represented 71% and 70% of self-pay accounts receivable at September 30, 2017 and 2016, respectively. The total provision for the allowance for doubtful accounts was \$20,018 and \$17,251 for the years ended September 30, 2017 and 2016, respectively. The System also allocates a portion of the allowance and provision for doubtful accounts to charity care, which is not recorded as revenue. The System's self-pay bad debt writeoffs decreased \$1,345, from \$22,132 in 2016 to \$20,787 in 2017. The decrease in bad debt writeoffs between 2017 and 2016 was primarily a result of certain shifts in payor mix.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

### 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

#### Property and Equipment

Property and equipment is stated at cost at time of purchase, or at fair value at time of donation for assets contributed, less any reductions in carrying value for impairment and less accumulated depreciation. The System's policy is to capitalize expenditures for major improvements and charge maintenance and repairs currently for expenditures which do not extend the lives of the related assets. Depreciation is computed using the straight-line method in a manner intended to amortize the cost of the related assets over their estimated useful lives. For the years ended September 30, 2017 and 2016, depreciation expense was \$24,378 and \$24,535, respectively.

The System has also capitalized certain costs associated with property and equipment not yet in service. Construction in progress includes amounts incurred related to major construction projects, other renovations, and other capital equipment purchased but not yet placed in service. During 2017, the Hospital capitalized \$509 of interest expense relating to various construction projects. There was no interest capitalized during 2016. At September 30, 2017, the Hospital has outstanding construction commitments totaling approximately \$70.5 million for a new parking garage, utility work and medical office building. Construction is expected to begin in the Spring of 2018.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support, and are excluded from the excess of revenues and nonoperating income over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

#### Federal Grant Revenue and Expenditures

Revenues and expenses under federal grant programs are recognized as the grant expenditures are incurred.

#### Bond Issuance Costs/Original Issue Discount or Premium

Bond issuance costs incurred to obtain financing for construction and renovation projects and the original issue discount or premium are amortized to interest expense using the straight-line method, which approximates the effective interest method, over the life of the respective bonds. The original issue discount or premium and bond issuance costs are presented as a component of bonds payable.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

### 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

#### Charity Care

The System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates (Note 11). Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The System determines the costs associated with providing charity care by calculating a ratio of cost to gross charges, and then multiplying that ratio by the gross uncompensated charges associated with providing care to patients eligible for free care. Funds received from gifts and grants to subsidize charity services provided for the years ended September 30, 2017 and 2016 were approximately \$278 and \$330, respectively.

#### Temporarily and Permanently Restricted Net Assets

Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of donated assets. Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported as either net assets released from restrictions for operations (for noncapital related items) or as net assets released from restrictions used for purchases of property and equipment (capital related items). Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

#### Net Patient Service Revenue

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, per diem payments and fee schedules. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Changes in these estimates are reflected in the financial statements in the year in which they occur. For the years ended September 30, 2017 and 2016, net patient service revenue in the accompanying consolidated statements of operations increased (decreased) by approximately \$1,300 and \$(500), respectively, due to actual settlements and changes in assumptions underlying estimated future third-party settlements.

Revenues from the Medicare and Medicaid programs accounted for approximately 32% and 5% and 31% and 6% of the Hospital's net patient service revenue for the years ended September 30, 2017 and 2016, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

### 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients, the Hospital provides a discount approximately equal to that of its largest private insurance payors. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for doubtful accounts related to uninsured patients in the period the services are provided.

#### Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the System are reported at fair value at the date the promise is received. Conditional promises to give and intentions to give are reported at fair value at the date the condition is met. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of donated assets.

#### Excess of Revenues and Nonoperating Income Over Expenses

The System has deemed all activities as ongoing, major or central to the provision of health care services and, accordingly, they are reported as operating revenue and expenses, except for unrestricted contributions and pledges, the related philanthropy expenses and investment income which are recorded as nonoperating income.

The consolidated statements of operations also include excess of revenues and nonoperating income over expenses. Changes in unrestricted net assets which are excluded from excess of revenues and nonoperating income over expenses, consistent with industry practice, include the change in net unrealized gains and losses on investments other than trading securities or losses considered other than temporary, permanent transfers of assets to and from affiliates for other than goods and services, pension liability adjustments and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

#### Estimated Workers' Compensation and Health Care Claims

The provision for estimated workers' compensation and health care claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

#### Income Taxes

The Hospital, CRHCDC, CRHVC, CH/DHC and the Trust are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code, and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Management evaluated the System's tax positions and concluded the System has maintained its tax-exempt status, does not have any significant unrelated business income and had taken no uncertain tax positions that require adjustment to or disclosure in the accompanying consolidated financial statements.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

### 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

#### Advertising Costs

The System expenses advertising costs as incurred, and such costs totaled approximately \$217 and \$200 for the years ended September 30, 2017 and 2016, respectively.

#### Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the System expects to be entitled in exchange for those goods and services. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. ASU 2014-09 is effective for the System on October 1, 2018. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. The System is evaluating the impact that ASU 2014-09 will have on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02). Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. ASU 2016-02 is effective for the System on October 1, 2019, with early adoption permitted. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. The System is currently evaluating the impact of the pending adoption of ASU 2016-02 on the System's consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities (Topic 958)* (ASU 2016-14). Under ASU 2016-14, the existing three-category classification of net assets (i.e., unrestricted, temporarily restricted and permanently restricted) will be replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions". ASU 2016-14 also enhances certain disclosures regarding board designations, donor restrictions and qualitative information regarding management of liquid resources. In addition to reporting expenses by functional classifications, ASU 2016-14 will also require the financial statements to provide information about expenses by their nature, along with enhanced disclosures about the methods used to allocate costs among program and support functions. ASU 2016-14 is effective for the System's fiscal year ending September 30, 2019, with early adoption permitted. The System is currently evaluating the impact of the pending adoption of ASU 2016-14 on the System's consolidated financial statements.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

### 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)* (ASU 2016-18), which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be effective for the System's fiscal year ended September 30, 2019, and early adoption is permitted. ASU 2016-18 must be applied using a retrospective transition method. The System is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation — Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (ASU 2017-07). ASU 2017-07 will require that an employer report the service cost component of net periodic pension cost in the same line item as other compensation costs arising from services rendered by employees during the period. The other components of net periodic pension cost are required to be presented in the income statement separately and outside a subtotal of income from operations, if one is presented. ASU 2017-07 is effective for the System on October 1, 2018, with early adoption permitted. The System is currently evaluating the impact of the pending adoption of ASU 2017-07 on its consolidated financial statements.

#### Subsequent Events

Management of the System evaluated events occurring between the end of the System's fiscal year and December 1, 2017, the date the consolidated financial statements were available to be issued.

### 2. Transactions With Affiliates

The System provides funds to CRHC and its affiliates which are used for a variety of purposes. The System records the transfer of funds to CRHC and the other affiliates as either receivables or directly against net assets, depending on the intended use and repayment requirements of the funds. Generally, funds transferred for start-up costs of new ventures or capital related expenditures are recorded as charges against net assets. For the years ended September 30, 2017 and 2016, transfers made to CRHC were \$(114) and \$(129), respectively, and transfers received from Capital Region Health Services Corporation (CRHSC) were \$612 and \$318, respectively.

A brief description of affiliated entities is as follows:

- CRHSC is a for-profit provider of health care services, including an eye surgery center and assisted living facility.
- Concord Regional Visiting Nurse Association, Inc. and Subsidiary (CRVNA) provides home health care services.
- Riverbend, Inc. provides behavioral health services.

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

**2. Transactions With Affiliates (Continued)**

Amounts due the System, primarily from joint ventures, totaled \$1,857 and \$1,885 at September 30, 2017 and 2016, respectively. Amounts have been classified as current or long-term depending on the intentions of the parties involved. Beginning in 1999, the Hospital began charging interest on a portion of the receivables (\$810 and \$851 at September 30, 2017 and 2016, respectively) with principal and interest (6.75% at September 30, 2017) payments due monthly. Interest income amounted to \$52 and \$59 for the years ended September 30, 2017 and 2016, respectively.

Contributions to affiliates and other community organizations from temporarily restricted net assets were \$163 and \$184 in 2017 and 2016, respectively.

**3. Investments and Assets Whose Use is Limited or Restricted**

Short-term investments totaling \$7,552 and \$19,512 at September 30, 2017 and 2016, respectively, are comprised primarily of cash and cash equivalents. Assets whose use is limited or restricted are carried at fair value and consist of the following at September 30:

	<u>2017</u>	<u>2016</u>
Board designated funds:		
Cash and cash equivalents	\$ 3,582	\$ 625
Fixed income securities	22,805	25,139
Marketable equity and other securities	243,906	214,931
Inflation-protected securities	<u>20,393</u>	<u>19,592</u>
	290,686	260,287
Held by trustee for workers' compensation reserves:		
Fixed income securities	4,120	4,024
Health insurance and other escrow funds:		
Cash and cash equivalents	1,740	1,682
Fixed income securities	2,209	1,783
Marketable equity securities	<u>8,446</u>	<u>6,839</u>
	12,395	10,304
Donor-restricted funds and restricted grants:		
Cash and cash equivalents	5,937	5,189
Fixed income securities	1,848	2,075
Marketable equity securities	19,769	17,739
Inflation-protected securities	1,654	1,615
Trust funds administered by others	11,002	10,607
Other	<u>140</u>	<u>292</u>
	<u>40,350</u>	<u>37,517</u>
	<u>\$347,551</u>	<u>\$312,132</u>

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

**3. Investments and Assets Whose Use is Limited or Restricted (Continued)**

Included in marketable equity and other securities above are \$173,052 and \$133,944 at September 30, 2017 and 2016, respectively, in so called alternative investments and collective trust funds. See also Note 14.

Investment income, net realized gains and losses and net unrealized gains and losses on assets whose use is limited or restricted, cash and cash equivalents, and other investments are as follows at September 30:

	<u>2017</u>	<u>2016</u>
Unrestricted net assets:		
Interest and dividends	\$ 4,466	\$ 3,505
Investment income from trust funds administered by others	494	567
Net realized gains on sales of investments	<u>4,255</u>	<u>23,408</u>
	9,215	27,480
Restricted net assets:		
Interest and dividends	343	261
Net realized gains on sales of investments	<u>339</u>	<u>1,920</u>
	<u>682</u>	<u>2,181</u>
	 <u>\$ 9,897</u>	 <u>\$ 29,661</u>
Net unrealized gains (losses) on investments:		
Unrestricted net assets	\$23,122	\$ (5,098)
Temporarily restricted net assets	1,864	(540)
Permanently restricted net assets	<u>395</u>	<u>118</u>
	 <u>\$25,381</u>	 <u>\$ (5,520)</u>

In compliance with the System's spending policy, portions of investment income and related fees are recognized in other operating revenue on the accompanying consolidated statements of operations. Investment income reflected in other operating revenue was \$1,655 and \$1,695 in 2017 and 2016, respectively.

Investment management fees expensed and reflected in nonoperating income were \$851 and \$858 for the years ended September 30, 2017 and 2016, respectively.

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

**3. Investments and Assets Whose Use is Limited or Restricted (Continued)**

The following summarizes the Hospital's gross unrealized losses and fair values, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2017 and 2016:

	<u>Less Than 12 Months</u>		<u>12 Months or Longer</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
<u>2017</u>						
Marketable equity securities	\$ 36,725	\$ (740)	\$ 13,064	\$ (6,119)	\$ 49,789	\$ (6,859)
Fund-of-funds	22,720	(332)	—	—	22,720	(332)
Collective trust funds	<u>5,906</u>	<u>(94)</u>	<u>—</u>	<u>—</u>	<u>5,906</u>	<u>(94)</u>
	<u>\$ 65,351</u>	<u>\$ (1,166)</u>	<u>\$ 13,064</u>	<u>\$ (6,119)</u>	<u>\$ 78,415</u>	<u>\$ (7,285)</u>
<u>2016</u>						
Marketable equity securities	\$ 1,830	\$ (86)	\$ 26,503	\$ (9,538)	\$ 28,333	\$ (9,624)
Fund-of-funds	7,785	(215)	15,822	(990)	23,607	(1,205)
Collective trust funds	<u>—</u>	<u>—</u>	<u>18,156</u>	<u>(1,713)</u>	<u>18,156</u>	<u>(1,713)</u>
	<u>\$ 9,615</u>	<u>\$ (301)</u>	<u>\$ 60,481</u>	<u>\$ (12,241)</u>	<u>\$ 70,096</u>	<u>\$ (12,542)</u>

In evaluating whether investments have suffered an other-than-temporary decline, based on input from outside investment advisors, management evaluated the amount of the decline compared to cost, the length of time and extent to which fair value has been less than cost, the underlying creditworthiness of the issuer, the fair values exhibited during the year, estimated future fair values and the System's intent and ability to hold the security until a recovery in fair value or maturity. Based on evaluations of the underlying issuers' financial condition, current trends and economic conditions, management believes there are no securities that have suffered an other-than-temporary decline in value at September 30, 2017 and 2016.

**4. Defined Benefit Pension Plan**

The System has a noncontributory defined benefit pension plan (the Plan), covering all eligible employees of the System and subsidiaries. The Plan provides benefits based on an employee's years of service, age and the employee's compensation over those years. The System's funding policy is to contribute annually the amount needed to meet or exceed actuarially determined minimum funding requirements of the *Employee Retirement Income Security Act of 1974* (ERISA).

The System accounts for its defined benefit pension plan under ASC 715, *Compensation Retirement Benefits*. This Statement requires entities to recognize an asset or liability for the overfunded or underfunded status of their benefit plans in their financial statements.

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

**4. Defined Benefit Pension Plan (Continued)**

The following table summarizes the Plan's funded status at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Funded status:		
Fair value of plan assets	\$ 233,739	\$ 185,404
Projected benefit obligation	<u>(277,075)</u>	<u>(270,534)</u>
	<u>\$ (43,336)</u>	<u>\$ (85,130)</u>
Activities for the year consist of:		
Benefit payments and administrative expenses	\$ 16,256	\$ 9,230
Net periodic benefit cost	14,283	12,460

The table below presents details about the System's defined benefit pension plan, including its funded status, components of net periodic benefit cost, and certain assumptions used in determining the funded status and cost:

	<u>2017</u>	<u>2016</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$270,534	\$229,888
Service cost	10,510	9,836
Interest cost	10,662	10,761
Actuarial loss	1,625	29,279
Benefit payments and administrative expenses	<u>(16,256)</u>	<u>(9,230)</u>
Benefit obligation at end of year	<u>\$277,075</u>	<u>\$270,534</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$185,404	\$165,053
Actual return on plan assets	21,591	12,581
Employer contributions	43,000	17,000
Benefit payments and administrative expenses	<u>(16,256)</u>	<u>(9,230)</u>
Fair value of plan assets at end of year	<u>\$233,739</u>	<u>\$185,404</u>
Funded status and amount recognized in noncurrent liabilities at September 30	<u>\$ (43,336)</u>	<u>\$ (85,130)</u>

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

**4. Defined Benefit Pension Plan (Continued)**

Amounts recognized as a change in unrestricted net assets during the years ended September 30, 2017 and 2016 consist of:

	<u>2017</u>	<u>2016</u>
Net actuarial (gain) loss	\$ (4,917)	\$ 30,715
Net amortized loss	(8,457)	(6,155)
Prior service credit amortization	<u>276</u>	<u>276</u>
 Total amount recognized	 <u>\$ (13,098)</u>	 <u>\$ 24,836</u>

Pension Plan Assets

The fair values of the System's pension plan assets as of September 30, 2017 and 2016, by asset category are as follows (see Note 14 for level definitions). In accordance with ASU 2015-07, certain investments that are measured using the net value per share practical expedient have not been classified in the fair value hierarchy.

	<u>2017</u>	<u>2016</u>
	<u>Level 1</u>	<u>Level 1</u>
Short-term investments:		
Money market funds	\$ 41,294	\$ 11,328
Equity securities:		
Common stocks	9,575	9,251
Mutual funds – international	8,214	13,879
Mutual funds – domestic	45,874	38,471
Mutual funds – natural resources	5,061	4,662
Mutual funds – inflation hedge	8,303	6,369
Fixed income securities:		
Mutual funds – REIT	415	449
Mutual funds – fixed income	<u>15,670</u>	<u>21,527</u>
	134,406	105,936
 Funds measured at net asset value:		
Equity securities:		
Funds-of-funds	67,299	47,879
Fixed income securities:		
Funds-of-funds	–	4,715
Collective trust funds	<u>32,034</u>	<u>26,874</u>
 Total investments at fair value	 <u>\$233,739</u>	 <u>\$185,404</u>

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

**4. Defined Benefit Pension Plan (Continued)**

The target allocation for the System's pension plan assets as of September 30, 2017 and 2016, by asset category are as follows:

	2017		2016	
	Target Allocation	Percentage of Plan Assets	Target Allocation	Percentage of Plan Assets
Short-term investments	0-20%	18%	0-20%	6%
Equity securities	40-80%	62	40-80%	65
Fixed income securities	5-80%	7	5-80%	15
Other	0-30%	13	0-30%	14

The funds-of-funds are invested with ten investment managers and have various restrictions on redemptions. One manager holding amounts totaling approximately \$9 million at September 30, 2017 allows for semi-monthly redemptions, with 5 days' notice. One manager holding approximately \$8 million at September 30, 2017 allows for monthly redemptions, with 15 days' notice. Five managers holding amounts totaling approximately \$36 million at September 30, 2017 allow for quarterly redemptions, with notices ranging from 45 to 65 days. Two of the managers holding amounts of approximately \$10 million at September 30, 2017 allow for annual redemptions, with notice ranging from 60 to 90 days. One of the managers holding amounts of approximately \$5 million at September 30, 2017 allows for redemptions on a three year rolling basis, with a notice of 60 days. There is also a special redemption provision that allows 10% of the investment to be redeemed annually on March 1, with a notice of 30 days. The collective trust funds allow for monthly redemption, with notices ranging from 6 to 10 days. Certain funds also may include a fee estimated to be equal to the cost the fund incurs in converting investments to cash (ranging from 0.5% to 1.5%) or are subject to certain lock periods.

The System considers various factors in estimating the expected long-term rate of return on plan assets. Among the factors considered include the historical long-term returns on plan assets, the current and expected allocation of plan assets, input from the System's actuaries and investment consultants, and long-term inflation assumptions. The System's expected allocation of plan assets is based on a diversified portfolio consisting of domestic and international equity securities, fixed income securities, and real estate.

The System's investment policy for its pension plan is to balance risk and returns using a diversified portfolio consisting primarily of high quality equity and fixed income securities. To accomplish this goal, plan assets are actively managed by outside investment managers with the objective of optimizing long-term return while maintaining a high standard of portfolio quality and proper diversification. The System monitors the maturities of fixed income securities so that there is sufficient liquidity to meet current benefit payment obligations. The System's Investment Committee provides oversight of the plan investments and the performance of the investment managers.

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

**4. Defined Benefit Pension Plan (Continued)**

Amounts included in expense during fiscal 2017 and 2016 consist of:

	<u>2017</u>	<u>2016</u>
Components of net periodic benefit cost:		
Service cost	\$ 10,510	\$ 9,836
Interest cost	10,662	10,761
Expected return on plan assets	(15,627)	(14,016)
Amortization of prior service credit and loss	<u>8,738</u>	<u>5,879</u>
Net periodic benefit cost	<u>\$ 14,283</u>	<u>\$ 12,460</u>

The accumulated benefit obligations for the plan at September 30, 2017 and 2016 were \$261,601 and \$259,477, respectively.

	<u>2017</u>	<u>2016</u>
Weighted average assumptions to determine benefit obligation:		
Discount rate	4.29%	4.03%
Rate of compensation increase	3.00	2.00
Weighted average assumptions to determine net periodic benefit cost:		
Discount rate	4.03%	4.78%
Expected return on plan assets	7.75	7.75
Cash balance credit rate	5.00	5.00
Rate of compensation increase	2.00	2.00

In selecting the long-term rate of return on plan assets, the System considered the average rate of earnings expected on the funds invested or to be invested to provide for the benefits of the plan. This included considering the plan's asset allocation and the expected returns likely to be earned over the life of the plan, as well as the historical returns on the types of assets held and the current economic environment.

The loss and prior service credit amount expected to be recognized in net periodic benefit cost in 2018 are as follows:

Actuarial loss	\$ 7,995
Prior service credit	<u>(276)</u>
	<u>\$ 7,719</u>

The System funds the pension plan and no contributions are made by employees. The System funds the plan annually by making a contribution of at least the minimum amount required by applicable regulations and as recommended by the System's actuary. However, the System may also fund the plan in excess of the minimum required amount.

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

4. **Defined Benefit Pension Plan (Continued)**

Cash contributions in subsequent years will depend on a number of factors including performance of plan assets. However, the System expects to fund \$16,000 in cash contributions to the plan for the 2018 plan year.

Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

<u>Year Ended September 30</u>	<u>Pension Benefits</u>
2018	\$ 12,505
2019	13,463
2020	15,149
2021	16,495
2022	17,343
2023 – 2027	100,134

5. **Estimated Third-Party Payor Settlements**

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

Inpatient and outpatient services rendered to Medicare program beneficiaries are primarily paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical diagnosis and other factors. In addition to this, the System is also reimbursed for medical education and other items which require cost settlement and retrospective review by the fiscal intermediary. Accordingly, the System files an annual cost report with the Medicare program after the completion of each fiscal year to report activity applicable to the Medicare program and to determine any final settlements.

The physician practices are reimbursed on a fee screen basis.

Medicaid Enhancement Tax and Disproportionate Share Payment

Under the State of New Hampshire's (the State) tax code, the State imposes a Medicaid Enhancement Tax (MET) equal to 5.40% and 5.45% of net patient service revenues in State fiscal years 2017 and 2016, respectively. The amount of tax incurred by the System for 2017 and 2016 was \$20,311 and \$19,679, respectively.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

### 5. Estimated Third-Party Payor Settlements (Continued)

In the fall of 2010, in order to remain in compliance with stated federal regulations, the State of New Hampshire adopted a new approach related to Medicaid disproportionate share funding (DSH) retroactive to July 1, 2010. Unlike the former funding method, the State's approach led to a payment that was not directly based on, and did not equate to, the level of tax imposed. As a result, the legislation created some level of losses at certain New Hampshire hospitals, while other hospitals realized gains. DSH payments from the State are recorded within unrestricted revenue and other support and amounted to \$12,717 in 2017 and \$7,800 in 2016, net of reserves referenced below.

The Centers for Medicare and Medicaid Services (CMS) has completed audits of the State's program and the disproportionate share payments made by the State from 2011 to 2014, the first years that those payments reflected the amount of uncompensated care provided by New Hampshire hospitals. It is possible that subsequent years will also be audited by CMS. The System has recorded reserves to address its potential exposure based on the audit results to date.

#### Medicaid

Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under fee schedules and cost reimbursement methodologies subject to various limitations or discounts. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid program.

The physician practices are reimbursed on a fee screen basis.

#### Other

The System has also entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to the System under these agreements includes prospectively determined rates per discharge, discounts from established charges, fee schedules, and prospectively determined rates.

The accrual for estimated third-party payor settlements reflected on the accompanying consolidated balance sheets represents the estimated net amounts to be paid under reimbursement contracts with the Centers for Medicare and Medicaid Services (Medicare), the New Hampshire Department of Welfare (Medicaid) and any commercial payors with settlement provision. Settlements for the Hospital have been finalized through 2014 for Medicare and Medicaid.

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016

(In thousands)

**6. Long-Term Debt and Notes Payable**

Long-term debt consists of the following at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
2.0% to 5.0% New Hampshire Health and Education Facilities Authority (NHHEFA) Revenue Bonds, Concord Hospital Issue, Series 2013A; due in annual installments, including principal and interest ranging from \$1,543 to \$3,555 through 2043, including unamortized original issue premium of \$3,066 in 2017 and \$3,187 in 2016	\$ 43,091	\$ 44,332
1.71% fixed rate NHHEFA Revenue Bonds, Concord Hospital Issue, Series 2013B; due in annual installments, including principal and interest ranging from \$1,860 to \$3,977 through 2024	16,786	20,436
1.3% to 5.6% NHHEFA Revenue Bonds, Concord Hospital Issue, Series 2011; due in annual installments, including principal and interest ranging from \$2,737 to \$5,201 through 2026, including unamortized original issue premium of \$175 in 2017 and \$194 in 2016	<u>26,289</u>	<u>30,109</u>
	86,166	94,877
Less unamortized bond issuance costs	(843)	(908)
Less current portion	<u>(8,822)</u>	<u>(8,570)</u>
	<u>\$ 76,501</u>	<u>\$ 85,399</u>

In February 2013, \$48,631 (including an original issue premium of \$3,631) of NHHEFA Revenue Bonds, Concord Hospital Issue, Series 2013A, were issued to assist in the funding of a significant facility improvement project and to advance refund the Series 2001 NHHEFA Hospital Revenue Bonds. The facility improvement project included enhancements to the System's power plant, renovation of certain nursing units, expansion of the parking capacity at the main campus and various other routine capital expenditures and miscellaneous construction, renovation and improvements of the System's facilities.

In March 2011, \$49,795 of NHHEFA Revenue Bonds, Concord Hospital Issue, Series 2011, were issued to assist in the funding of a significant facility improvement project and pay off the Series 1996 Revenue Bonds. The project included expansion and renovation of various Hospital departments, infrastructure upgrades, and acquisition of capital equipment.

Substantially all the property and equipment relating to the aforementioned construction and renovation projects, as well as subsequent property and equipment additions thereto, and a mortgage lien on the facility, are pledged as collateral for the Series 2011 and 2013A and B Revenue Bonds. In addition, the gross receipts of the Hospital are pledged as collateral for the Series 2011 and 2013A and B Revenue Bonds. The most restrictive financial covenants require a 1.10 to 1.0 ratio of aggregate income available for debt service to total annual debt service and a day's cash on hand ratio of 75 days. The Hospital was in compliance with its debt covenants at September 30, 2017 and 2016.

The obligations of the Hospital under the Series 2013A and B and Series 2011 Revenue Bond Indentures are not guaranteed by any of the subsidiaries or affiliated entities.

Interest paid on long-term debt amounted to \$4,010 (including capitalized interest of \$509) and \$3,731 for the years ended September 30, 2017 and 2016, respectively.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

### 6. Long-Term Debt and Notes Payable (Continued)

The aggregate principal payments on long-term debt for the next five fiscal years ending September 30 and thereafter are as follows:

2018	\$ 8,822
2019	9,061
2020	7,385
2021	5,186
2022	5,339
Thereafter	<u>47,132</u>
	<u>\$82,925</u>

The Hospital plans to issue \$60 million of tax exempt bonds in December 2017. Proceeds of the bonds will be used for the construction of a new medical office building. In addition, the Series 2017 Bonds will reimburse the Hospital for capital expenditures incurred in association with the construction of a parking garage, as well as routine capital expenditures.

### 7. Commitments and Contingencies

#### Malpractice Loss Contingencies

Prior to February 1, 2011, the System was insured against malpractice loss contingencies under claims made insurance policies. A claims-made policy provides specific coverage for claims made during the policy period. During 2017, the System paid to transfer its obligation for claims and incidents made and reported under the 2001-2011 policy period to a third party. Under the Loss Portfolio Transfer agreement, the third party assumed obligation for claims and incidents made and reported, including any closed incidents included on loss run reports that may ripen into a claim or suit and are subject to reopening.

Effective February 1, 2011, the System insures its medical malpractice risks through a multiprovider captive insurance company under a claims-made insurance policy. Premiums paid are based upon actuarially determined amounts to adequately fund for expected losses. At September 30, 2017, there were no known malpractice claims outstanding for the System, which, in the opinion of management will be settled for amounts in excess of insurance coverage, nor were there any unasserted claims or incidents which require loss accruals. The System has established reserves for unpaid claim amounts for Hospital and Physician Professional Liability and General Liability reported claims and for unreported claims for incidents that have been incurred but not reported. The amounts of the reserves total \$1,995 and \$1,911 at September 30, 2017 and 2016, respectively and are reflected in the accompanying consolidated balance sheets within accrued pension and other long-term liabilities. The possibility exists, as a normal risk of doing business, that malpractice claims in excess of insurance coverage may be asserted against the System.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

### 7. Commitments and Contingencies (Continued)

The captive retains and funds up to actuarial expected loss amounts, and obtains reinsurance at various attachment points for individual and aggregate claims in excess of funding in accordance with industry practices. At September 30, 2017, the System's interest in the captive represents approximately 57% of the captive. The System accounts for its investments in the captive under the equity method since control of the captive is shared equally between the participating hospitals. The System has recorded its interest in the captive's equity, totaling approximately \$5,400 and \$2,945 at September 30, 2017 and 2016, respectively, in other noncurrent assets on the accompanying consolidated balance sheets. Changes in the System's interest are included in nonoperating income on the accompanying consolidated statements of operations.

In accordance with ASU No. 2010-24, "Health Care Entities" (Topic 954): *Presentation of Insurance Claims and Related Insurance Recoveries*, at September 30, 2017 and 2016, the Hospital recorded a liability of approximately \$3,800 and \$3,100, respectively, related to estimated professional liability losses. At September 30, 2017 and 2016, the Hospital also recorded a receivable of \$3,800 and \$3,100, respectively, related to estimated recoveries under insurance coverage for recoveries of the potential losses. These amounts are included in accrued pension and other long-term liabilities and other assets, respectively, on the consolidated balance sheets.

#### Workers' Compensation

The Hospital maintains workers' compensation insurance under a self-insurance plan. The plan offers, among other provisions, certain specific and aggregate stop-loss coverage to protect the Hospital against excessive losses. The Hospital has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accrued workers' compensation losses of \$2,455 and \$2,447 at September 30, 2017 and 2016, respectively, have been discounted at 3% (both years) and, in management's opinion, provide an adequate reserve for loss contingencies. A trustee held fund has been established as a reserve under the plan. Assets held in trust totaled \$4,120 and \$4,024 at September 30, 2017 and 2016, respectively, and is included in assets whose use is limited or restricted in the accompanying consolidated balance sheets.

#### Litigation

The System is involved in litigation and regulatory investigations arising in the ordinary course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the System's financial position, results of operations or cash flows.

#### Health Insurance

The System has a self-funded health insurance plan. The plan is administered by an insurance company which assists in determining the current funding requirements of participants under the terms of the plan and the liability for claims and assessments that would be payable at any given point in time. The System recognizes revenue for services provided to employees of the System during the year. The System is insured above a stop-loss amount of \$440 on individual claims. Estimated unpaid claims, and those claims incurred but not reported at September 30, 2017 and 2016, have been recorded as a liability of \$8,799 and \$8,174, respectively, and are reflected in the accompanying consolidated balance sheets within accounts payable and accrued expenses.

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

**7. Commitments and Contingencies (Continued)**

*Operating Leases*

The System has various operating leases relative to its office and offsite locations. Future annual minimum lease payments under noncancellable lease agreements as of September 30, 2017 are as follows:

Year Ending September 30:	
2018	\$ 5,318
2019	4,732
2020	4,346
2021	4,086
2022	3,344
Thereafter	<u>17,954</u>
	<u>\$39,780</u>

Rent expense was \$6,129 and \$5,862 for the years ended September 30, 2017 and 2016, respectively.

**8. Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at September 30:

	<u>2017</u>	<u>2016</u>
Health education and program services	\$ 15,970	\$ 13,655
Capital acquisitions	1,485	1,099
Indigent care	243	270
For periods after September 30 of each year	<u>102</u>	<u>269</u>
	<u>\$ 17,800</u>	<u>\$ 15,293</u>

Income on the following permanently restricted net asset funds is available for the following purposes at September 30:

	<u>2017</u>	<u>2016</u>
Health education and program services	\$ 17,595	\$ 17,115
Capital acquisitions	803	803
Indigent care	1,811	1,811
For periods after September 30 of each year	<u>193</u>	<u>152</u>
	<u>\$ 20,402</u>	<u>\$ 19,881</u>

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016

(In thousands)

**9. Patient Service and Other Revenue**

Net patient service revenue for the years ended September 30 is as follows:

	<u>2017</u>	<u>2016</u>
Gross patient service charges:		
Inpatient services	\$ 488,730	\$ 446,448
Outpatient services	609,993	552,939
Physician services	168,161	156,870
Less charitable services	<u>(8,547)</u>	<u>(8,789)</u>
	1,258,337	1,147,468
Less contractual allowances and discounts:		
Medicare	456,339	393,940
Medicaid	110,816	114,502
Other	<u>223,077</u>	<u>204,335</u>
	<u>790,232</u>	<u>712,777</u>
Total Hospital net patient service revenue (net of contractual allowances and discounts)	468,105	434,691
Other entities	<u>242</u>	<u>270</u>
	<u>\$ 468,347</u>	<u>\$ 434,961</u>

An estimated breakdown of patient service revenue, net of contractual allowances, discounts and provision for doubtful accounts recognized in 2017 and 2016 from these major payor sources, is as follows for the Hospital. The provision for doubtful accounts for subsidiaries of the Hospital was not significant in 2017 and 2016.

	<u>Hospital</u>			
	<u>Gross Patient Service Revenues</u>	<u>Contractual Allowances and Discounts</u>	<u>Provision for Doubtful Accounts</u>	<u>Net Patient Service Revenues Less Provision for Doubtful Accounts</u>
<u>2017</u>				
Private payors (includes coinsurance and deductibles)	\$ 494,628	\$(223,077)	\$ (9,878)	\$261,673
Medicaid	132,747	(110,816)	-	21,931
Medicare	604,179	(456,339)	(2,509)	145,331
Self-pay	<u>26,783</u>	<u>-</u>	<u>(7,652)</u>	<u>19,131</u>
	<u>\$1,258,337</u>	<u>\$(790,232)</u>	<u>\$ (20,039)</u>	<u>\$448,066</u>

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016

(In thousands)

**9. Patient Service and Other Revenue (Continued)**

	Hospital			
	Gross Patient Service Revenues	Contractual Allowances and Discounts	Provision for Doubtful Accounts	Net Patient Service Revenues Less Provision for Doubtful Accounts
<u>2016</u>				
Private payors (includes coinsurance and deductibles)	\$ 459,683	\$(204,335)	\$ (7,864)	\$247,484
Medicaid	139,999	(114,502)	-	25,497
Medicare	525,644	(393,940)	(2,237)	129,467
Self-pay	<u>22,142</u>	<u>-</u>	<u>(7,488)</u>	<u>14,654</u>
	<u>\$1,147,468</u>	<u>\$(712,777)</u>	<u>\$(17,589)</u>	<u>\$417,102</u>

*Electronic Health Records Incentive Payments*

The CMS Electronic Health Records (EHR) incentive programs provide a financial incentive for the "meaningful use" of certified EHR technology to achieve health and efficiency goals. To qualify for incentive payments, eligible organizations must successfully demonstrate meaningful use of certified EHR technology through various stages defined by CMS. Revenue totaling \$148 and \$99 associated with these meaningful use attestations was recorded as other revenue for the years ended September 30, 2017 and 2016, respectively.

**10. Functional Expenses**

The System provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows for the years ended September 30:

	<u>2017</u>	<u>2016</u>
Health care services	\$324,985	\$314,591
General and administrative	85,702	70,016
Depreciation and amortization	24,378	24,535
Medicaid enhancement tax	20,311	19,679
Interest expense	<u>2,918</u>	<u>3,700</u>
	<u>\$458,294</u>	<u>\$432,521</u>

Fundraising related expenses were \$940 and \$898 for the years ended September 30, 2017 and 2016, respectively.

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

**11. Charity Care and Community Benefits (Unaudited)**

The Hospital maintains records to identify and monitor the level of charity care it provides. The Hospital provides traditional charity care, as well as other forms of community benefits. The estimated cost of all such benefits provided is as follows for the years ended September 30:

	<u>2017</u>	<u>2016</u>
Community health services	\$ 2,150	\$ 1,939
Health professions education	4,398	3,749
Subsidized health services	40,320	35,624
Research	83	94
Financial contributions	752	700
Community building activities	45	46
Community benefit operations	97	77
Charity care costs (see Note 1)	<u>3,669</u>	<u>3,807</u>
	<u>\$51,514</u>	<u>\$46,036</u>

In addition, the Hospital incurred estimated costs for services to Medicare and Medicaid patients in excess of the payment from these programs of \$88,830 and \$82,669 in 2017 and 2016, respectively.

**12. Concentration of Credit Risk**

The Hospital grants credit without collateral to its patients, most of whom are local residents of southern New Hampshire and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors as of September 30 is as follows:

	<u>2017</u>	<u>2016</u>
Patients	10%	10%
Medicare	33	33
Anthem Blue Cross	14	13
Cigna	3	4
Medicaid	13	16
Commercial	25	23
Workers' compensation	<u>2</u>	<u>1</u>
	<u>100%</u>	<u>100%</u>

## CONCORD HOSPITAL, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

#### 13. Volunteer Services (Unaudited)

Total volunteer service hours received by the Hospital were approximately 20,800 in 2017 and 22,000 in 2016. The volunteers provide various nonspecialized services to the Hospital, none of which has been recognized as revenue or expense in the accompanying consolidated statements of operations.

#### 14. Fair Value Measurements

Fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the System uses various methods including market, income and cost approaches. Based on these approaches, the System often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The System utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the System is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, the System performs a detailed analysis of the assets and liabilities. There have been no changes in the methodologies used at September 30, 2017 and 2016. In accordance with ASU 2015-07, certain investments that are measured using the net value per share practical expedient have not been classified in the fair value hierarchy.

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

**14. Fair Value Measurements (Continued)**

The following presents the balances of assets measured at fair value on a recurring basis at September 30:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2017</u>				
Cash and cash equivalents	\$ 18,811	\$ —	\$ —	\$ 18,811
Fixed income securities	30,982	—	—	30,982
Marketable equity and other securities	99,069	—	—	99,069
Inflation-protected securities and other	22,187	—	—	22,187
Trust funds administered by others	<u>—</u>	<u>—</u>	<u>11,002</u>	<u>11,002</u>
	<u>\$171,049</u>	<u>\$ —</u>	<u>\$11,002</u>	182,051
Funds measured at net asset value:				
Marketable equity and other securities				<u>173,052</u>
				<u>\$355,103</u>
<u>2016</u>				
Cash and cash equivalents	\$ 27,008	\$ —	\$ —	\$ 27,008
Fixed income securities	33,021	—	—	33,021
Marketable equity and other securities	105,565	—	—	105,565
Inflation-protected securities and other	21,499	—	—	21,499
Trust funds administered by others	<u>—</u>	<u>—</u>	<u>10,607</u>	<u>10,607</u>
	<u>\$187,093</u>	<u>\$ —</u>	<u>\$10,607</u>	197,700
Funds measured at net asset value:				
Marketable equity and other securities				<u>133,944</u>
				<u>\$331,644</u>

The System's Level 3 investments consist of funds administered by others. The fair value measurement is based on significant unobservable inputs.

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. As such, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated balance sheets and statements of operations.

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

**14. Fair Value Measurements (Continued)**

A reconciliation of the fair value measurements using significant unobservable inputs (Level 3) is as follows for 2017 and 2016:

	<u>Trust Funds Administered by Others</u>
Balance at September 30, 2015	\$ 10,489
Net realized and unrealized gains	<u>118</u>
Balance at September 30, 2016	10,607
Net realized and unrealized gains	<u>395</u>
Balance at September 30, 2017	<u>\$ 11,002</u>

The table below sets forth additional disclosures for investment funds (other than mutual funds) valued based on net asset value to further understand the nature and risk of the investments by category:

	<u>Fair Value</u>	<u>Unfunded Commit- ments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
September 30, 2017:				
Funds-of-funds	\$ 13,948	\$ —	Semi-monthly	5 days
Funds-of-funds	10,634	—	Monthly	15 days
Funds-of-funds	58,988	—	Quarterly	45 – 65 days
Funds-of-funds	18,219	—	Annual	60 - 90 days*
Funds-of-funds	7,232	—	Three year rolling	60 days**
Funds-of-funds	362	3,411	Illiquid	N/A
Collective trust funds	5,906	—	Daily	10 days
Collective trust funds	57,763	—	Monthly	6 – 10 days
September 30, 2016:				
Funds-of-funds	\$ 15,821	\$ —	Monthly	15 days
Funds-of-funds	54,355	—	Quarterly	45 – 65 days
Funds-of-funds	9,125	—	Annual	90 days
Funds-of-funds	6,230	—	Three year rolling	60 days**
Collective trust funds	48,413	—	Monthly	6 – 10 days

\* Certain funds are subject to a 2 year lock period before annual redemption can occur.

\*\* Subject to a 3 year rolling lock. This fund also has a special redemption right that allows the Hospital to liquidate 10% of the investment on March 1 of each year, with 30 days' notice.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

### 14. Fair Value Measurements (Continued)

#### Investment Strategies

##### Fixed Income Securities

The primary purpose of fixed income investments is to provide a highly predictable and dependable source of income, preserve capital, and reduce the volatility of the total portfolio and hedge against the risk of deflation or protracted economic contraction.

##### Marketable Equity and Other Securities

The primary purpose of marketable equity investments is to provide appreciation of principal and growth of income with the recognition that this requires the assumption of greater market volatility and risk of loss. The total marketable equity portion of the portfolio will be broadly diversified according to economic sector, industry, number of holdings and other characteristics including style and capitalization. The System may employ multiple equity investment managers, each of whom may have distinct investment styles. Accordingly, while each manager's portfolio may not be fully diversified, it is expected that the combined equity portfolio will be broadly diversified.

The System invests in other securities that are considered alternative investments that consist of limited partnership interests in investment funds, which, in turn, invest in diversified portfolios predominantly comprised of equity and fixed income securities, as well as options, futures contracts, and some other less liquid investments. Management has approved procedures pursuant to the methods in which the System values these investments at fair value, which ordinarily will be the amount equal to the pro-rata interest in the net assets of the limited partnership, as such value is supplied by, or on behalf of, each investment from time to time, usually monthly and/or quarterly by the investment manager. Collective trust funds are generally valued based on the proportionate share of total fund net assets.

System management is responsible for the fair value measurements of investments reported in the consolidated financial statements. Such amounts are generally determined using audited financial statements of the funds and/or recently settled transactions and is estimated using the net asset value per share of the fund. Because of inherent uncertainty of valuation of certain alternative investments, the estimate of the fund manager or general partner may differ from actual values, and differences could be significant. Management believes that reported fair values of its alternative investments at the balance sheet dates are reasonable.

The Hospital has committed to invest up to \$5,746 between three investment managers, and had funded \$335 of that commitment as of September 30, 2017. As these investments are made, the Hospital reallocates resources from its current investments resulting in an asset allocation shift within the investment pool.

##### Inflation-Protected Securities

The primary purpose of inflation-protected securities is to provide protection against the negative effects of inflation.

## CONCORD HOSPITAL, INC. AND SUBSIDIARIES

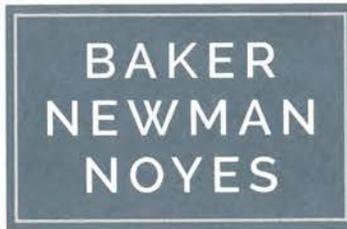
### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016  
(In thousands)

#### 14. **Fair Value Measurements (Continued)**

##### *Fair Value of Other Financial Instruments*

Other financial instruments consist of accounts and pledges receivable, accounts payable and accrued expenses, estimated third-party payor settlements, and long-term debt and notes payable. The fair value of all financial instruments other than long-term debt and notes payable approximates their relative book values as these financial instruments have short-term maturities or are recorded at amounts that approximate fair value. The fair value of the System's long-term debt and notes payable is estimated using discounted cash flow analyses, based on the System's current incremental borrowing rates for similar types of borrowing arrangements. The carrying value and fair value of the System's long-term debt and notes payable amounted to \$86,166 and \$102,286, respectively, at September 30, 2017, and \$94,877 and \$112,762, respectively, at September 30, 2016.



**Concord Hospital, Inc.  
and Subsidiaries**

Audited Consolidated Financial Statements

*Years Ended September 30, 2016 and 2015  
With Independent Auditors' Report*

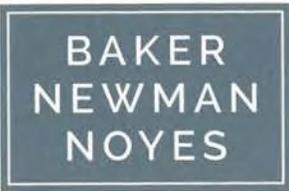
# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

Audited Consolidated Financial Statements

Years Ended September 30, 2016 and 2015

## CONTENTS

Independent Auditors' Report	1
Audited Consolidated Financial Statements:	
Consolidated Balance Sheets	2
Consolidated Statements of Operations	4
Consolidated Statements of Changes in Net Assets	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7



**INDEPENDENT AUDITORS' REPORT**

The Board of Trustees  
Concord Hospital, Inc.

We have audited the accompanying consolidated financial statements of Concord Hospital, Inc. and Subsidiaries (the System), which comprise the consolidated balance sheets as of September 30, 2016 and 2015, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

*Management's Responsibility for the Consolidated Financial Statements*

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

*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the System as of September 30, 2016 and 2015, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Baker Newman & Noyes LLC*

Manchester, New Hampshire  
January 6, 2017

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

September 30, 2016 and 2015

ASSETS  
(In thousands)

	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and cash equivalents	\$ 6,555	\$ 8,096
Short-term investments	19,512	7,395
Accounts receivable, less allowance for doubtful accounts of \$9,858 in 2016 and \$12,605 in 2015	52,693	55,104
Due from affiliates	270	325
Supplies	1,262	1,382
Prepaid expenses and other current assets	<u>4,760</u>	<u>5,945</u>
Total current assets	85,052	78,247
Assets whose use is limited or restricted:		
Board designated	260,287	251,927
Funds held by trustee for workers' compensation reserves and self-insurance escrows	14,328	11,282
Donor-restricted funds and restricted grants	<u>37,517</u>	<u>34,304</u>
Total assets whose use is limited or restricted	312,132	297,513
Other noncurrent assets:		
Due from affiliates, net of current portion	1,615	2,001
Other assets	<u>11,848</u>	<u>13,808</u>
Total other noncurrent assets	13,463	15,809
Property and equipment:		
Land and land improvements	7,003	5,878
Buildings	179,824	182,833
Equipment	235,334	226,193
Construction in progress	<u>16,413</u>	<u>12,515</u>
	438,574	427,419
Less accumulated depreciation	<u>(282,034)</u>	<u>(278,714)</u>
Net property and equipment	<u>156,540</u>	<u>148,705</u>
	<u>\$ 567,187</u>	<u>\$ 540,274</u>

LIABILITIES AND NET ASSETS  
(In thousands)

	<u>2016</u>	<u>2015</u>
Current liabilities:		
Short-term notes payable	\$ 459	\$ 2,412
Accounts payable and accrued expenses	30,104	29,742
Accrued compensation and related expenses	22,830	27,042
Accrual for estimated third-party payor settlements	22,459	14,323
Current portion of long-term debt	<u>8,570</u>	<u>8,337</u>
Total current liabilities	84,422	81,856
Long-term debt, net of current portion	85,399	94,045
Accrued pension and other long-term liabilities	<u>99,258</u>	<u>81,688</u>
Total liabilities	269,079	257,589
Net assets:		
Unrestricted	262,934	248,381
Temporarily restricted	15,293	14,860
Permanently restricted	<u>19,881</u>	<u>19,444</u>
Total net assets	298,108	282,685
	<u>\$ 567,187</u>	<u>\$ 540,274</u>

See accompanying notes.

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**Years Ended September 30, 2016 and 2015  
(In thousands)

	<u>2016</u>	<u>2015</u>
Unrestricted revenue and other support:		
Net patient service revenue, net of contractual allowances and discounts	\$434,961	\$438,572
Provision for doubtful accounts	<u>(17,251)</u>	<u>(16,839)</u>
Net patient service revenue less provision for doubtful accounts	417,710	421,733
Other revenue	20,998	23,599
Disproportionate share revenue	7,800	3,497
Net assets released from restrictions for operations	<u>1,232</u>	<u>1,648</u>
Total unrestricted revenue and other support	447,740	450,477
Operating expenses:		
Salaries and wages	208,274	193,080
Employee benefits	55,298	52,220
Supplies and other	87,060	81,719
Purchased services	29,297	64,046
Professional fees	4,678	3,491
Depreciation and amortization	24,535	24,437
Medicaid enhancement tax	19,679	12,800
Interest expense	<u>3,700</u>	<u>3,974</u>
Total operating expenses	<u>432,521</u>	<u>435,767</u>
Income from operations	15,219	14,710
Nonoperating income:		
Unrestricted gifts and bequests	251	204
Investment income and other	<u>27,497</u>	<u>11,386</u>
Total nonoperating income	<u>27,748</u>	<u>11,590</u>
Excess of revenues and nonoperating income over expenses	<u>\$ 42,967</u>	<u>\$ 26,300</u>

See accompanying notes.

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

Years Ended September 30, 2016 and 2015  
(In thousands)

	<u>2016</u>	<u>2015</u>
Unrestricted net assets:		
Excess of revenues and nonoperating income over expenses	\$ 42,967	\$ 26,300
Net unrealized losses on investments	(5,098)	(23,982)
Net transfers from affiliates	189	372
Net assets released from restrictions used for purchases of property and equipment	1,331	82
Pension adjustment	<u>(24,836)</u>	<u>(33,178)</u>
Increase (decrease) in unrestricted net assets	14,553	(30,406)
Temporarily restricted net assets:		
Restricted contributions and pledges	1,539	2,492
Restricted investment income	2,181	990
Contributions to affiliates and other community organizations	(184)	(140)
Net unrealized losses on investments	(540)	(1,841)
Net assets released from restrictions for operations	(1,232)	(1,648)
Net assets released from restrictions used for purchases of property and equipment	<u>(1,331)</u>	<u>(82)</u>
Increase (decrease) in temporarily restricted net assets	433	(229)
Permanently restricted net assets:		
Restricted contributions and pledges	319	182
Unrealized gains (losses) on trusts administered by others	<u>118</u>	<u>(581)</u>
Increase (decrease) in permanently restricted net assets	<u>437</u>	<u>(399)</u>
Increase (decrease) in net assets	15,423	(31,034)
Net assets, beginning of year	<u>282,685</u>	<u>313,719</u>
Net assets, end of year	<u>\$298,108</u>	<u>\$282,685</u>

See accompanying notes.

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years Ended September 30, 2016 and 2015  
(In thousands)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 15,423	\$ (31,034)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Restricted contributions and pledges	(1,858)	(2,674)
Depreciation and amortization	24,535	24,437
Net realized and unrealized (gains) losses on investments	(19,808)	16,731
Bond premium and issuance cost amortization	(75)	(46)
Provision for doubtful accounts	17,251	16,839
Equity in earnings of affiliates, net	(6,170)	(6,804)
Loss (gain) on disposal of property and equipment	163	(79)
Pension adjustment	24,836	33,178
Changes in operating assets and liabilities:		
Accounts receivable	(14,840)	(25,047)
Supplies, prepaid expenses and other current assets	1,305	43
Other assets	2,352	9,738
Due from affiliates	441	540
Accounts payable and accrued expenses	362	9,294
Accrued compensation and related expenses	(4,212)	1,213
Accrual for estimated third-party payor settlements	8,136	(710)
Accrued pension and other long-term liabilities	<u>(7,266)</u>	<u>(29,681)</u>
Net cash provided by operating activities	40,575	15,938
Cash flows from investing activities:		
Increase in property and equipment, net	(32,533)	(22,049)
Purchases of investments	(120,966)	(48,852)
Proceeds from sales of investments	113,592	48,801
Equity distributions from affiliates	<u>5,778</u>	<u>6,803</u>
Net cash used by investing activities	(34,129)	(15,297)
Cash flows from financing activities:		
Payments on long-term debt	(8,338)	(8,130)
Change in short-term notes payable	(1,953)	500
Restricted contributions and pledges	<u>2,304</u>	<u>2,132</u>
Net cash used by financing activities	<u>(7,987)</u>	<u>(5,498)</u>
Net decrease in cash and cash equivalents	(1,541)	(4,857)
Cash and cash equivalents at beginning of year	<u>8,096</u>	<u>12,953</u>
Cash and cash equivalents at end of year	\$ <u>6,555</u>	\$ <u>8,096</u>

See accompanying notes.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015  
(In thousands)

### 1. Description of Organization and Summary of Significant Accounting Policies

#### Organization

Concord Hospital, Inc., (the Hospital) located in Concord, New Hampshire, is a not-for-profit acute care hospital. The Hospital provides inpatient, outpatient, emergency care and physician services for residents within its geographic region. Admitting physicians are primarily practitioners in the local area. The Hospital is controlled by Capital Region Health Care Corporation (CRHC).

In 1985, the then Concord Hospital underwent a corporate reorganization in which it was renamed and became CRHC. At the same time, the Hospital was formed as a new entity. All assets and liabilities of the former hospital, now CRHC, with the exception of its endowments and restricted funds, were conveyed to the new Hospital. The endowments were held by CRHC for the benefit of the Hospital, which is the true party in interest. Effective October 1, 1999, CRHC transferred these funds to the Hospital.

In March 2009, Concord Hospital created The Concord Hospital Trust (the Trust), a separately incorporated, not-for-profit organization to serve as the Hospital's philanthropic arm. In establishing the Trust, the Hospital transferred philanthropic permanent and temporarily restricted funds, including board designated funds, endowments, indigent care funds and specific purpose funds, to the newly formed organization together with the stewardship responsibility to direct monies available to support the Hospital's charitable mission and reflect the specific intentions of the donors who made these gifts. Concord Hospital and the Trust constitute the Obligated Group at September 30, 2016 and 2015 to certain debt described in Note 6.

Subsidiaries of the Hospital include:

Capital Region Health Care Development Corporation (CRHCDC) is a not-for-profit real estate corporation that owns and operates medical office buildings and other properties.

Capital Region Health Ventures Corporation (CRHVC) is a not-for-profit corporation that engages in health care delivery partnerships and joint ventures. It operates ambulatory surgery and diagnostic facilities in cooperation with other entities.

CH/DHC, Inc. d/b/a Dartmouth-Hitchcock-Concord (CH/DHC) is a not-for-profit corporation that provides clinical medical services through a multi-specialty group practice. CH/DHC was formed under a joint agreement between the Hospital and DH-Concord. The joint agreement terminated effective September 30, 2015.

The Hospital, its subsidiaries and the Trust are collectively referred to as the System. The consolidated financial statements include the accounts of the Hospital, the Trust, CRHCDC, CRHVC and CH/DHC. All significant intercompany balances and transactions have been eliminated in consolidation.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015  
(In thousands)

### 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

#### 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Concentration of Credit Risk

Financial instruments which subject the Hospital to credit risk consist primarily of cash equivalents, accounts receivable and investments. The risk with respect to cash equivalents is minimized by the Hospital's policy of investing in financial instruments with short-term maturities issued by highly rated financial institutions. The Hospital's accounts receivable are primarily due from third-party payors and amounts are presented net of expected contractual allowances and uncollectible amounts, including estimated uncollectible amounts from uninsured patients. The Hospital's investment portfolio consists of diversified investments, which are subject to market risk. The Hospital's investment in one fund, the Vanguard Institutional Index Fund, exceeded 10% of total Hospital investments as of September 30, 2016. The Hospital's investment in one fund, the State Street S&P 500 CTF, exceeded 10% of total Hospital investments as of September 30, 2015.

#### Cash and Cash Equivalents

Cash and cash equivalents include money market funds and secured repurchase agreements with original maturities of three months or less, excluding assets whose use is limited or restricted.

The Hospital maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Hospital has not experienced any losses on such accounts.

#### Supplies

Supplies are carried at the lower of cost, determined on a weighted-average method, or net realizable value.

#### Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted include assets held by trustees under workers' compensation reserves and self-insurance escrows, designated assets set aside by the Board of Trustees, over which the Board retains control and may, at its discretion, subsequently use for other purposes, and donor-restricted investments.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015  
(In thousands)

### 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

#### Investments and Investment Income

Investments are carried at fair value in the accompanying consolidated balance sheets. Investment income (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues and nonoperating income over expenses unless the income is restricted by donor or law. Gains and losses on investments are computed on a specific identification basis. Unrealized gains and losses on investments are excluded from the excess of revenues and nonoperating income over expenses unless the investments are classified as trading securities or losses are considered other-than-temporary. Periodically, management reviews investments for which the market value has fallen significantly below cost and recognizes impairment losses where they believe the declines are other-than-temporary.

#### Beneficial Interest in Perpetual Trusts

The System has an irrevocable right to receive income earned on certain trust assets established for its benefit. Distributions received by the System are unrestricted. The System's interest in the fair value of the trust assets is included in assets whose use is limited and as permanently restricted net assets. Changes in the fair value of beneficial trust assets are reported as increases or decreases to permanently restricted net assets.

#### Investment Policies

The System's investment policies provide guidance for the prudent and skillful management of invested assets with the objective of preserving capital and maximizing returns. The invested assets include endowment, specific purpose and board designated (unrestricted) funds.

Endowment funds are identified as permanent in nature, intended to provide support for current or future operations and other purposes identified by the donor. These funds are managed with disciplined longer-term investment objectives and strategies designed to accommodate relevant, reasonable, or probable events.

Temporarily restricted funds are temporary in nature, restricted as to time or purpose as identified by the donor or grantor. These funds have various intermediate/long-term time horizons associated with specific identified spending objectives.

Board designated funds have various intermediate/long-term time horizons associated with specific spending objectives as determined by the Board of Trustees.

Management of these assets is designed to increase, with minimum risk, the inflation adjusted principal and income of the endowment funds over the long term. The System targets a diversified asset allocation that places emphasis on achieving its long-term return objectives within prudent risk constraints.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015  
(In thousands)

### 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

#### Spending Policy for Appropriation of Assets for Expenditure

In accordance with the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA), the System considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (a) the duration and preservation of the fund; (b) the purpose of the organization and the donor-restricted endowment fund; (c) general economic conditions; (d) the possible effect of inflation and deflation; (e) the expected total return from income and the appreciation of investments; (f) other resources of the organization; and (g) the investment policies of the organization.

Spending policies may be adopted by the System, from time to time, to provide a stream of funding for the support of key programs. The spending policies are structured in a manner to ensure that the purchasing power of the assets is maintained while providing the desired level of annual funding to the programs. The System has a current spending policy on various funds currently equivalent to 5% of twelve-quarter moving average of the funds' total market value.

#### Accounts Receivable and the Allowance for Doubtful Accounts

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the System analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for doubtful accounts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for doubtful accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the System records a provision for doubtful accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The System's allowance for doubtful accounts for self-pay patients represented 70% and 68% of self-pay accounts receivable at September 30, 2016 and 2015, respectively. The total provision for the allowance for doubtful accounts was \$17,251 and \$16,839 for the years ended September 30, 2016 and 2015, respectively. The System also allocates a portion of the allowance and provision for doubtful accounts to charity care, which is not recorded as revenue. The System's self-pay bad debt writeoffs increased \$614, from \$21,518 in 2015 to \$22,132 in 2016. The increase in bad debt writeoffs between 2016 and 2015 was primarily a result of certain shifts in payor mix.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015  
(In thousands)

### 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

#### Property and Equipment

Property and equipment is stated at cost at time of purchase, or at fair value at time of donation for assets contributed, less any reductions in carrying value for impairment and less accumulated depreciation. The System's policy is to capitalize expenditures for major improvements and charge maintenance and repairs currently for expenditures which do not extend the lives of the related assets. Depreciation is computed using the straight-line method in a manner intended to amortize the cost of the related assets over their estimated useful lives. For the years ended September 30, 2016 and 2015, depreciation expense was \$24,535 and \$24,437, respectively.

The System has also capitalized certain costs associated with property and equipment not yet in service. Construction in progress includes amounts incurred related to major construction projects, other renovations, and other capital equipment purchased but not yet placed in service. During 2016, the Hospital entered into various construction contracts totaling approximately \$9,600 for the construction of a new parking garage. Construction began in September 2016 and is expected to be completed in the spring of 2017. There was no interest capitalized during 2016 and 2015.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support, and are excluded from the excess of revenues and nonoperating income over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

#### Federal Grant Revenue and Expenditures

Revenues and expenses under federal grant programs are recognized as the grant expenditures are incurred.

#### Bond Issuance Costs/Original Issue Discount or Premium

Bond issuance costs incurred to obtain financing for construction and renovation projects and the original issue discount or premium are amortized to interest expense using the straight-line method, which approximates the effective interest method, over the life of the respective bonds. The original issue discount or premium and bond issuance costs are presented as a component of bonds payable.

#### Charity Care

The System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates (Note 11). Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The System determines the costs associated with providing charity care by calculating a ratio of cost to gross charges, and then multiplying that ratio by the gross uncompensated charges associated with providing care to patients eligible for free care. Funds received from gifts and grants to subsidize charity services provided for the years ended September 30, 2016 and 2015 were approximately \$330 and \$473, respectively.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015  
(In thousands)

### 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

#### Temporarily and Permanently Restricted Net Assets

Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of donated assets. Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported as either net assets released from restrictions for operations (for noncapital related items) or as net assets released from restrictions used for purchases of property and equipment (capital related items). Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

#### Net Patient Service Revenue

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, per diem payments and fee schedules. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Changes in these estimates are reflected in the financial statements in the year in which they occur. For the years ended September 30, 2016 and 2015, net patient service revenue in the accompanying consolidated statements of operations decreased by approximately \$500 and \$3,106, respectively, due to actual settlements and changes in assumptions underlying estimated future third-party settlements.

Revenues from the Medicare and Medicaid programs accounted for approximately 31% and 6% and 31% and 4% of the Hospital's net patient service revenue for the years ended September 30, 2016 and 2015, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation.

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients, the Hospital provides a discount approximately equal to that of its largest private insurance payors. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for doubtful accounts related to uninsured patients in the period the services are provided.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015  
(In thousands)

### 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

#### Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the System are reported at fair value at the date the promise is received. Conditional promises to give and intentions to give are reported at fair value at the date the condition is met. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of donated assets.

#### Excess of Revenues and Nonoperating Income Over Expenses

The System has deemed all activities as ongoing, major or central to the provision of health care services and, accordingly, they are reported as operating revenue and expenses, except for unrestricted contributions and pledges, the related philanthropy expenses and investment income which are recorded as nonoperating income.

The consolidated statements of operations also include excess of revenues and nonoperating income over expenses. Changes in unrestricted net assets which are excluded from excess of revenues and nonoperating income over expenses, consistent with industry practice, include the change in net unrealized gains and losses on investments other than trading securities or losses considered other than temporary, permanent transfers of assets to and from affiliates for other than goods and services, pension liability adjustments and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

#### Estimated Workers' Compensation and Health Care Claims

The provision for estimated workers' compensation and health care claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

#### Income Taxes

The Hospital, CRHCDC, CRHVC, CH/DHC and the Trust are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code, and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Management evaluated the System's tax positions and concluded the System has maintained its tax-exempt status, does not have any significant unrelated business income and had taken no uncertain tax positions that require adjustment to or disclosure in the accompanying consolidated financial statements.

#### Advertising Costs

The System expenses advertising costs as incurred, and such costs totaled approximately \$200 and \$214 for the years ended September 30, 2016 and 2015, respectively.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015

(In thousands)

### 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

#### Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the System expects to be entitled in exchange for those goods and services. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. ASU 2014-09 is effective for the System on October 1, 2018. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. The System is evaluating the impact that ASU 2014-09 will have on its consolidated financial statements and related disclosures.

In April 2015, the FASB issued ASU No. 2015-03, *Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). ASU 2015-03 simplifies the presentation of debt issuance costs and requires that the debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for the System's fiscal year ending September 30, 2017 with early adoption permitted. The System has elected to implement ASU 2015-03 in its 2016 consolidated financial statements (with retroactive application to 2015) which is allowed under the pronouncement. The adoption of this pronouncement did not materially affect the consolidated financial statements. See Note 6.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02). Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. ASU 2016-02 is effective for the System on October 1, 2019, with early adoption permitted. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. The System is currently evaluating the impact of the pending adoption of ASU 2016-02 on the System's consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities (Topic 958)* (ASU 2016-14). Under ASU 2016-14, the existing three-category classification of net assets (i.e., unrestricted, temporarily restricted and permanently restricted) will be replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions". ASU 2016-14 also enhances certain disclosures regarding board designations, donor restrictions and qualitative information regarding management of liquid resources. In addition to reporting expenses by functional classifications, ASU 2016-14 will also require the financial statements to provide information about expenses by their nature, along with enhanced disclosures about the methods used to allocate costs among program and support functions. ASU 2016-14 is effective for the System's fiscal year ending September 30, 2019, with early adoption permitted. The System is currently evaluating the impact of the pending adoption of ASU 2016-14 on the System's consolidated financial statements.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015

(In thousands)

### 1. **Description of Organization and Summary of Significant Accounting Policies (Continued)**

#### *Reclassifications*

Certain 2015 amounts have been reclassified to permit comparison with the 2016 consolidated financial statements presentation format.

#### *Subsequent Events*

Management of the System evaluated events occurring between the end of the System's fiscal year and January 6, 2017, the date the consolidated financial statements were available to be issued.

### 2. **Transactions With Affiliates**

The System provides funds to CRHC and its affiliates which are used for a variety of purposes. The System records the transfer of funds to CRHC and the other affiliates as either receivables or directly against net assets, depending on the intended use and repayment requirements of the funds. Generally, funds transferred for start-up costs of new ventures or capital related expenditures are recorded as charges against net assets. For the years ended September 30, 2016 and 2015, transfers made to CRHC were \$(129) and \$(77), respectively, and transfers received from Capital Region Health Services Corporation (CRHSC) were \$318 and \$449, respectively.

A brief description of affiliated entities is as follows:

- CRHSC is a for-profit provider of health care services, including an eye surgery center and assisted living facility.
- Concord Regional Visiting Nurse Association, Inc. and Subsidiary (CRVNA) provides home health care services.
- Riverbend, Inc. provides behavioral health services.

Amounts due the System, primarily from joint ventures, totaled \$1,885 and \$2,326 at September 30, 2016 and 2015, respectively. Amounts have been classified as current or long-term depending on the intentions of the parties involved. Beginning in 1999, the Hospital began charging interest on a portion of the receivables (\$851 and \$892 at September 30, 2016 and 2015, respectively) with principal and interest (6.75% at September 30, 2016) payments due monthly. Interest income amounted to \$59 and \$62 for the years ended September 30, 2016 and 2015, respectively.

Contributions to affiliates and other community organizations from temporarily restricted net assets were \$184 and \$140 in 2016 and 2015, respectively.

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015  
(In thousands)

**3. Investments and Assets Whose Use is Limited or Restricted**

Short-term investments totaling \$19,512 and \$7,395 at September 30, 2016 and 2015, respectively, are comprised primarily of cash and cash equivalents. Assets whose use is limited or restricted are carried at fair value and consist of the following at September 30:

	<u>2016</u>	<u>2015</u>
Board designated funds:		
Cash and cash equivalents	\$ 625	\$ 7,694
Fixed income securities	25,139	32,547
Marketable equity and other securities	214,931	194,948
Inflation-protected securities	<u>19,592</u>	<u>16,738</u>
	260,287	251,927
Held by trustee for workers' compensation reserves:		
Fixed income securities	4,024	3,803
Health insurance and other escrow funds:		
Cash and cash equivalents	1,682	960
Fixed income securities	1,783	1,337
Marketable equity securities	<u>6,839</u>	<u>5,182</u>
	10,304	7,479
Donor-restricted funds and restricted grants:		
Cash and cash equivalents	5,189	3,392
Fixed income securities	2,075	2,607
Marketable equity securities	17,739	15,737
Inflation-protected securities	1,615	1,341
Trust funds administered by others	10,607	10,489
Other	<u>292</u>	<u>738</u>
	<u>37,517</u>	<u>34,304</u>
	<u>\$312,132</u>	<u>\$297,513</u>

Included in marketable equity and other securities above are \$133,944 and \$111,063 at September 30, 2016 and 2015, respectively, in so called alternative investments. See also Note 14.

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015

(In thousands)

**3. Investments and Assets Whose Use is Limited or Restricted (Continued)**

Investment income, net realized gains and losses and net unrealized gains and losses on assets whose use is limited or restricted, cash and cash equivalents, and other investments are as follows at September 30:

	<u>2016</u>	<u>2015</u>
Unrestricted net assets:		
Interest and dividends	\$ 3,505	\$ 3,885
Investment income from trust funds administered by others	567	546
Net realized gains on sales of investments	<u>23,408</u>	<u>8,955</u>
	27,480	13,386
Restricted net assets:		
Interest and dividends	261	272
Net realized gains on sales of investments	<u>1,920</u>	<u>718</u>
	<u>2,181</u>	<u>990</u>
	<u>\$29,661</u>	<u>\$ 14,376</u>
Net unrealized (losses) gains on investments:		
Unrestricted net assets	\$ (5,098)	\$ (23,982)
Temporarily restricted net assets	(540)	(1,841)
Permanently restricted net assets	<u>118</u>	<u>(581)</u>
	<u>\$ (5,520)</u>	<u>\$ (26,404)</u>

In compliance with the System's spending policy, portions of investment income and related fees are recognized in other operating revenue on the accompanying consolidated statements of operations. Investment income reflected in other operating revenue was \$1,695 and \$1,709 in 2016 and 2015, respectively.

Investment management fees expensed and reflected in nonoperating income were \$858 and \$896 for the years ended September 30, 2016 and 2015, respectively.

The following summarizes the Hospital's gross unrealized losses and fair values, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2016 and 2015:

	<u>Less Than 12 Months</u>		<u>12 Months or Longer</u>		<u>Total</u>	
	<u>Fair</u>	<u>Unrealized</u>	<u>Fair</u>	<u>Unrealized</u>	<u>Fair</u>	<u>Unrealized</u>
	<u>Value</u>	<u>Losses</u>	<u>Value</u>	<u>Losses</u>	<u>Value</u>	<u>Losses</u>
<u>2016</u>						
Marketable equity securities	\$ 1,830	\$ (86)	\$ 26,503	\$ (9,538)	\$ 28,333	\$ (9,624)
Fund-of-funds	<u>7,785</u>	<u>(215)</u>	<u>33,978</u>	<u>(2,703)</u>	<u>41,763</u>	<u>(2,918)</u>
	<u>\$ 9,615</u>	<u>\$ (301)</u>	<u>\$ 60,481</u>	<u>\$ (12,241)</u>	<u>\$ 70,096</u>	<u>\$ (12,542)</u>

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015  
(In thousands)

**3. Investments and Assets Whose Use is Limited or Restricted (Continued)**

	<u>Less Than 12 Months</u>		<u>12 Months or Longer</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
<u>2015</u>						
Marketable equity securities	\$ 32,230	\$ (3,745)	\$ 28,960	\$ (10,675)	\$ 61,190	\$ (14,420)
Fund-of-funds	<u>19,073</u>	<u>(1,158)</u>	<u>31,712</u>	<u>(4,865)</u>	<u>50,785</u>	<u>(6,023)</u>
	<u>\$ 51,303</u>	<u>\$ (4,903)</u>	<u>\$ 60,672</u>	<u>\$ (15,540)</u>	<u>\$ 111,975</u>	<u>\$ (20,443)</u>

In evaluating whether investments have suffered an other-than-temporary decline, based on input from outside investment advisors, management evaluated the amount of the decline compared to cost, the length of time and extent to which fair value has been less than cost, the underlying creditworthiness of the issuer, the fair values exhibited during the year, estimated future fair values and the System's intent and ability to hold the security until a recovery in fair value or maturity. Based on evaluations of the underlying issuers' financial condition, current trends and economic conditions, management believes there are no securities that have suffered an other-than-temporary decline in value at September 30, 2016 and 2015.

**4. Defined Benefit Pension Plan**

The System has a noncontributory defined benefit pension plan (the Plan), covering all eligible employees of the System and subsidiaries. The Plan provides benefits based on an employee's years of service, age and the employee's compensation over those years. The System's funding policy is to contribute annually the amount needed to meet or exceed actuarially determined minimum funding requirements of the *Employee Retirement Income Security Act of 1974* (ERISA).

The System accounts for its defined benefit pension plan under ASC 715, *Compensation Retirement Benefits*. This Statement requires entities to recognize an asset or liability for the overfunded or underfunded status of their benefit plans in their financial statements.

The following table summarizes the Plan's funded status at September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Funded status:		
Fair value of plan assets	\$ 185,404	\$ 165,053
Projected benefit obligation	<u>(270,534)</u>	<u>(229,888)</u>
	<u>\$ (85,130)</u>	<u>\$ (64,835)</u>
Activities for the year consist of:		
Benefit payments and administrative expenses	\$ 9,230	\$ 7,562
Net periodic benefit cost	12,460	10,590

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015  
(In thousands)

**4. Defined Benefit Pension Plan (Continued)**

The table below presents details about the System's defined benefit pension plan, including its funded status, components of net periodic benefit cost, and certain assumptions used in determining the funded status and cost:

	<u>2016</u>	<u>2015</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$229,888	\$199,121
Service cost	9,836	9,562
Interest cost	10,761	9,270
Actuarial loss	29,279	21,989
Benefit payments and administrative expenses paid	(9,230)	(7,562)
Plan amendment	<u>—</u>	<u>(2,492)</u>
Benefit obligation at end of year	<u>\$270,534</u>	<u>\$229,888</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$165,053	\$151,055
Actual return on plan assets	12,581	(5,440)
Employer contributions	17,000	27,000
Benefit payments and administrative expenses paid	<u>(9,230)</u>	<u>(7,562)</u>
Fair value of plan assets at end of year	<u>\$185,404</u>	<u>\$165,053</u>
Funded status and amount recognized in noncurrent liabilities at September 30	<u>\$ (85,130)</u>	<u>\$ (64,835)</u>

Amounts recognized as a change in unrestricted net assets during the years ended September 30, 2016 and 2015 consist of:

	<u>2016</u>	<u>2015</u>
Net actuarial loss	\$30,715	\$39,736
Net amortized loss	(6,155)	(4,099)
Prior service credit amortization	276	33
Plan amendment	<u>—</u>	<u>(2,492)</u>
Total amount recognized	<u>\$24,836</u>	<u>\$33,178</u>

In June 2015, the plan was amended effective January 1, 2016 to change the factors used to convert a cash balance account into a monthly annuity, expand eligibility for the lump payment option and modify eligibility for an annual cash balance pay credit. These changes were reflected within the projected benefit obligation at September 30, 2015. Also in 2015, the System began to use the RP-2015 mortality tables, which in general have longer life expectancies than the older tables used, which had an impact on the projected benefit obligation.

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015  
(In thousands)

**4. Defined Benefit Pension Plan (Continued)**

*Pension Plan Assets*

The fair values of the System's pension plan assets as of September 30, 2016 and 2015, by asset category are as follows (see Note 14 for level definitions). In accordance with ASU 2015-07, certain investments that are measured using the net value per share practical expedient have not been classified in the fair value hierarchy.

	<u>2016</u>	<u>2015</u>
	<u>Level 1</u>	<u>Level 1</u>
Short-term investments:		
Money market funds	\$ 11,328	\$ 12,036
Equity securities:		
Common stocks	9,251	8,244
Mutual funds – international	13,879	16,770
Mutual funds – domestic	38,471	7,682
Mutual funds – natural resources	4,662	3,439
Mutual funds – inflation hedge	6,369	–
Fixed income securities:		
Mutual funds – REIT	449	680
Mutual funds – fixed income	<u>21,527</u>	<u>23,321</u>
	105,936	72,172
Funds measured at net asset value:		
Equity securities:		
Common collective trust	–	27,873
Funds-of-funds	74,753	54,601
Fixed income securities:		
Funds-of-funds	4,715	4,367
Hedge funds:		
Inflation hedge	<u>–</u>	<u>6,040</u>
Total investments at fair value	<u>\$185,404</u>	<u>\$165,053</u>

The target allocation for the System's pension plan assets as of September 30, 2016 and 2015, by asset category are as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Target</u>	<u>Percentage</u>	<u>Target</u>	<u>Percentage</u>
	<u>Allocation</u>	<u>of Plan</u>	<u>Allocation</u>	<u>of Plan</u>
		<u>Assets</u>		<u>Assets</u>
Short-term investments	0-20%	6%	0-20%	7%
Equity securities	40-80%	79	40-80%	71
Fixed income securities	5-80%	15	5-80%	18
Other	0-30%	-	0-30%	4

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015

(In thousands)

**4. Defined Benefit Pension Plan (Continued)**

The funds-of-funds are invested with twelve investment managers and have various restrictions on redemptions. Five of the managers holding amounts totaling approximately \$38 million at September 30, 2016 allow for monthly redemptions, with notices ranging from 6 to 15 days. Five managers holding amounts totaling approximately \$33 million at September 30, 2016 allow for quarterly redemptions, with notices ranging from 45 to 65 days. One of the managers holding amounts of approximately \$5 million at September 30, 2016 allows for annual redemptions, with a notice of 90 days. One of the managers holding amounts of approximately \$4 million at September 30, 2016 allows for redemptions on a three year rolling basis, with a notice of 60 days. There is also a special redemption provision that allows 10% of the investment to be redeemed annually on March 1, with a notice of 30 days. Certain funds also may include a fee estimated to be equal to the cost the fund incurs in converting investments to cash (ranging from 0.5% to 1.5%) or are subject to certain lock periods.

The System considers various factors in estimating the expected long-term rate of return on plan assets. Among the factors considered include the historical long-term returns on plan assets, the current and expected allocation of plan assets, input from the System's actuaries and investment consultants, and long-term inflation assumptions. The System's expected allocation of plan assets is based on a diversified portfolio consisting of domestic and international equity securities, fixed income securities, and real estate.

The System's investment policy for its pension plan is to balance risk and returns using a diversified portfolio consisting primarily of high quality equity and fixed income securities. To accomplish this goal, plan assets are actively managed by outside investment managers with the objective of optimizing long-term return while maintaining a high standard of portfolio quality and proper diversification. The System monitors the maturities of fixed income securities so that there is sufficient liquidity to meet current benefit payment obligations. The System's Investment Committee provides oversight of the plan investments and the performance of the investment managers.

Amounts included in expense during fiscal 2016 and 2015 consist of:

	<u>2016</u>	<u>2015</u>
Components of net periodic benefit cost:		
Service cost	\$ 9,836	\$ 9,562
Interest cost	10,761	9,270
Expected return on plan assets	(14,016)	(12,307)
Amortization of prior service credit and loss	<u>5,879</u>	<u>4,065</u>
Net periodic benefit cost	<u>\$ 12,460</u>	<u>\$ 10,590</u>

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015

(In thousands)

**4. Defined Benefit Pension Plan (Continued)**

The accumulated benefit obligations for the plan at September 30, 2016 and 2015 were \$259,477 and \$217,825, respectively.

	<u>2016</u>	<u>2015</u>
Weighted average assumptions to determine benefit obligation:		
Discount rate	4.03%	4.78%
Rate of compensation increase	2.00	2.00
Weighted average assumptions to determine net periodic benefit cost:		
Discount rate	4.78%	4.78%
Expected return on plan assets	7.75	8.00
Cash balance credit rate	5.00	5.00
Rate of compensation increase	2.00	2.00

In selecting the long-term rate of return on plan assets, the System considered the average rate of earnings expected on the funds invested or to be invested to provide for the benefits of the plan. This included considering the plan's asset allocation and the expected returns likely to be earned over the life of the plan, as well as the historical returns on the types of assets held and the current economic environment.

The loss and prior service credit amount expected to be recognized in net periodic benefit cost in 2017 are as follows:

Actuarial loss	\$ 8,457
Prior service credit	<u>(276)</u>
	<u>\$ 8,181</u>

The System funds the pension plan and no contributions are made by employees. The System funds the plan annually by making a contribution of at least the minimum amount required by applicable regulations and as recommended by the System's actuary. However, the System may also fund the plan in excess of the minimum required amount.

Cash contributions in subsequent years will depend on a number of factors including performance of plan assets. However, the System expects to fund \$16,000 in cash contributions to the plan for the 2017 plan year.

Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

<u>Year Ended September 30</u>	<u>Pension Benefits</u>
2017	\$11,924
2018	12,703
2019	13,727
2020	15,545
2021	16,401
2022 – 2026	93,941

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015

(In thousands)

### 5. Estimated Third-Party Payor Settlements

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

#### Medicare

Inpatient and outpatient services rendered to Medicare program beneficiaries are primarily paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical diagnosis and other factors. In addition to this, the System is also reimbursed for medical education and other items which require cost settlement and retrospective review by the fiscal intermediary. Accordingly, the System files an annual cost report with the Medicare program after the completion of each fiscal year to report activity applicable to the Medicare program and to determine any final settlements.

The physician practices are reimbursed on a fee screen basis.

#### Medicaid Enhancement Tax and Disproportionate Share Payment

Under the State of New Hampshire's (the State) tax code, the State imposes a Medicaid Enhancement Tax (MET) equal to 5.45% of net patient service revenues in State fiscal year 2016 and 5.5% of net patient service revenues in State fiscal year 2015, with certain exclusions. The amount of tax incurred by the System for 2016 and 2015 was \$19,679 and \$12,800, respectively.

In the fall of 2010, in order to remain in compliance with stated federal regulations, the State of New Hampshire adopted a new approach related to Medicaid disproportionate share funding (DSH) retroactive to July 1, 2010. Unlike the former funding method, the State's approach led to a payment that was not directly based on, and did not equate to, the level of tax imposed. As a result, the legislation created some level of losses at certain New Hampshire hospitals, while other hospitals realized gains. DSH payments from the State are recorded within unrestricted revenue and other support and amounted to \$7,800 in 2016 and \$3,497 in 2015, net of reserves referenced below.

The Centers for Medicare and Medicaid Services (CMS) has completed audits of the State's program and the disproportionate share payments made by the State in 2011 and 2012, the first years that those payments reflected the amount of uncompensated care provided by New Hampshire hospitals. It is possible that subsequent years will also be audited by CMS. The System has recorded reserves to address its potential exposure based on the audit results to date.

#### Medicaid

Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under fee schedules and cost reimbursement methodologies subject to various limitations or discounts. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid program.

The physician practices are reimbursed on a fee screen basis.

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015

(In thousands)

**5. Estimated Third-Party Payor Settlements (Continued)**

*Other*

The System has also entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to the System under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined rates.

The accrual for estimated third-party payor settlements reflected on the accompanying consolidated balance sheets represents the estimated net amounts to be paid under reimbursement contracts with the Centers for Medicare and Medicaid Services (Medicare), the New Hampshire Department of Welfare (Medicaid) and any commercial payors with settlement provision. Settlements for the Hospital have been finalized through 2013 for Medicare and Medicaid.

**6. Long-Term Debt and Notes Payable**

Long-term debt consists of the following at September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
2.0% to 5.0% New Hampshire Health and Education Facilities Authority (NHHEFA) Revenue Bonds, Concord Hospital Issue, Series 2013A; due in annual installments, including principal and interest ranging from \$1,543 to \$3,555 through 2043, including unamortized original issue premium of \$3,187 in 2016 and \$3,308 in 2015	\$ 44,332	\$ 45,538
1.71% fixed rate NHHEFA Revenue Bonds, Concord Hospital Issue, Series 2013B; due in annual installments, including principal and interest ranging from \$1,860 to \$3,977 through 2024	20,436	24,024
1.3% to 5.6% NHHEFA Revenue Bonds, Concord Hospital Issue, Series 2011; due in annual installments, including principal and interest ranging from \$2,737 to \$5,201 through 2026, including unamortized original issue premium of \$194 in 2016 and \$213 in 2015	<u>30,109</u>	<u>33,793</u>
	94,877	103,355
Less unamortized bond issuance costs	(908)	(973)
Less current portion	<u>(8,570)</u>	<u>(8,337)</u>
	<u>\$ 85,399</u>	<u>\$ 94,045</u>

In February 2013, \$48,631 (including an original issue premium of \$3,631) of NHHEFA Revenue Bonds, Concord Hospital Issue, Series 2013A, were issued to assist in the funding of a significant facility improvement project and to advance refund the Series 2001 NHHEFA Hospital Revenue Bonds. The facility improvement project included enhancements to the System's power plant, renovation of certain nursing units, expansion of the parking capacity at the main campus and various other routine capital expenditures and miscellaneous construction, renovation and improvements of the System's facilities.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015  
(In thousands)

### 6. Long-Term Debt and Notes Payable (Continued)

In March 2011, \$49,795 of NHHEFA Revenue Bonds, Concord Hospital Issue, Series 2011, were issued to assist in the funding of a significant facility improvement project and pay off the Series 1996 Revenue Bonds. The project included expansion and renovation of various Hospital departments, infrastructure upgrades, and acquisition of capital equipment.

Substantially all the property and equipment relating to the aforementioned construction and renovation projects, as well as subsequent property and equipment additions thereto, and a mortgage lien on the facility, are pledged as collateral for the Series 2011 and 2013A and B Revenue Bonds. In addition, the gross receipts of the Hospital are pledged as collateral for the Series 2011 and 2013A and B Revenue Bonds. The most restrictive financial covenants require a 1.10 to 1.0 ratio of aggregate income available for debt service to total annual debt service and a day's cash on hand ratio of 75 days. The Hospital was in compliance with its debt covenants at September 30, 2016 and 2015.

The obligations of the Hospital under the Series 2013A and B and Series 2011 Revenue Bond Indentures are not guaranteed by any of the subsidiaries or affiliated entities.

Interest paid on long-term debt amounted to \$3,731 and \$3,934 for the years ended September 30, 2016 and 2015, respectively.

The aggregate principal payments on long-term debt for the next five fiscal years ending September 30 and thereafter are as follows:

2017	\$ 8,570
2018	8,822
2019	9,061
2020	7,385
2021	5,186
Thereafter	<u>52,472</u>
	<u>\$91,496</u>

### 7. Commitments and Contingencies

#### Malpractice Loss Contingencies

Prior to February 1, 2011, the System was insured against malpractice loss contingencies under claims-made insurance policies. A claims-made policy provides specific coverage for claims made during the policy period. The System maintained excess professional and general liability insurance policies to cover claims in excess of liability retention levels. The System has established reserves to cover professional liability exposures for incurred but unpaid or unreported claims. The amounts of the reserves total \$1,911 and \$2,033 at September 30, 2016 and 2015, respectively, and are reflected in the accompanying consolidated balance sheets within accrued pension and other long-term liabilities. The possibility exists, as a normal risk of doing business, that malpractice claims in excess of insurance coverage may be asserted against the System.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015

(In thousands)

### 7. Commitments and Contingencies (Continued)

Effective February 1, 2011, the System insures its medical malpractice risks through a multiprovider captive insurance company under a claims-made insurance policy. Premiums paid are based upon actuarially determined amounts to adequately fund for expected losses. At September 30, 2016, there were no known malpractice claims outstanding for the System which, in the opinion of management, will be settled for amounts in excess of insurance coverage, nor were there any unasserted claims or incidents which required loss accruals. The captive retains and funds up to actuarial expected loss amounts, and obtains reinsurance at various attachment points for individual and aggregate claims in excess of funding in accordance with industry practices. At September 30, 2016, the System's interest in the captive represents approximately 58% of the captive. The System accounts for its investments in the captive under the equity method since control of the captive is shared equally between the participating hospitals. The System has recorded its interest in the captive's equity, totaling approximately \$3,100 and \$427 at September 30, 2016 and 2015, respectively, in other noncurrent assets on the accompanying consolidated balance sheets. Changes in the System's interest are included in nonoperating income on the accompanying consolidated statements of operations.

In accordance with ASU No. 2010-24, "Health Care Entities" (Topic 954): *Presentation of Insurance Claims and Related Insurance Recoveries*, at September 30, 2016 and 2015, the Hospital recorded a liability of approximately \$3,100 and \$7,700, respectively, related to estimated professional liability losses. At September 30, 2016 and 2015, the Hospital also recorded a receivable of \$3,100 and \$7,700, respectively, related to estimated recoveries under insurance coverage for recoveries of the potential losses. These amounts are included in accrued pension and other long-term liabilities and other assets, respectively, on the consolidated balance sheets.

#### Workers' Compensation

The Hospital maintains workers' compensation insurance under a self-insurance plan. The plan offers, among other provisions, certain specific and aggregate stop-loss coverage to protect the Hospital against excessive losses. The Hospital has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accrued workers' compensation losses of \$2,447 and \$2,202 at September 30, 2016 and 2015, respectively, have been discounted at 3% (both years) and, in management's opinion, provide an adequate reserve for loss contingencies. A trustee held fund has been established as a reserve under the plan. Assets held in trust totaled \$4,024 and \$3,803 at September 30, 2016 and 2015, respectively, and is included in assets whose use is limited or restricted in the accompanying consolidated balance sheets.

#### Litigation

The System is involved in litigation and regulatory investigations arising in the ordinary course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the System's financial position, results of operations or cash flows.

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015

(In thousands)

**7. Commitments and Contingencies (Continued)**

*Health Insurance*

The System has a self-funded health insurance plan. The plan is administered by an insurance company which assists in determining the current funding requirements of participants under the terms of the plan and the liability for claims and assessments that would be payable at any given point in time. The System recognizes revenue for services provided to employees of the System during the year. The System is insured above a stop-loss amount of \$440 on individual claims. Estimated unpaid claims, and those claims incurred but not reported at September 30, 2016 and 2015, have been recorded as a liability of \$8,174 and \$6,508, respectively, and are reflected in the accompanying consolidated balance sheets within accounts payable and accrued expenses.

*Operating Leases*

The System has various operating leases relative to its office and offsite locations. Future annual minimum lease payments under noncancellable lease agreements as of September 30, 2016 are as follows:

Year Ending September 30:

2017	\$ 4,938
2018	4,482
2019	3,908
2020	3,538
2021	3,258
Thereafter	<u>19,018</u>
	<u>\$39,142</u>

Rent expense was \$5,862 and \$8,127 for the years ended September 30, 2016 and 2015, respectively.

**8. Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at September 30:

	<u>2016</u>	<u>2015</u>
Health education and program services	\$ 13,655	\$ 12,988
Capital acquisitions	1,099	997
Indigent care	270	188
For periods after September 30 of each year	<u>269</u>	<u>687</u>
	<u>\$15,293</u>	<u>\$14,860</u>

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015

(In thousands)

**8. Temporarily and Permanently Restricted Net Assets**

Income on the following permanently restricted net asset funds is available for the following purposes at September 30:

	<u>2016</u>	<u>2015</u>
Health education and program services	\$ 17,115	\$ 16,726
Capital acquisitions	803	803
Indigent care	1,811	1,810
For periods after September 30 of each year	<u>152</u>	<u>105</u>
	<u>\$ 19,881</u>	<u>\$ 19,444</u>

**9. Patient Service and Other Revenue**

Net patient service revenue for the years ended September 30 is as follows:

	<u>2016</u>	<u>2015</u>
Gross patient service charges:		
Inpatient services	\$ 446,448	\$ 425,655
Outpatient services	552,939	553,999
Physician services	156,870	142,521
Less charitable services	<u>(8,789)</u>	<u>(14,869)</u>
	1,147,468	1,107,306
Less contractual allowances and discounts:		
Medicare	393,940	380,166
Medicaid	114,502	119,387
Other	<u>204,335</u>	<u>198,495</u>
	<u>712,777</u>	<u>698,048</u>
Total Hospital net patient service revenue (net of contractual allowances and discounts)	434,691	409,258
Other entities	<u>270</u>	<u>29,314</u>
	<u>\$ 434,961</u>	<u>\$ 438,572</u>

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015

(In thousands)

9. **Patient Service and Other Revenue (Continued)**

An estimated breakdown of patient service revenue, net of contractual allowances, discounts and provision for doubtful accounts recognized in 2016 and 2015 from these major payor sources, is as follows for the Hospital. The provision for doubtful accounts for subsidiaries of the Hospital was not significant in 2016 and 2015.

	Hospital			Net Patient Service Revenues Less Provision for Doubtful Accounts
	<u>Gross Patient Service Revenues</u>	<u>Contractual Allowances and Discounts</u>	<u>Provision for Doubtful Accounts</u>	<u>Accounts</u>
<u>2016</u>				
Private payors (includes coinsurance and deductibles)	\$ 459,683	\$(204,335)	\$ (7,864)	\$247,484
Medicaid	139,999	(114,502)	–	25,497
Medicare	525,644	(393,940)	(2,237)	129,467
Self-pay	<u>22,142</u>	<u>–</u>	<u>(7,488)</u>	<u>14,654</u>
	<u>\$1,147,468</u>	<u>\$(712,777)</u>	<u>\$(17,589)</u>	<u>\$417,102</u>
<u>2015</u>				
Private payors (includes coinsurance and deductibles)	\$ 445,760	\$(198,495)	\$ (6,101)	\$241,164
Medicaid	133,988	(119,387)	(117)	14,484
Medicare	504,514	(380,166)	(1,682)	122,666
Self-pay	<u>23,044</u>	<u>–</u>	<u>(8,510)</u>	<u>14,534</u>
	<u>\$1,107,306</u>	<u>\$(698,048)</u>	<u>\$(16,410)</u>	<u>\$392,848</u>

Electronic Health Records Incentive Payments

The CMS Electronic Health Records (EHR) incentive programs provide a financial incentive for the "meaningful use" of certified EHR technology to achieve health and efficiency goals. To qualify for incentive payments, eligible organizations must successfully demonstrate meaningful use of certified EHR technology through various stages defined by CMS. Revenue totaling \$99 and \$1,258 associated with these meaningful use attestations was recorded as other revenue for the years ended September 30, 2016 and 2015, respectively. In addition, a receivable amount of \$526 was recorded within prepaid expenses and other current assets at September 30, 2015. There were no outstanding receivables at September 30, 2016.

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2016 and 2015

(In thousands)

**10. Functional Expenses**

The System provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows for the years ended September 30:

	<u>2016</u>	<u>2015</u>
Health care services	\$314,591	\$328,916
General and administrative	70,016	65,640
Depreciation and amortization	24,535	24,437
Medicaid enhancement tax	19,679	12,800
Interest expense	<u>3,700</u>	<u>3,974</u>
	<u>\$432,521</u>	<u>\$435,767</u>

Fundraising related expenses were \$898 and \$829 for the years ended September 30, 2016 and 2015, respectively.

**11. Charity Care and Community Benefits (Unaudited)**

The Hospital maintains records to identify and monitor the level of charity care it provides. The Hospital provides traditional charity care, as well as other forms of community benefits. The estimated cost of all such benefits provided is as follows for the years ended September 30:

	<u>2016</u>	<u>2015</u>
Community health services	\$ 1,939	\$ 2,096
Health professions education	3,749	4,268
Subsidized health services	35,624	30,096
Research	94	94
Financial contributions	700	1,030
Community building activities	46	44
Community benefit operations	77	128
Charity care costs (see Note 1)	<u>3,807</u>	<u>6,132</u>
	<u>\$46,036</u>	<u>\$43,888</u>

In addition, the Hospital incurred estimated costs for services to Medicare and Medicaid patients in excess of the payment from these programs of \$82,669 and \$80,268 in 2016 and 2015, respectively.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015

(In thousands)

### 12. Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents of southern New Hampshire and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors as of September 30 is as follows:

	<u>2016</u>	<u>2015</u>
Patients	10%	13%
Medicare	33	33
Anthem Blue Cross	13	13
Cigna	4	5
Medicaid	16	13
Commercial	23	22
Workers' compensation	<u>1</u>	<u>1</u>
	<u>100%</u>	<u>100%</u>

### 13. Volunteer Services (Unaudited)

Total volunteer service hours received by the Hospital were approximately 22,000 in 2016 and 37,000 in 2015. The volunteers provide various nonspecialized services to the Hospital, none of which has been recognized as revenue or expense in the accompanying consolidated statements of operations.

### 14. Fair Value Measurements

Fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the System uses various methods including market, income and cost approaches. Based on these approaches, the System often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The System utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the System is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015  
(In thousands)

**14. Fair Value Measurements (Continued)**

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, the System performs a detailed analysis of the assets and liabilities. There have been no changes in the methodologies used at September 30, 2016 and 2015. In accordance with ASU 2015-07, certain investments that are measured using the net value per share practical expedient have not been classified in the fair value hierarchy.

The following presents the balances of assets measured at fair value on a recurring basis at September 30:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2016</u>				
Cash and cash equivalents	\$ 27,008	\$ –	\$ –	\$ 27,008
Fixed income securities	33,021	–	–	33,021
Marketable equity and other securities	105,565	–	–	105,565
Inflation-protected securities and other	21,499	–	–	21,499
Trust funds administered by others	<u>–</u>	<u>–</u>	<u>10,607</u>	<u>10,607</u>
	<u>\$187,093</u>	<u>\$ –</u>	<u>\$10,607</u>	197,700
Funds measured at net asset value:				
Marketable equity and other securities				<u>133,944</u>
				<u>\$331,644</u>
<u>2015</u>				
Cash and cash equivalents	\$ 19,441	\$ –	\$ –	\$ 19,441
Fixed income securities	40,294	–	–	40,294
Marketable equity and other securities	58,210	–	–	58,210
Inflation-protected securities and other	8,028	–	–	8,028
Trust funds administered by others	<u>–</u>	<u>–</u>	<u>10,489</u>	<u>10,489</u>
	<u>\$125,973</u>	<u>\$ –</u>	<u>\$10,489</u>	136,462
Funds measured at net asset value:				
Marketable equity and other securities				157,657
Inflation-protected securities and other				<u>10,789</u>
				<u>\$304,908</u>

The System's Level 3 investments consist of funds administered by others. The fair value measurement is based on significant unobservable inputs.

**CONCORD HOSPITAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015  
(In thousands)

**14. Fair Value Measurements (Continued)**

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. As such, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated balance sheets and statements of operations.

A reconciliation of the fair value measurements using significant unobservable inputs (Level 3) is as follows for 2016 and 2015:

	<u>Trust Funds Administered by Others</u>
Balance at September 30, 2014	\$ 11,070
Net realized and unrealized losses	<u>(581)</u>
Balance at September 30, 2015	10,489
Net realized and unrealized gains	<u>118</u>
Balance at September 30, 2016	<u>\$ 10,607</u>

The table below sets forth additional disclosures for investment funds (other than mutual funds) valued based on net asset value to further understand the nature and risk of the investments by category:

	<u>Fair Value</u>	<u>Unfunded Commit- ments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
September 30, 2016:				
Funds-of-funds	\$ 64,234	\$ -	Monthly	6 – 15 days
Funds-of-funds	54,355	-	Quarterly	45 – 65 days*
Funds-of-funds	9,125	-	Annual	90 days
Funds-of-funds	6,230	-	Three year rolling	60 days**
September 30, 2015:				
Funds-of-funds	\$ 50,786	\$ -	Monthly	6 – 15 days
Funds-of-funds	51,056	-	Quarterly	45 – 65 days
Funds-of-funds	9,221	-	Annual	90 days

\* Certain funds are subject to a 1 year lock period before quarterly redemption can occur.

\*\* Subject to a 3 year rolling lock. This fund also has a special redemption right that allows the Hospital to liquidate 10% of the investment on March 1 of each year, with 30 days' notice.

# CONCORD HOSPITAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015  
(In thousands)

### 14. Fair Value Measurements (Continued)

#### Investment Strategies

##### Fixed Income Securities

The primary purpose of fixed income investments is to provide a highly predictable and dependable source of income, preserve capital, and reduce the volatility of the total portfolio and hedge against the risk of deflation or protracted economic contraction.

##### Marketable Equity and Other Securities

The primary purpose of marketable equity investments is to provide appreciation of principal and growth of income with the recognition that this requires the assumption of greater market volatility and risk of loss. The total marketable equity portion of the portfolio will be broadly diversified according to economic sector, industry, number of holdings and other characteristics including style and capitalization. The System may employ multiple equity investment managers, each of whom may have distinct investment styles. Accordingly, while each manager's portfolio may not be fully diversified, it is expected that the combined equity portfolio will be broadly diversified.

The System invests in other securities that are considered alternative investments that consist of limited partnership interests in investment funds, which, in turn, invest in diversified portfolios predominantly comprised of equity and fixed income securities, as well as options, futures contracts, and some other less liquid investments. Management has approved procedures pursuant to the methods in which the System values these investments at fair value, which ordinarily will be the amount equal to the pro-rata interest in the net assets of the limited partnership, as such value is supplied by, or on behalf of, each investment from time to time, usually monthly and/or quarterly by the investment manager.

System management is responsible for the fair value measurements of investments reported in the consolidated financial statements. Such amounts are generally determined using audited financial statements of the funds and/or recently settled transactions and is estimated using the net asset value per share of the fund. Because of inherent uncertainty of valuation of certain alternative investments, the estimate of the fund manager or general partner may differ from actual values, and differences could be significant. Management believes that reported fair values of its alternative investments at the balance sheet dates are reasonable.

##### Inflation-Protected Securities

The primary purpose of inflation-protected securities is to provide protection against the negative effects of inflation.

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015  
(In thousands)

**14. Fair Value Measurements (Continued)**

*Fair Value of Other Financial Instruments*

Other financial instruments consist of accounts and pledges receivable, accounts payable and accrued expenses, estimated third-party payor settlements, and long-term debt and notes payable. The fair value of all financial instruments other than long-term debt and notes payable approximates their relative book values as these financial instruments have short-term maturities or are recorded at amounts that approximate fair value. The fair value of the System's long-term debt and notes payable is estimated using discounted cash flow analyses, based on the System's current incremental borrowing rates for similar types of borrowing arrangements. The carrying value and fair value of the System's long-term debt and notes payable amounted to \$94,877 and \$112,762, respectively, at September 30, 2016, and \$103,355 and \$121,963, respectively, at September 30, 2015.

**(THIS PAGE LEFT BLANK INTENTIONALLY)**

**APPENDIX C-1**

**CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS**

**(THIS PAGE LEFT BLANK INTENTIONALLY)**

**CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS**

The following are definitions of certain words and terms used in this Official Statement and excerpts of certain provisions of the Bond Indenture and the Agreement. The following does not purport to set forth all of the provisions of said documents to which reference is made for the complete and actual terms thereof. Words and terms used herein that are not defined herein shall have the same meanings as set forth in the Bond Indenture and the Agreement, as the case may be. Copies of the Bond Indenture and the Agreement are on file with the Bond Trustee.

**DEFINITIONS OF TERMS USED IN THE BOND INDENTURE AND THE AGREEMENT**

“Accountant” shall mean any firm of recognized independent certified public accountants appointed by the Obligated Group Agent to whom the Master Trustee makes no reasonable objection.

“Act” shall mean the New Hampshire Health and Education Facilities Authority Act, Chapter 195 D of the New Hampshire Revised Statutes Annotated, as amended.

“Advance-Refunded Municipal Bonds” shall mean obligations that are exempt from Federal income taxation, that have been advance-refunded prior to their maturity, that are fully and irrevocably secured as to principal and interest by Government Obligations held in trust for the payment thereof, and that are serial bonds or term bonds not callable prior to maturity except at the option of the holder thereof.

“Agreement” shall mean the Loan Agreement and Mortgage, dated as of December 1, 2017, by and between the Authority and the Institution, and when amended or supplemented, the Agreement, as amended or supplemented.

“Agreement Event of Default” shall mean any one or more of those events set forth in Section 6.1 of the Agreement.

“Annual Administrative Fee” shall mean the one-time up-front fee due at Closing for the general administrative services of the Authority in an amount specified in the Authority’s prevailing fee schedule.

“Architect” shall mean any firm of recognized independent architects appointed by the Institution to whom the Bond Trustee and the Authority make no reasonable objection.

“Authenticating Agent” shall mean the Bond Trustee, and any successor to its duties under the Bond Indenture.

“Authority” shall mean the New Hampshire Health and Education Facilities Authority, a public body corporate and agency of the State of New Hampshire.

“Authority Representative” shall mean the Chairman, Vice Chairman, a Director or Secretary of the Authority or such other Person as the Authority may designate to act on its behalf by written certificate furnished to the Institution and the Bond Trustee containing the specimen signature of such Person and signed on behalf of the Authority by the Chairman, Vice Chairman, a Director or Secretary.

“Beneficial Owner” shall mean the Person in whose name a Bond is recorded as the beneficial owner of such Bond by a participant on the records of such participant or such Person’s subrogee.

“Board” shall mean the directors of the Authority.

“Bond Counsel” shall mean an attorney or firm of attorneys of national recognition experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds selected or employed by the Authority and reasonably acceptable to the Bond Trustee.

“Bond Fund” shall mean the fund created pursuant to Section 5.1(a) of the Bond Indenture.

“Bond Indenture” shall mean the Bond Indenture, dated as of December 1, 2017, by and between the Authority and the Bond Trustee, and when amended or supplemented, such Bond Indenture, as amended or supplemented.

“Bond Indenture Event of Default” shall mean any one or more of those events set forth in Section 7.1 of the Bond Indenture.

“Bond Payment Date” shall mean each date on which principal or interest or both shall be payable on any of the Bonds according to their respective terms so long as any Bonds are Outstanding.

“Bond Purchase Contract” shall mean the Contract of Purchase between the Authority and the Original Purchaser pertaining to the sale of the Bonds.

“Bond Resolution” shall mean the Bond Resolution relating to the financing of the Project which is the subject of the Agreement, adopted by the Authority on July 20, 2017.

“Bond Trustee” shall mean U.S. Bank National Association, of Boston, Massachusetts, and any successor to its duties under the Bond Indenture.

“Bond Year” shall mean the period commencing October second of each year and ending October first of the next year.

“Bonds” shall mean the Authority’s Revenue Bonds, Concord Hospital Issue, Series 2017, dated their date of issuance, issued under the Bond Indenture.

“Book-Entry Bonds” shall mean the Bonds held by DTC as the registered owner thereof pursuant to the terms and provisions of Section 2.13 of the Bond Indenture.

“Buildings” shall mean the buildings, structures, fixtures and improvements now or hereafter located on the Land.

“Business Day” shall mean any day of the week other than (a) a Saturday, Sunday or a day which shall be in the State of New Hampshire, the Commonwealth of Massachusetts or the State of New York, or in the jurisdiction of the Bond Trustee, the Master Trustee, the Paying Agent, the Authenticating Agent or the Registrar a legal holiday or a day on which banking corporations are authorized or obligated by law or executive order to close; and (b) a day on which the New York Stock Exchange is closed.

“Clean-Up” shall mean the removal, remediation of, monitoring of and all other response to, any Contamination to the satisfaction of all applicable governmental agencies, in compliance with Environmental Laws and otherwise in compliance with good commercial practice.

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

“Construction Fund” shall mean the fund created pursuant to Section 4.1 and Section 5.1(b) of the Bond Indenture.

“Contamination” shall mean the presence of any Hazardous Materials or the Release of any Hazardous Materials.

“Corporate Trust Office” shall mean the office of the Bond Trustee and the Paying Agent at which its corporate trust business is conducted, which at the date hereof is located at One Federal Street, Boston, Massachusetts 02110, Attention: Corporate Trust Services.

“Disclosure Agreement” shall mean the Continuing Disclosure Agreement, dated the date of delivery of the Bonds, by and between the Institution and the Bond Trustee.

“DTC” shall mean The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“Environmental Law” shall mean any and all federal, State and local laws, ordinances, rules, regulations and administrative orders relating to Hazardous Materials.

“Equipment” shall mean the equipment, machinery, furnishings, fixtures (to the extent not a part of the Buildings), and other similar items of tangible personal property necessary or convenient for the operation of the Facility, whether now owned or held or hereafter acquired, less any equipment, machinery, furnishings, fixtures to the extent not a part of the Buildings, and other similar items which may actually be disposed of or removed pursuant to the Agreement and the Master Indenture.

“Facility” shall mean the Land, the Buildings and the Equipment.

“Fitch” shall mean Fitch, Inc., a corporation organized and existing under the laws of the State of New York, 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, any other nationally recognized securities rating agency designated by the Institution by notice to the Authority and the Bond Trustee.

“Governing Body” shall mean the Institution’s board of trustees.

“Government Obligations” shall mean direct general obligations of, or obligations the timely payment of principal and interest on which are unconditionally guaranteed by, the United States of America.

“Hazardous Materials” shall mean, without limitation, asbestos, gasoline, petroleum products, explosives, radioactive materials, polychlorinated biphenyls, chemical liquids, or any other solid, liquid or gaseous materials, or related or similar materials, or any other substance or material defined as a hazardous or toxic substance, material or waste by any applicable federal, State or local law, ordinance, rule, regulation or administrative order.

“Holder” or “Bondholder” shall mean the registered owner of any Bond, including DTC as the sole registered owner of Book-Entry Bonds.

“Institution” shall mean the private, not-for-profit, voluntary and charitable corporation organized and existing under the laws of the State of New Hampshire, operating hospital facilities located in Concord, New Hampshire, the corporate name of which is Concord Hospital, Inc., and its successors.

“Institution Representative” shall mean the Person or Persons at the time designated to act on behalf of the Institution by written certificate furnished to the Authority and the Bond Trustee, containing the specimen signature of such Person and signed on behalf of the Institution by its chairman, its president or chief executive officer, or its chief financial officer. Such certificate may designate an alternate or alternates who shall have the same authority, duties and powers as such Institution Representative.

“Interest Account” shall mean the account of the Bond Fund created pursuant to Section 5.1(a)(i) of the Bond Indenture.

“Interest Payment Date” shall mean each April 1 and October 1, commencing April 1, 2018.

“Land” shall mean the real property, interests in real property, rights-of-way, easements, licenses, and other rights in real property described in Schedule A to the Agreement.

“Master Indenture” shall mean the Second Amended and Restated Master Trust Indenture (Security Agreement), dated as of December 1, 2017, amending and restating the Amended and Restated Master Trust

Indenture, dated as of November 1, 1990, and amended and restated as of March 1, 2011, by and among the Institution, Concord Hospital Trust and the other members of the Obligated Group from time to time and the Master Trustee, as further amended and supplemented from time to time.

“Master Indenture Event of Default” shall mean any one or more of those events of default set forth in the Master Indenture.

“Master Trustee” shall mean U.S. Bank National Association, of Boston, Massachusetts, and any successor to its duties under the Master Indenture.

“Member” shall mean a Member of the Obligated Group as defined in the Master Indenture.

“Moody’s” shall mean Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Institution by notice to the Authority and the Bond Trustee.

“Note” shall mean the Series 2017 Note created and issued pursuant to the Agreement, the Master Indenture and the Supplemental Master Indenture, issued to the Bond Trustee as assignee of the Authority by the Institution and the other Members of the Obligated Group, on a joint and several basis, to evidence the loan to the Institution from the Authority of the proceeds of the Bonds, in substantially the form set forth in Schedule C to the Agreement.

“Note Payments” shall mean all payments to be made by the Institution under the Note issued to or for the account of the Authority.

“Obligated Group” shall mean the Obligated Group as defined in the Master Indenture.

“Opinion of Bond Counsel” shall mean an opinion in writing signed by Bond Counsel.

“Opinion of Counsel” shall mean a written opinion of an attorney or firm of attorneys acceptable to the Bond Trustee and the Institution and, to the extent the Authority is asked to take action in reliance thereon, the Authority, and who (except as otherwise expressly provided herein or in the Bond Indenture) may be either counsel for the Institution or for the Bond Trustee.

“Original Purchaser” shall mean the Person designated in the Bond Purchase Contract as the initial purchaser or purchasers of the Bonds or, if so designated in such Bond Purchase Contract, the representatives or lead or managing underwriters of such initial purchasers.

“Outstanding,” when used with reference to the Bonds, shall mean, as of any date of determination, all Bonds theretofore authenticated and delivered except: (i) Bonds theretofore cancelled by the Bond Trustee or delivered to the Bond Trustee for cancellation; (ii) Bonds which are deemed paid and no longer Outstanding as provided in the Bond Indenture; (iii) Bonds in lieu of which other Bonds have been issued pursuant to the provisions of the Bond Indenture relating to Bonds destroyed, stolen or lost, unless evidence satisfactory to the Bond Trustee has been received that any such Bond is held by a bona fide purchaser; and (iv) for purposes of any consent or other action to be taken under the Agreement or under the Bond Indenture by the Holders of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the Authority, the Institution, or any Person controlling, controlled by, or under common control with, either of them.

“Outstanding” when used with reference to Notes, shall mean “Outstanding Obligations” or “Obligations Outstanding” as defined in the Master Indenture.

“Paying Agent” shall mean the Bond Trustee and any other banks or trust companies and their successors designated as the paying agencies or places of payment for the Bonds.

“Permitted Investments” shall mean and include any of the following, if and to the extent the same are at the time legal for the investment of the Authority’s money:

- (a) Government Obligations;
- (b) debt obligations which are (i) issued by any state or political subdivision thereof or any agency or instrumentality of such state or political subdivision, and (ii) at the time of purchase, rated “AAA” by Standard & Poor’s Ratings Services (“S&P”) and rated “Aaa” by Moody’s Investor’s Services (“Moody’s”) including Advance Refunded Municipal Bonds;
- (c) any bond, debenture, note, participation certificate or other similar obligation which is either (i) issued or guaranteed by the Federal National Mortgage Association, the Federal Home Loan Bank System, the Federal Home Loan Mortgage Corporation, the Federal Farm Credit Bank or the Student Loan Marketing Association, or (ii) backed by the full faith and credit of the United States of America;
- (d) U.S. denominated deposit account, demand deposits including interest bearing money market accounts, trust deposits, certificates of deposit and banker’s acceptances with domestic commercial banks, including the Bond Trustee or its affiliates, which have a rating on their short-term bank deposit on the date of purchase of “A 1” by S&P or “P 1” by Moody’s, without regard to gradation, and which matures not more than 360 days after the date of purchase;
- (e) commercial paper which is rated at the time of purchase within the classification or higher, “A 1” by S&P or “P 1” by Moody’s, without regard to gradation, and which matures not more than 270 days after the date of purchase;
- (f) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by a corporation which are, at the time of purchase, rated by S&P, Moody’s or Fitch in any of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise);
- (g) investment agreements with banks, including the Bond Trustee or its affiliate, that at the time such agreement is executed are rated by S&P or Moody’s in one of the two highest rating categories assigned by S&P or Moody’s (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) or investment agreements with non-bank financial institutions, including the Bond Trustee or its affiliates, for which all of the unsecured, direct long-term debt (or in case of an insurance company, claims-paying ability), of either the non-banking financial institution or the related guarantor of such non-bank financial institution is rated by S&P or Moody’s at the time such agreement is executed in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) for obligations of that nature; provided that if at any time after purchase the provider of the investment agreement drops below the two highest rating categories assigned by S&P or Moody’s, the investment agreement must, within 30 days, either (1) be assigned to a provider rated in one of the two highest rating categories or (2) be secured by the provider with collateral securities the fair market value of which, in relation to the amount of the investment agreement including principal and interest, is equal to at least 102%; investment agreements with banks or non-bank financial institutions shall not be permitted if no rating is available with respect to the investment agreement provider or the related guarantor of such provider;
- (h) repurchase agreements with respect to and secured by Government Obligations or by obligations described in clause (b) and (c) above, which agreements may be entered into with a bank (including without limitation the Bond Trustee or any of its affiliates), a trust company, financial services firm or a broker dealer which is a member of the Securities Investors Protection Corporation, provided that (i) the Bond Trustee or a custodial agent of the Bond Trustee has possession of the collateral and that the collateral is, to the knowledge of the Bond Trustee, free and clear of third-party claims, (ii) a master repurchase agreement or specific written repurchase agreement governs the transaction, (iii) the collateral securities are valued no less frequently than monthly, and (iv) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%, and (v) such obligations must be held in the custody of the Bond Trustee’s agent;

(i) shares of a fixed income mutual fund, Exchange Traded Fund or other collective investment fund registered under the federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and whose investments consist solely of Permitted Investments as defined in paragraphs (a) through (h) above, including without limitation, any mutual fund for which the Bond Trustee or an affiliate of the Bond Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (a) the Bond Trustee or an affiliate of the Bond Trustee receives fees from such funds for services rendered, (b) the Bond Trustee charges and collects fees for services rendered pursuant to the Bond Indenture, which fees are, separate from the fees received from such funds, and (c) services performed for such funds and pursuant to the Bond Indenture may at times duplicate those provided to such funds by the Bond Trustee or its affiliates; and

(j) Advance-Refunded Municipal Bonds.

The Bond Trustee shall be entitled to assume that any investment which at the time of purchase is a Permitted Investment remains a Permitted Investment thereafter, absent receipt of written notice or information to the contrary.

“Person” shall include an individual, association, unincorporated organization, corporation, partnership, joint venture, or government or agency or political subdivision thereof.

“Pledged Revenues” shall mean all revenues, proceeds and receipts of the Authority derived from the Note Payments, and the proceeds of the Bonds pending their application in accordance with the Bond Indenture.

“Principal Account” shall mean the account of the Bond Fund created pursuant to Section 5.1(a)(ii) of the Bond Indenture.

“Property” shall have the meaning given to such term in the Master Indenture.

“Project” shall mean the improvements of the Facility described in Schedule B to the Agreement, to be financed with the proceeds of the Bonds.

“Record Date” shall mean, as the case may be, the applicable Regular or Special Record Date.

“Redemption Account” shall mean the account of the Bond Fund created pursuant to Section 5.1(a)(iv) of the Bond Indenture.

“Redemption Price” shall mean, when used with respect to a Bond or portion thereof to be redeemed, the principal amount of such Bond or portion thereof plus the applicable premium, if any, payable upon redemption thereof.

“Registrar” shall mean the Bond Trustee, and any successor to its duties under the Bond Indenture.

“Regular Record Date” shall mean the 15th day (whether or not a Business Day) of the calendar month next preceding each Interest Payment Date.

“Release” shall mean the intentional or unintentional presence, seepage, spilling, leaking, disposing, discharging, emitting, depositing, injecting, leaching, escaping or any other release or threatened release, however defined, of any Hazardous Materials.

“Representation Letter” shall mean the Blanket Issuer Representation Letter from the Authority to DTC.

“S&P” shall mean S&P Global Ratings, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Institution by notice to the Authority and the Bond Trustee.

“Serial Bonds” shall mean the Bonds which are so designated in the Bond Indenture and are stated to mature in annual installments.

“Sinking Fund Account” shall mean the account of the Bond Fund created pursuant to Section 5.1(a)(iii) of the Bond Indenture.

“Sinking Fund Account Requirement” shall mean the aggregate principal amount of the Bonds required to be retired on or before the corresponding Sinking Fund Account Retirement Date.

“Sinking Fund Account Retirement Date” shall mean the date on or before which the Bonds are required to be retired in an amount equal to the Sinking Fund Account Requirement for such date.

“Special Record Date” shall mean the date established by the Bond Trustee pursuant to Section 2.2(d) of the Bond Indenture as the record date for the payment of defaulted interest on the Bonds.

“State” shall mean the State of New Hampshire.

“Supplement” shall mean an indenture supplementing or modifying the provisions of the Bond Indenture entered into by the Authority and the Bond Trustee in accordance with Article X of the Bond Indenture.

“Supplemental Master Indenture” shall mean the Supplemental Master Trust Indenture No. 11 to the Master Indenture, dated as of December 1, 2017, by and among the Institution (and the other members of the Obligated Group) and the Master Trustee, and when amended or supplemented, such Supplemental Master Indenture, as amended or supplemented.

“Tax-Exempt Organization” shall mean a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) and 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.

“Tax Regulatory Agreement” shall mean the Tax Regulatory Agreement, dated the date of delivery of the Bonds, by and between the Authority and the Institution.

“Term Bonds” shall mean the Bonds designated as Term Bonds in the Bond Indenture.

## **CERTAIN PROVISIONS OF THE BOND INDENTURE**

### **PROVISIONS OF GENERAL APPLICATION**

Section 1.3. All Bonds Equally and Ratably Secured; Bonds Not General Obligations of the Authority. All Bonds issued hereunder and at any time Outstanding shall in all respects be equally and ratably secured hereby, without preference, priority, or distinction on account of the date or dates or the actual time or times of the issuance or maturity of the Bonds, so that all Bonds at any time issued and Outstanding hereunder shall have the same right, lien, preference hereunder, and shall all be equally and ratably secured hereby. The Bonds are special obligations of the Authority payable solely from and secured by a pledge of Pledged Revenues and funds provided therefor under the Bond Indenture. Neither the State nor any political subdivision thereof shall be obligated to pay the principal of or interest on the Bonds, other than from Pledged Revenues, and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

### **AUTHORIZATION AND TERMS OF BONDS**

Section 2.3. Medium and Place of Payment. (a) Both principal of, premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which, on the respective dates of payment of principal and interest, is tender for the payment of public and private debts.

(b) Except for Book-Entry Bonds held by DTC in accordance with the terms and provisions of Section 2.13 hereof, interest on the Bonds shall be payable by check drawn upon the Paying Agent and mailed to the registered Holders of such Bonds at the addresses of such Holders as they appear on the books of the Registrar on the Record Date, provided, however, that interest may be paid by wire transfer to the Holder of at least \$1,000,000 aggregate principal amount of Bonds to the address designated by such Holder to the Paying Agent at or prior to the Record Date for such payment. Final payment of principal of and premium, if any, on the Bonds shall be paid when due upon presentation and surrender of such Bonds at the Corporate Trust Office of the Paying Agent.

(c) In the event of a default by the Authority in the payment of interest due on a Bond on a Bond Payment Date, such defaulted interest will be payable to the Person in whose name such Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Registrar to the registered owners of Bonds not less than ten (10) days preceding such special record date.

Section 2.4. Mutilated, Destroyed, Lost and Stolen Bonds. If (a) any mutilated Bond is surrendered to the Bond Trustee or if the Authority, the Registrar, the Paying Agent or the Bond Trustee receives evidence to their satisfaction of the destruction, loss or theft of any Bond, and (b) there is delivered to the Authority, the Registrar, the Paying Agent and the Bond Trustee such security or indemnity as may be required by them to hold them harmless, then, in the absence of notice to the Authority, the Registrar, the Paying Agent or the Bond Trustee that such Bond has been acquired by a bona fide purchaser and upon the Holder paying the reasonable expenses of the Authority, the Registrar, the Paying Agent and the Bond Trustee, the Authority shall cause to be executed and, upon the written request of the Authority, the Authenticating Agent shall authenticate and deliver, in exchange for such mutilated Bond or in lieu of such destroyed, lost or stolen Bond, a new Bond of like principal amount, date and tenor. If any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, then the Bond Trustee and any Paying Agent may, in their discretion, pay such Bond when due instead of delivering a new Bond.

Section 2.6. Exchange of Bonds. Bonds, upon presentation and surrender thereof to the Registrar together with written instructions satisfactory to the Registrar, duly executed by the registered Holder or his attorney duly authorized in writing, may be exchanged for an equal aggregate face amount of fully registered Bonds with the same interest rate and maturity of any other authorized denominations.

Section 2.7. Negotiability and Transfer of Bonds. (a) All Bonds issued hereunder shall be negotiable, subject to the provisions for registration and transfer thereof contained herein or in the Bonds.

(b) So long as any Bonds are Outstanding, the Authority shall cause to be maintained at the offices of the Registrar books for the registration and transfer of Bonds, and shall provide for the registration and transfer of any Bond under such reasonable regulations as the Authority or the Registrar may prescribe. The Registrar shall act as bond registrar for purposes of exchanging and registering Bonds in accordance with the provisions hereof.

(c) Each Bond shall be transferable only upon the registration books maintained by the Registrar, by the Holder thereof in person or by his attorney duly authorized in writing, upon presentation and surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered Holder or his duly authorized attorney. Upon surrender for transfer of any such Bond, the Authority shall cause to be executed and the Authenticating Agent shall authenticate and deliver, in the name of the transferee, one or more new Bonds of the same aggregate face amount, maturity and rate of interest as the surrendered Bond, as fully registered Bonds only.

Section 2.8. Persons Deemed Owners. As to any Bond, the Person in whose name such Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of principal or interest on any Bond shall be made only to or upon the written order of the registered Holder thereof. Such payment shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the amount so paid.

Section 2.9. Provisions with Respect to Transfers and Exchanges. (a) All Bonds surrendered in any exchange or transfer of Bonds shall forthwith be cancelled by the Registrar.

(b) In connection with any such exchange or transfer of Bonds the Holder requesting such exchange or transfer shall as a condition precedent to the exercise of the privilege of making such exchange or transfer remit to the Registrar an amount sufficient to pay any tax, or other governmental charge required to be paid with respect to such exchange or transfer.

(c) Neither the Authority nor the Registrar shall be obligated to (i) issue, exchange or transfer any Bond during the period of fifteen days preceding any Bond Payment Date, or (ii) transfer or exchange any Bond which has been or is being called for redemption in whole or in part.

Section 2.13. Book-Entry Bonds. (a) Except as provided in paragraph (c) of this Section 2.13, the registered owner of all of the Bonds shall be DTC and the Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Payment of interest for any Bond registered as of each Record Date in the name of Cede & Co. shall be made by wire transfer of New York clearing house or equivalent next day funds to the account of Cede & Co. on the Bond Payment Date for the Bonds at the address indicated on the regular Record Date or Special Record Date for Cede & Co. in the registry books of the Authority kept by the Registrar.

(b) The Bonds shall be initially issued in the form of separate single fully registered Bonds, authenticated by the Authenticating Agent, in the amount of each separate stated maturity of the Bonds. Upon initial issuance, the ownership of such Bonds shall be registered in the registry books of the Authority kept by the Registrar in the name of Cede & Co., as nominee of DTC. The Bond Trustee, the Registrar, the Paying Agent and the Authority may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal or redemption price of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under the Bond Indenture, registering the transfer of Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and neither the Bond Trustee, the Registrar, the Paying Agent nor the Authority shall be affected by any notice to the contrary. Neither the Bond Trustee, the Registrar, the Paying Agent nor the Authority shall have any responsibility or obligation to any DTC participant, any Person claiming a beneficial ownership interest in the Bonds under or through DTC or any DTC participant, or any other Person which is not shown on the registration books of the Registrar as being a Bondholder, with respect to the accuracy of any records maintained by DTC or any DTC participant; the payment of DTC or any DTC participant of any amount in respect of the principal or redemption price of or interest on the Bonds; any notice which is permitted or required to be given to Bondholders under the Bond Indenture; the selection by DTC or any DTC participant of any Person to receive payment in the event of a partial redemption of the Bonds; or any consent given or other action taken by DTC as Bondholder. The Paying Agent shall pay all principal of and premium, if any, and interest on the Bonds only to or "upon the order of" DTC (as that term is used in the Uniform Commercial Code as adopted in the State of New Hampshire), and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to the principal of and premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No Person other than DTC shall receive an authenticated Bond for each separate stated maturity evidencing the obligation of the Authority to make payments of principal of and premium, if any, and interest pursuant to the Bond Indenture. Upon delivery by DTC to the Bond Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the word "Cede & Co." in the Bond Indenture shall refer to such new nominee of DTC.

(c) In the event the Authority determines that it is in the best interest of the Beneficial Owners that they be able to obtain Bond certificates, the Authority may notify DTC and the Bond Trustee, whereupon DTC will notify the DTC participants, of the availability through DTC of Bond certificates. In such event, the Bond Trustee shall issue, transfer and exchange Bond certificates as requested by DTC and any other Bondholders in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the Authority and the Bond Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the Authority and the Bond Trustee shall be obligated to deliver Bond certificates as described in the Bond Indenture. In the event Bond certificates are issued, the provisions of the Bond Indenture shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such certificates. Whenever DTC requests the Authority and the Bond Trustee to do so, the Bond Trustee and the Authority will cooperate with DTC in taking appropriate action after reasonable notice (i) to make available one or more separate certificates

evidencing the Bonds to any DTC participant having Bonds credited to its DTC account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

(d) Notwithstanding any other provision of the Bond Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

(e) In connection with any notice or other communication to be provided to Bondholders pursuant to the Bond Indenture by the Authority or the Bond Trustee with respect to any consent or other action to be taken by Bondholders, the Authority or the Bond Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible. Notice to DTC shall be given only when DTC is the sole Bondholder.

## **REDEMPTION AND PURCHASE OF BONDS**

Section 3.5. Selection of Bonds to be Redeemed. In the event of any redemption of less than all Outstanding Bonds, any maturity or maturities and amounts within maturities of Bonds to be redeemed shall be selected by the Bond Trustee at the direction of the Institution. If less than all of the Bonds of the same maturity are to be redeemed upon any redemption of Bonds hereunder, the Bond Trustee shall select the Bonds to be redeemed by lot in such manner as the Bond Trustee may determine, provided that for so long as the Book-Entry only system is being used, the particular Bonds or portions thereof to be redeemed within a maturity shall be selected by lot by DTC in such manner as DTC and the participants may determine. In making such selection, the Bond Trustee (or DTC) shall treat each Bond as representing that number of Bonds of the lowest authorized denomination (\$5,000) as is obtained by dividing the principal amount of such Bond by such denomination.

Section 3.6. Partial Redemption of Bonds. Upon the selection and call for redemption of, and the surrender of, any Bond for redemption in part only, the Authority shall cause to be executed and the Authenticating Agent shall authenticate and deliver to or upon the written order of the Holder thereof, at the expense of the Institution, a new Bond or Bonds of authorized denominations in an aggregate face amount equal to the unredeemed portion of the Bond surrendered, which new Bond or Bonds shall be a fully registered Bond or Bonds without coupons, in authorized denominations.

The Authority and the Bond Trustee may agree with any Holder of any such Bond that such Holder may, in lieu of surrendering the same for a new Bond, endorse on such Bond a notice of such partial redemption, which notice shall set forth, over the signature of such Holder, the redemption date, the principal amount redeemed and the principal amount remaining unpaid. Such partial redemption shall be valid upon payment of the amount thereof to the registered owner of any such Bond and the Authority and the Bond Trustee shall be fully released and discharged from all liability to the extent of such payment irrespective of whether such endorsement shall or shall not have been made upon the reverse of such Bond by the owner thereof and irrespective of any error or omission in such endorsement.

Section 3.7. Effect of Call for Redemption. On the date designated for redemption by notice given as herein provided, the Bonds so called for redemption shall become and be due and payable at the Redemption Price provided for redemption of such Bonds on such date. If on the date fixed for redemption moneys for payment of the Redemption Price and accrued interest are held by the Bond Trustee or paying agents as provided herein, interest on such Bonds so called for redemption shall cease to accrue, such Bonds shall cease to be entitled to any benefit or security hereunder except the right to receive payment from the moneys held by the Bond Trustee or the paying agents and the amount of such Bonds so called for redemption shall be deemed paid and no longer Outstanding.

Any optional or extraordinary optional redemption of the Bonds shall be credited against mandatory sinking fund requirements for Term Bonds, if applicable, in such manner and order as may be directed by the Institution.

## REVENUES AND FUNDS

Section 5.3. Flow of Funds. So long as any Bonds are Outstanding, in each Bond Year, Note Payments received by the Bond Trustee shall be applied in the following manner and order of priority:

(a) Interest Account. The Bond Trustee shall deposit to the Interest Account, from moneys received by the Bond Trustee from or on account of the Institution, on or before each Interest Payment Date, the amount, if any, necessary to cause the amount then being credited to the Interest Account, together with investment earnings on investments then on deposit in the Interest Account, if such earnings will be received before the next Interest Payment Date (but only to the extent that such amount or investment earnings have not previously been credited for purposes of such calculation), to be not less than the full amount of interest to be paid on Outstanding Bonds on such Interest Payment Date. Moneys in the Interest Account shall be used to pay interest on Bonds as it becomes due.

(b) Principal Account. The Bond Trustee shall deposit to the Principal Account, from moneys received by the Bond Trustee from or on account of the Institution, on or before the last day of each September, commencing on the last day of September during each Bond Year ending on a date on which Bonds mature, the amount necessary to cause the amount then being credited to the Principal Account, together with the investment earnings on investments then on deposit in the Principal Account, if such earnings will be received before the last day of the Bond Year (but only to the extent that such amount or investment earnings have not previously been credited for purposes of such calculation), to be not less than the principal amount of Bonds Outstanding which will mature on the last day of such Bond Year, subject to appropriate adjustment for the initial Bond maturity if the period prior to such date is other than twelve full months. Moneys in the Principal Account shall be used to retire Bonds by payment at their scheduled maturity.

(c) Sinking Fund Account. The Bond Trustee shall deposit to the Sinking Fund Account, from moneys received by the Bond Trustee from or on account of the Institution, on or before the last day of each September, commencing on the last day of September during each Bond Year ending on a date which is a Sinking Fund Account Retirement Date, the amount necessary to cause the amount credited to the Sinking Fund Account, together with investment earnings on investments then on deposit in the Sinking Fund Account, if such earnings will be received before the last day of the Bond Year (but only to the extent that such amount or investment earnings have not previously been credited for purposes of such calculation), to be not less than the unsatisfied Sinking Fund Account Requirements to be satisfied on or before the last day of such Bond Year, subject to appropriate adjustment for the initial Sinking Fund Account Retirement Date if the period prior to such date is other than twelve full months. Moneys in the Sinking Fund Account shall be used to retire Term Bonds by purchase, by mandatory redemption or by payment at their scheduled maturity.

The Bond Trustee, upon the written direction of the Institution, shall use its best efforts to, apply moneys credited to the Sinking Fund Account to purchase Term Bonds in satisfaction of Sinking Fund Account Requirements for such Term Bonds for a Sinking Fund Account Retirement Date. The Institution shall not direct the Bond Trustee to purchase any Bond at a price or cost (including any brokerage fees or commissions or other charges) which exceeds the principal amount thereof plus interest accrued to the date of purchase. Such accrued interest shall be paid from the Interest Account. The principal amount of Term Bonds of each maturity so purchased shall be credited against the unsatisfied balance of Sinking Fund Account Requirements for such maturity in such order of Sinking Fund Account Retirement Dates as the Institution may direct. All Bonds so purchased shall be cancelled.

(d) Redemption Account. If the Institution makes an optional prepayment of any installment on the Notes, the amount so paid shall be credited to the Redemption Account and applied promptly by the Bond Trustee as follows: first, to cause the amounts credited to the Interest Account, Principal Account and Sinking Fund Account of the Bond Fund, in that order, to be not less than the amounts then required to be credited thereto, and then, to retire Bonds by purchase, redemption or both purchase and redemption in accordance with the Institution's written directions. Any such purchase shall be made at the best price obtainable with reasonable diligence and no Bond shall be so purchased at a cost or price (including brokerage fees or commissions or other charges) which exceeds the Redemption Price at which such Bond could be redeemed on the date of purchase or on the next succeeding date upon which such Bond is subject to optional redemption plus accrued interest to the date of purchase. Any such

redemption shall be of Bonds then subject to optional redemption at the Redemption Price then applicable for optional redemption of such Bonds.

The principal amount of any Term Bonds so purchased or redeemed shall be credited against the unsatisfied balance of Sinking Fund Account Requirements for such maturity in such order of Sinking Fund Account Retirement Dates as may be directed in writing by the Institution.

Upon receipt by the Bond Trustee of moneys accompanied by a certificate of an Institution Representative stating that such moneys are insurance proceeds with respect to casualty losses or condemnation awards, that the amount of such proceeds or awards with respect to such casualty loss or taking exceeds 10% of, at the option of the Institution, the Book Value or the Current Value of the Property, Plant and Equipment and that such moneys are to be applied to redeem Bonds in accordance with Section 3.4 hereof and specifying the amount and maturities of Bonds to be redeemed, the Bond Trustee shall credit such moneys to the Redemption Account and shall apply such moneys to redeem Bonds in accordance with Section 3.4 hereof.

Any balance remaining in the Redemption Account after the purchase or redemption of Bonds in accordance with the Institution's directions, or in any event on the day following the Bond Payment Date next succeeding the prepayment by the Institution, shall be transferred to the Interest Account.

Section 5.4. Application of Funds and Accounts to Redeem all Bonds Outstanding. Notwithstanding the provisions of Section 5.3 hereof, if on any date, the aggregate of moneys and Permitted Investments (valued at their market value, taking into account straight line amortizations and accretions of premiums and discounts, for purposes of this Section) held by the Bond Trustee hereunder are sufficient to redeem all Bonds Outstanding, and to pay or discharge all other obligations, if any, of the Authority hereunder, then the Bond Trustee shall, at the direction of the Institution, sell all Permitted Investments held by it and the proceeds and all other moneys held by the Bond Trustee hereunder shall be applied to redeem all Bonds Outstanding in accordance with the terms of Section 3.2 hereof and to pay or discharge such other obligations.

Section 5.5. Investment of Moneys Held by the Bond Trustee. (a) (i) Moneys in all Funds and Accounts held by the Bond Trustee shall be invested by the Bond Trustee, as soon as possible upon receipt, in Permitted Investments as directed (in writing (including facsimile) or by telephonic or other means acceptable to the Bond Trustee) by the Institution, subject to the following. The maturity date or the date on which such Permitted Investments may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with (but in no event shall be later than) the date or dates in which moneys in the Funds or Accounts for which the investments were made will be required for the purposes thereof. Subject to subsection (f) of this Section, the Bond Trustee shall, in the absence of specific direction, invest moneys in Standing Fall-Back Investment (as hereinafter defined). For purposes hereof, the "Standing Fall-Back Investment" shall mean such Permitted Investments as is specified in a standing written instruction to be provided by the Institution to the Bond Trustee designating a Permitted Investment in which Funds or Account held hereunder are to be invested in the absence of other specific investment instruction from the Institution, as such standing instruction may be changed from time to time by the Institution. Except as expressly provided in this Section, the Bond Trustee shall not otherwise be under any obligation to invest funds held hereunder. The Bond Trustee may conclusively rely upon the Institution's written instructions as to the legality of the Permitted Investments identified in such written instructions.

(ii) For purposes of and subject to paragraph (a)(i) above, moneys in the Funds or Accounts held by the Bond Trustee shall be invested, at the written direction of the Institution, in Permitted Investments maturing or redeemable at the option of the Bond Trustee not later or no less frequently than the respective following dates or periods of time: (A) Principal Account and Sinking Fund Account, the day preceding the last day of each Bond Year; (B) Interest Account, the day preceding the next Bond Payment Date; and (C) Redemption Account, the day preceding the next date on which Bonds are to be redeemed or are expected to be purchased.

(b) Amounts credited to a Fund or Account may be invested, at the written direction of the Institution, together with amounts credited to one or more other Funds or Accounts, in the same Permitted Investment, provided that (i) each such investment complies in all respects with the provisions of paragraph (a) of this Section as they apply to each Fund or Account for which the joint investment is made and (ii) the Bond Trustee maintains separate records for each Fund and Account and such investments are accurately reflected therein.

(c) The Bond Trustee may make any investment permitted by this Section, through or with its own commercial banking or investment departments unless otherwise directed by the Institution and may charge its ordinary and customary fees for such trades, including cash sweep account fees.

(d) Except as otherwise specifically provided herein, in computing the amount in any Fund or Account, Permitted Investments purchased as an investment of moneys therein (taking into account straight line amortizations and accretions of premiums and discounts) shall be valued at the face value or the current market value thereof, whichever is the lower, or at the redemption price thereof, if then redeemable at the option of the holder, in either event inclusive of accrued interest.

(e) The Bond Trustee shall use its reasonable efforts to sell at the best price obtainable in accordance with its usual procedures, or present for redemption, any Permitted Investment purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account for which such investment was made (including any payment of principal, interest, purchase price or redemption price of the Bonds).

(f) Neither the Bond Trustee nor the Authority shall knowingly use or direct or permit the use of any moneys of the Authority held under the Bond Indenture in its possession or control in any manner which would cause any Bond to be an "arbitrage bond" within the meaning ascribed to such term in Section 148 of the Code, or any successor section of the Code. Nothing herein shall obligate the Bond Trustee to monitor or evaluate any investment made in accordance with the provisions of this Section 5.5 or compliance with such requirement, so long as it is acting in good faith without actual knowledge that any such investment is in violation hereof.

(g) Notwithstanding any provision of the Bond Indenture, the Authority shall observe its covenants and agreements contained in the Tax Regulatory Agreement, to the extent that and for so long as such covenants and agreements are required by law.

(h) Although the Authority and the Institution each recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Authority and the Institution each agree that confirmations of Permitted Investments are not required to be issued by the Bond Trustee for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month.

## GENERAL COVENANTS OF THE AUTHORITY

Section 6.1. Payment of Principal and Interest. Subject to the limited sources of payment specified herein, the Authority covenants that it will promptly pay or cause to be paid the principal of, premium, if any, and interest on each Bond issued hereunder at the place, on the dates and in the manner provided herein and in said Bonds according to the terms thereof. The principal of, premium, if any, and interest on the Bonds are payable solely from the Pledged Revenues and moneys held by the Bond Trustee hereunder, all of which are hereby specifically assigned and pledged to such payment in the manner and to the extent specified herein and nothing herein or in the Bonds shall be construed as assigning or pledging any other funds or assets of the Authority.

Section 6.2. Performance of Covenants. The Authority covenants that it will faithfully perform or cause to be performed at all times any and all covenants, undertakings, stipulations and provisions on its part to be performed as provided herein in each and every bond executed, authenticated and delivered hereunder and in all proceedings of the Authority pertaining thereto.

Section 6.4. Protection of Lien. The Authority hereby agrees not to make or create or suffer to be made or created any assignment or lien having priority or preference over the assignment and lien hereof upon the interests granted hereby or any part thereof except as otherwise specifically provided herein. The Authority agrees that no obligations the payment of which is secured by Pledged Revenues will be issued by it except Bonds in lieu of, or upon transfer of registration or exchange of, any Bond as provided herein.

## DEFAULT AND REMEDIES

Section 7.1. Bond Indenture Events of Default. Each of the following is hereby declared a “Bond Indenture Event of Default” hereunder:

(a) If payment by or on behalf of the Authority in respect of any installment of interest on any Bond shall not be made in full when the same becomes due and payable;

(b) If payment by or on behalf of the Authority in respect of the principal of or redemption premium, if any, on any Bond shall not be made in full when the same becomes due and payable, whether at maturity or by proceedings for redemption or by declaration of acceleration or otherwise;

(c) The Authority shall fail duly to observe or perform any covenant or agreement on its part under the Bond 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 Authority and the Institution by the Bond Trustee, or to the Authority, the Institution, and the Bond Trustee by the holders of at least twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding. If the breach of covenant or agreement is one which is capable of cure but cannot be completely remedied within the thirty (30) days after written notice has been given, it shall not be a Bond Indenture Event of Default as long as the Authority has taken active steps within the thirty (30) days after written notice has been given to remedy the failure and is diligently pursuing such remedy provided it shall be cured within ninety (90) days of such written notice;

(d) The entry of a decree or order by a court having jurisdiction in the premises adjudging the Authority a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Authority under the Federal Bankruptcy Code or any other applicable Federal or state law, or appointing a receiver, liquidator, assignee, or sequestrator (or other similar official) of the Authority 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 sixty (60) consecutive days;

(e) The institution by the Authority of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under the Federal 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, assignee, trustee or sequestrator (or other similar official) of the Authority 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; and

(f) If there occurs an Agreement Event of Default.

Section 7.2. Acceleration; Annulment of Acceleration. (a) Upon the occurrence of a Bond Indenture Event of Default, the Bond Trustee may, and shall upon the written request of a majority in aggregate principal amount of the Holders of the Bonds, declare all Bonds Outstanding immediately due and payable, anything in the Bonds or herein to the contrary notwithstanding. In such event there shall be due and payable on the Bonds an amount equal to the total principal amount of all such Bonds, plus all interest accrued thereon and which accrues to the date of payment. The Bond Trustee shall give prompt written notice of such acceleration to the Authority, the Paying Agent, the Registrar, the Master Trustee, and the Institution, and the Registrar shall give notice thereof to the Bondholders in the manner provided in Section 7.12 hereof stating the accelerated date on which the Bonds shall be due and payable.

(b) At any time after the principal of the Bonds shall have been so declared to be due and payable as a result of a Bond Indenture Event of Default, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Bond Indenture, moneys shall have accumulated in the appropriate Funds and Accounts created under the Bond Indenture sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, upon all Bonds

then Outstanding (except the principal of any Bonds not then due and payable by their terms and the interest accrued on such Bonds since the last Bond Payment Date), and the charges, compensation, expenses, disbursements, advances and liabilities of the Bond Trustee and all other amounts then payable by the Institution hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Bond Trustee, and every other Bond Indenture Event of Default known to the Bond Trustee in the observance or performance of any covenant, condition, agreement or provision contained in the Bonds or in the Bond Indenture (other than a default in the payment of the principal of such Bonds then due and payable only because of the declaration of acceleration under this Section) shall have been remedied to the satisfaction of the Bond Trustee, then and in every such case the Bond Trustee may and upon written direction of the Holders of at least 25% in aggregate principal amount of Bonds then Outstanding shall, by written notice to the Authority and the Institution, rescind and annul such declaration of acceleration and its consequences, and the Registrar shall promptly give notice of such annulment in the same manner as provided in subsection (a) of this Section for giving notice of acceleration. No such annulment shall extend to or affect any subsequent Bond Indenture Event of Default or impair any right consequent thereon.

Section 7.3. Rights of Bond Trustee Concerning the Note. The Bond Trustee, as pledgee and assignee for security purposes of all the right, title and interest of the Authority in and to the Agreement, the Master Indenture, the Supplemental Master Indenture and those certain Notes delivered thereunder with respect to the Bonds, shall, upon compliance with applicable requirements of law and except as otherwise set forth in this Article, be the sole real party in interest in respect of, and shall have standing to enforce each and every right granted to the Authority under the Agreement, the Master Indenture, the Supplemental Master Indenture and under those certain Notes delivered thereunder with respect to the Bonds. The Authority and the Bond Trustee hereby agree without in any way limiting the effect and scope thereof, that the pledge and assignment hereunder to the Bond Trustee of any and all rights of the Authority in and to the Notes, the Master Indenture, the Supplemental Master Indenture and the Agreement shall constitute an agency appointment coupled with an interest on the part of the Bond Trustee which, for all purposes of the Bond Indenture, shall be irrevocable and shall survive and continue in full force and effect notwithstanding the bankruptcy or insolvency of the Authority or its default hereunder or on the Bonds. In exercising such rights and the rights given the Bond Trustee under this Article, upon and during the continuance of a Bond Indenture Event of Default, the Bond Trustee shall take such action to exercise the rights and powers granted to it hereunder as, in the judgment of the Bond Trustee, a prudent person would exercise under the circumstances in the conduct of such person's own affairs, subject to and taking into account the provisions of the Bond Indenture, the Agreement, the Master Indenture, the Supplemental Master Indenture and the Notes, together with the security and remedies afforded to holders of Notes thereunder.

Section 7.4. Additional Remedies and Enforcement of Remedies. (a) Upon the occurrence and continuance of any Bond Indenture Event of Default, the Bond Trustee may or upon the written direction of the Holders of not less than twenty-five percent (25%) in an aggregate principal amount of the Bonds Outstanding (subject to Section 7.8 hereof), together with indemnification of the Bond Trustee to its satisfaction therefor, shall proceed forthwith to protect and enforce its rights and the rights of the Bondholders hereunder and under the Master Indenture and the Note and under the Act and the Bonds by such suits, actions or proceedings as the Bond Trustee, being advised by counsel, shall deem expedient, including but not limited to:

- (i) Civil action to recover money or damages due and owing;
- (ii) Civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders of Bonds;
- (iii) Enforcement of any other right of the Bondholders conferred by law or hereby and under the Master Indenture and the Note; and
- (iv) Enforcement of any other right conferred by the Agreement, the Note or the Master Indenture.

(b) Regardless of the happening of a Bond Indenture Event of Default, the Bond Trustee, if directed in writing by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, shall upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised by counsel shall be necessary or expedient (i) to prevent any impairment of the

security hereunder by any acts which may be unlawful or in violation hereof, or (ii) to preserve or protect the interests of the Holders, provided that such request is in accordance with law and the provisions hereof and, in the sole judgment of the Bond Trustee, is not unduly prejudicial to the interest of the Holders of Bonds not making such request (it being understood that the Bond Trustee does not have an affirmative duty to ascertain whether such request is unduly prejudicial to such Holders of Bonds).

Section 7.5. Application of Revenues and Other Moneys After Default. During the continuance of a Bond Indenture Event of Default all moneys received by the Bond Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of all reasonable fees and expenses of the Bond Trustee for services hereunder, the costs and expenses of the proceedings which result in the collection of such moneys and of the fees, expenses and advances incurred or made by the Bond Trustee and the Authority with respect thereto, be deposited in the Bond Fund, and all amounts held by the Bond Trustee hereunder shall be applied as follows:

(a) Unless the principal of all Outstanding Bonds shall have become or have been declared due and payable:

First: To the payment to the Persons entitled thereto of all installments of interest then due on the Bonds in the order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal amounts or Redemption Price of any Bonds which shall have become due (other than Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions hereof), whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the principal amounts or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

(b) If the principal amounts of all Outstanding Bonds shall have become or have been declared due and payable, to the payment of the principal amounts and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal amounts and interest, to the Persons entitled thereto without any discrimination or preference.

(c) If the principal amounts of all Outstanding Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article, then, subject to the provisions of paragraph (b) of this Section in the event that the principal amounts of all Outstanding Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied by the Bond Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Bond Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Bond Trustee shall apply such moneys, it shall fix the date (which shall be a Bond Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the principal amounts to be paid on such dates shall cease to accrue. The Bond Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Bond Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Bonds and interest thereon have been paid under the provisions of this Section and all expenses and charges of the Bond Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive the same; if no other Person shall be entitled thereto, then the balance shall be paid to the Institution or as a court of competent jurisdiction may direct.

Section 7.6. Remedies Not Exclusive. No remedy by the terms hereof conferred upon or reserved to the Bond Trustee or the Bondholders is intended to be exclusive of any other remedy but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or existing at law or in equity or by statute (including the Act) on or after the date hereof.

Section 7.7. Remedies Vested in the Bond Trustee. All rights of action (including the right to file proof of claims) hereunder or under any of the Bonds may be enforced by the Bond Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Bond Trustee may be brought in its name as the Bond Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds. Subject to the provisions of Section 7.5 hereof, any recovery or judgment shall be for the equal benefit of the Holders of the Outstanding Bonds.

Section 7.8. Bondholders' Control of Proceedings. If a Bond Indenture Event of Default shall have occurred and be continuing, notwithstanding anything herein to the contrary, the Holders of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by any instrument in writing executed and delivered to the Bond Trustee to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions hereof, provided that such direction is in accordance with law and the provisions hereof (including indemnity to the Bond Trustee as provided herein) and, in the sole judgment of the Bond Trustee, is not unduly prejudicial to the interest of Bondholders not joining in such direction (it being understood that the Bond Trustee does not have an affirmative duty to ascertain whether such direction is unduly prejudicial to such Bondholders) and provided further that nothing in this Section shall impair the right of the Bond Trustee in its discretion to take any other action hereunder which it may deem proper and which is not inconsistent with such direction by Bondholders.

Section 7.9. Individual Bondholder Action Restricted. (a) No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement hereof or for the execution of any trust hereunder or for any remedy hereunder unless:

(i) a Bond Indenture Event of Default has occurred (A) under paragraph (a) or (b) of Section 7.1 hereof of which the Bond Trustee is deemed to have notice, or (B) under paragraph (c), (d), (e) or (f) of Section 7.1 hereof as to which the Bond Trustee has actual knowledge or as to which the Bond Trustee has been notified in writing;

(ii) the Holders of at least twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding shall have made written request to the Bond Trustee to proceed to exercise the powers granted herein or to institute such action, suit or proceeding in its own name;

(iii) such Bondholders shall have offered the Bond Trustee indemnity as provided in Section 8.2 hereof;

(iv) the Bond Trustee shall have failed or refused to exercise the powers herein granted or to institute such action, suit or proceedings in its own name for a period of sixty (60) days after receipt by it of such request and offer of indemnity; and

(v) during such sixty (60) day period no direction inconsistent with such written request has been delivered to the Bond Trustee by the Holders of a majority in aggregate principal amount of Bonds then Outstanding in accordance with Section 7.8 hereof.

(b) No one or more Holders of Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the security hereof or to enforce any right hereunder except in the manner herein provided and for the equal benefit of the Holders of all Bonds Outstanding.

(c) Nothing contained herein shall affect or impair, or be construed to affect or impair, the right of the Holder of any Bond (i) to receive payment of the principal of or interest on such Bond on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Holder of any Bond may institute or prosecute any such suit or enter judgment therein if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien hereof on the moneys, funds and properties pledged hereunder for the equal and ratable benefit of all Holders of Bonds.

Section 7.10. Termination of Proceedings. In case any proceeding taken by the Bond Trustee on account of a Bond Indenture Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bond Trustee or to the Bondholders, then the Authority, the Bond Trustee and the Bondholders shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Bond Trustee and the Bondholders shall continue as if no such proceeding had been taken.

Section 7.11. Waiver of Bond Indenture Event of Default. (a) No delay or omission of the Bond Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any Bond Indenture Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Bond Indenture Event of Default or an acquiescence therein. Every power and remedy given by this Article to the Bond Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Bond Trustee may, but shall not be required to, waive any Bond Indenture Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions hereof, or before the completion of the enforcement of any other remedy hereunder.

(c) Notwithstanding anything contained herein to the contrary, the Bond Trustee, upon the written request of the Holders of at least a majority of the aggregate principal amount of Bonds then Outstanding, shall waive any Bond Indenture Event of Default hereunder and its consequences; provided, however, that, except under the circumstances set forth in paragraph (b) of Section 7.2 hereof, a default in the payment of the principal amount of, premium, if any, or interest on any Bond, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Bonds at the time Outstanding; and provided further that any default in the payment of any amounts owed to the Bond Trustee or the Authority hereunder or under the Agreement may not be waived without such Person's consent.

(d) In case of any waiver by the Bond Trustee of a Bond Indenture Event of Default hereunder, the Authority, the Bond Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Bond Indenture Event of Default or impair any right consequent thereon. The Bond Trustee shall not be responsible to any one for waiving or refraining from waiving any Bond Indenture Event of Default in accordance with this Section.

Section 7.12. Notice of Default. (a) Promptly, but in any event within thirty (30) days after (i) the occurrence of a Bond Indenture Event of Default under Section 7.1(a) or (b) hereof, which the Bond Trustee is deemed to have notice, or (ii) receipt, in writing or otherwise, by the Bond Trustee of actual knowledge or notice of a Bond Indenture Event of Default under Section 7.1 (c), (d), (e) or (f) hereof, the Bond Trustee shall, unless such Bond Indenture Event of Default shall have theretofore been cured or waived, give written notice thereof by first class mail to each Holder of a Bond then Outstanding.

(b) The Bond Trustee shall promptly, within one Business Day, notify the Master Trustee and the Authority of (i) the occurrence of a Bond Indenture Event of Default under Section 7.1(a) or (b) hereof and (ii) when the Bond Trustee has received actual knowledge or notice, in writing or otherwise, of the occurrence of a Bond Indenture Event of Default under Section 7.1(c), (d), (e) or (f) hereof.

Section 7.13. Limitation of the Authority's Liability. No agreements or provisions contained herein nor any agreement, covenant or undertaking by the Authority contained in any document executed by the Authority in connection with the Project or the issuance, sale and delivery of the Bonds shall give rise to any pecuniary liability of the Authority or a charge against its general credit, or shall obligate the Authority financially in any way, except with respect to the Pledged Revenues and their application as provided herein. No failure of the Authority to comply with any term, covenant or agreement herein or in any document executed by the Authority in connection with the Project, shall subject the Authority to liability for any claim for damages, costs or other financial or pecuniary charge except to the extent that the same can be paid or recovered from the Pledged Revenues. Nothing herein shall preclude a proper party in interest from seeking and obtaining, to the extent permitted by law, specific performance against the Authority for any failure to comply with any term, condition, covenant or agreement herein; provided, that no costs, expenses or other monetary relief shall be recoverable from the Authority except as may be payable from the Pledged Revenues.

The Bond Trustee, the Institution and all Holders of Bonds, by their purchase of the Bonds, agree that the Authority may be sued in connection with any matter involving or related to the Bonds or the Project, if at all, only in a court in the State of New Hampshire.

Section 7.14. Limitations on Remedies. It is the purpose and intention of this Article to provide rights and remedies to the Bond Trustee and Bondholders which may be lawfully granted under the provisions of the Act, but should any right or remedy herein granted be held to be unlawful, the Bond Trustee and the Bondholders shall be entitled as above set forth, to every other right and remedy provided in the Bond Indenture and by law.

#### **THE BOND TRUSTEE**

Section 8.2. The Bond Trustee Not Required to Take Action Unless Indemnified. Except as expressly required herein or in the Agreement, the Bond Trustee shall neither be required to institute any suit or action or other proceeding hereunder or appear in any suit or action or other proceeding in which it may be a defendant, or to take any steps to enforce its rights and expose it to liability, nor shall the Bond Trustee be deemed liable for failure to take any such action, unless and until it shall have been indemnified, to its satisfaction, against any and all reasonable costs, expenses, outlays, counsel and other fees, other disbursements including its own reasonable fees and against all liability and damages. The Bond Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else which in its judgment is proper to be done by it as the Bond Trustee, without prior assurance of indemnity, and in such case the Institution shall reimburse the Bond Trustee for all reasonable costs, expenses, outlays, counsel and other fees, and other reasonable disbursements including its own fees, and for all liability and damages suffered by the Bond Trustee in connection therewith, except for the Bond Trustee's negligence or willful misconduct. If the Bond Trustee begins, appears in or defends such a suit, the Bond Trustee shall give reasonably prompt written notice of such action to the Authority and the Institution, and shall give such notice prior to taking such action if possible. If the Institution shall fail to make such reimbursement, the Bond Trustee may reimburse itself from any surplus money created hereby; provided, however, that if the Bond Trustee shall collect any amounts or obtain a judgment, decree or recovery, by exercising the remedies available to it hereunder, the Bond Trustee shall have a first claim upon the amount recovered for payment of its reasonable costs, expenses and fees incurred.

Section 8.6. Removal and Resignation of the Bond Trustee. The Bond Trustee may resign or may be removed at any time by an instrument or instruments in writing signed by the Holders of not less than a majority of the aggregate principal amount of Bonds then Outstanding. The Bond Trustee shall give written notice of such resignation or removal to the Authority and the Institution and such resignation or removal shall take effect upon the appointment and qualification of a successor Bond Trustee. In the event a successor Bond Trustee has not been appointed and qualified within sixty (60) days of the date notice of resignation is given, the Bond Trustee, the Authority or the Institution, in all cases at the Institution's expense, may apply to any court of competent jurisdiction for the appointment of an interim successor Bond Trustee to act until such time as a successor is appointed as provided in this Section. No resignation or removal of the Bond Trustee shall be effective until the successor (or interim successor, as applicable) has been appointed and qualified as Bond Trustee.

In addition, the Bond Trustee may be removed at any time with or without cause, by Supplement hereto signed by the Authority so long as (i) no Agreement Event of Default or Bond Indenture Event of Default shall have

occurred and be continuing and (ii) the Authority determines, in such Supplement, that the removal of the Bond Trustee shall not have an adverse effect upon the rights or interests of the Bondholders.

In the event of the resignation or removal of the Bond Trustee or in the event the Bond Trustee is dissolved or otherwise becomes incapable to act as the Bond Trustee, the Authority shall be entitled to appoint a successor Bond Trustee. In no event shall resignation or removal of the Bond Trustee be effective, until the successor Bond Trustee has been appointed and qualified. Upon such appointment, the successor Bond Trustee shall cause notice to be mailed to the Holders of all Bonds then Outstanding in such manner deemed appropriate by the Authority. If the Bond Trustee resigns, the resigning Bond Trustee shall pay for such notice. If the Bond Trustee is removed, is dissolved, or otherwise becomes incapable of acting as Bond Trustee, the Institution shall pay for such notice.

If the Holders of a majority of the principal amount of Bonds then Outstanding object to the successor Bond Trustee so appointed by the Authority and if such Holders designate another Person qualified to act as the Bond Trustee, the Authority shall then appoint as the Bond Trustee the Person so designated by the Holders.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Bond Trustee shall be a trust company or bank having the powers of a trust company as to trusts, qualified to do trust business in the State and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least \$25,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

Every successor Bond Trustee howsoever appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority and the Institution an instrument in writing, accepting such appointment hereunder, and thereupon such successor Bond Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to such successor Bond Trustee all the rights, powers and trusts of such predecessor. The predecessor Bond Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Bond Trustee. The predecessor Bond Trustee shall promptly deliver all records relating to the trust or copies thereof and communicate all material information it may have obtained concerning the trust to the successor Bond Trustee.

Each successor Bond Trustee, not later than ten (10) days after its assumption of the duties hereunder, shall mail a notice of such assumption to each Holder of a registered Bond.

Notwithstanding the above provisions of this Section 8.6, any corporation or association into which the Bond Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, shall be and become successor Bond Trustee hereunder and vested with all of the title to the whole property or trust estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto.

## SUPPLEMENTS

Section 9.1. Supplements Not Requiring Consent of Bondholders. The Authority and the Bond Trustee may, without the consent of or notice to any of the Holders, enter into one or more Supplements for one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission herein;
- (b) to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising hereunder which shall not materially adversely affect the interests of the Holders;

(c) To grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;

(d) To secure additional revenues or provide additional security or reserves for payment of the Bonds;

(e) To preserve the exemption of the interest income borne on the Bonds from federal income taxes;

(f) To implement the provisions of Section 703 of the Second Amended and Restated Master Indenture; and

(g) To remove the Bond Trustee in accordance with the second paragraph of Section 8.6 hereof.

Section 9.2. Supplements Requiring Consent of Bondholders. (a) Other than Supplements referred to in Section 9.1 hereof and subject to the terms and provisions and limitations contained in this Article and not otherwise, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained herein to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Bond Trustee of such Supplements as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Bond Indenture; provided, however, nothing in this Section shall permit or be construed as permitting a Supplement which would:

(i) extend the stated maturity of or time for paying interest on any Bond or reduce the principal amount of or the redemption premium or rate of interest payable on any Bond without the consent of the Holder of such Bond;

(ii) prefer or give a priority to any Bond over any other Bond without the consent of the Holder of each Bond then Outstanding not receiving such preference or priority; or

(iii) reduce the aggregate principal amount of Bonds then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Bonds then Outstanding.

(b) If at any time the Authority shall request the Bond Trustee to enter into a Supplement pursuant to this Section, the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplement to be mailed by first class mail, postage prepaid, to all Holders of Bonds then Outstanding at their addresses as they appear on the registration books herein provided for. The Bond Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail, or the failure of such Bondholder to receive, the notice required by this Section, and any such failure shall not affect the validity of such Supplement when consented to and approved as provided in this Section. Such notice shall be prepared by the Bond Trustee on behalf of the Authority and shall briefly set forth the nature of the proposed Supplement and shall state that copies thereof are on file at the Corporate Trust Office of the Bond Trustee for inspection by all Bondholders.

(c) If within such period, not exceeding three years, as shall be prescribed by the Institution, following the first giving of such notice, the Bond Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Bonds specified in Section 9.2(a) for the Supplement in question which instrument or instruments shall refer to the proposed Supplement described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice as on file with the Bond Trustee, thereupon, but not otherwise, the Bond Trustee and the Authority may execute such Supplement in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

(d) Any such consent shall be binding upon the Holder of the Bond giving such consent and upon any subsequent Holder of such Bond and of any Bond issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bond giving such consent or by a subsequent Holder thereof by filing with the Bond Trustee, prior to the execution by the Bond Trustee of such Supplement, such revocation. At any time after the Holders of the required principal amount or number of Bonds shall have filed their consents to the Supplement, the Bond Trustee shall make and file with the Authority a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(e) If the Holders of the required principal amount or number of the Bonds Outstanding shall have consented to and approved the execution of such Supplement as herein provided, no Holder of any Bond shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Bond Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.

Section 9.4. Amendments to Agreement not Requiring Consent of Bondholders. The Authority and the Bond Trustee may without the consent of or notice to any of the Holders, consent to and join in the execution and delivery of any amendment, change or modification of the Agreement as may be required (a) by the provisions hereof or of the Agreement; (b) to cure any ambiguity or formal defect or omission therein; (c) to preserve the exemption of the interest borne on the Bonds from federal income taxes; (d) in the event there is a change to generally accepted accounting principles which has the effect of changing accounting related definitions and covenants contained in the Agreement, provided there is delivered to the Authority and the Bond Trustee an opinion of an Accountant which provides that after giving effect to such changes in generally accepted accounting principles, the definitions and covenants, as modified, are substantially similar to the definitions and covenants which have been superseded; (e) in connection with the implementation of the provisions of Section 704 of the Master Indenture; or (f) in connection with any other change therein as to which there is filed with the Bond Trustee and the Authority an Opinion of Counsel stating that the proposed change will not adversely affect the interests of the Holders and which in the opinion of the Bond Trustee will not adversely affect the interests of the Holders or the Bond Trustee.

Section 9.5. Amendments to Agreement Requiring Consent of Bondholders. (a) Except for amendments, changes or modifications to the Agreement referred to in Section 9.4 hereof, the Authority and the Bond Trustee and the Authority may consent to and join in the execution and delivery of any amendment, change or modification to the Agreement only upon the consent of the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding given as provided in this Section, provided, however, no such amendment, change or modification may affect the obligation of the Institution to make payments under the Notes or reduce the amount of or extend the time for making such payments without the consent of the Holders of all Bonds then Outstanding.

(b) If at any time the Authority and the Institution shall request the consent of the Bond Trustee to any such amendment, change or modification to the Agreement the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed amendment, change or modification to be given in the same manner as provided in Section 9.2 hereof with respect to Supplements hereto. Such notice shall briefly set forth the nature of the proposed amendment, change or modification and shall state that copies thereof are on file at the office of the Bond Trustee for inspection by all Bondholders.

(c) If the consent to and approval of the execution of such amendment, change or modification is given by the Holders of not less than the aggregate principal amount or number of Bonds specified in paragraph (a) within the time and in the manner as provided by Section 9.2 hereof with respect to Supplements hereto, but not otherwise, such amendment, change or modification may be consented to, executed and delivered upon the terms and conditions and with like binding effect upon the Holders as provided in Sections 9.2 and 9.3 hereof with respect to Supplements hereto.

Section 9.6. Amendments to Master Indenture and Supplemental Master Indenture. The Institution may enter into amendments to the Master Indenture or the Supplemental Master Indenture or both in accordance with the terms and provisions of such documents, with prior written notice to, but without the consent of, the

Authority and the Bond Trustee, other than any consent as may be required of a holder of a Note under Section 702 of the Master Indenture, in which case the Bond Trustee shall be deemed such holder of the Note, unless otherwise provided in the Master Indenture or in a Supplemental Master Indenture. With respect to any such amendment for which the Bond Trustee is deemed to be the holder of the Note, (i) the Bond Trustee shall be under no obligation or duty to grant such consent unless and until it shall have been provided the written consent or direction of the holders of not less than a majority of the aggregate principal amount of the Bonds Outstanding to take such action, and (ii) the Bond Trustee shall have no liability to any Bondholder in granting its consent to any such amendment for which it has received the consent or direction of the holders of not less than a majority of the aggregate principal amount of the Bonds then Outstanding.

Neither the consent of the Authority, the Bond Trustee nor the Bondholders shall be required in connection with the implementation of the transactions, amendments and document substitution provisions implemented pursuant to Section 703 of the Master Indenture. The Bond Trustee shall give notice of the implementation of Section 703 of the Master Indenture to the Bondholders in the manner provided in Section 3.8 hereof within 30 days following receipt of the notice required by Section 703 of the Master Indenture.

### **SATISFACTION AND DISCHARGE**

Section 10.1. Discharge. If payment of all principal of, premium, if any, and interest on the Bonds in accordance with their terms and as provided herein is made, or is provided for in accordance with this Article, and if all other sums payable by the Authority hereunder shall be paid or provided for, and all obligations of the Institution hereunder and under the Agreement have been satisfied in full, then the liens, estates and security interests granted hereby shall cease. Thereupon, upon the request of the Authority, and upon receipt by the Bond Trustee of an Opinion of Counsel stating that all conditions precedent to the satisfaction and discharge of the lien hereof have been satisfied, the Bond Trustee shall execute and deliver proper instruments acknowledging such satisfaction and discharging the lien hereof and the Bond Trustee shall transfer all property held by it hereunder, other than moneys or obligations held by the Bond Trustee for payment of amounts due or to become due on the Bonds, to the Authority, the Institution or such other Person as may be entitled thereto as their respective interests may appear. Such satisfaction and discharge shall be without prejudice to the rights of the Bond Trustee thereafter to charge and be compensated or reimbursed for services rendered and expenditures incurred in connection herewith.

The Authority or the Institution may at any time surrender to the Bond Trustee for cancellation any Bonds previously authenticated and delivered which the Authority or the Institution may have acquired in any manner whatsoever and such Bond upon such surrender and cancellation shall be deemed to be paid and retired.

Section 10.2. Providing for Payment of Bonds. Payment of all or any portion of the Bonds may be provided for by the deposit with the Bond Trustee of moneys or non-callable Government Obligations or Advance-Refunded Municipal Bonds or any combination thereof. The moneys and the maturing principal and interest income on such investments, if any, shall be sufficient to pay when due the principal or Redemption Price of and interest on such Bonds. The moneys and investments shall be held by the Bond Trustee irrevocably in trust for the Holders of such Bonds solely for the purpose of paying the principal or Redemption Price of and interest on such Bonds as the same shall mature, come due or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the Bond Trustee as to the dates upon which any such Bonds are to be redeemed prior to their respective maturities.

In connection with any advance refunding (as such term is defined in the Code) of the Bonds, there shall be delivered to the Bond Trustee a verification report of an Accountant as to the adequacy of the escrow so established.

If payment of the Bonds is so provided for, the Bond Trustee shall mail a notice so stating to each Holder of a Bond.

Bonds the payment of which has been provided for in accordance with this Section shall no longer be deemed Outstanding hereunder or secured hereby. The obligation of the Authority in respect of such Bonds shall nevertheless continue but the Holders thereof shall thereafter be entitled to payment only from the moneys, or investments deposited with the Bond Trustee to provide for the payment of such Bonds.

No Bond may be so provided for if, as a result thereof or of any other action in connection with which the provision for payment of such Bond is made, the interest payable on any Bond is made subject to federal income taxes. The Bond Trustee may rely upon an Opinion of Bond Counsel (which opinion may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that the provisions of this paragraph will not be breached by so providing for the payment of any Bonds.

Section 10.3. Payment of Bonds After Discharge. Notwithstanding the discharge of the lien hereof as in this Article provided, the Bond Trustee shall nevertheless retain such rights, powers and duties hereunder as may be necessary and convenient for the payment of amounts due or to become due on the Bonds and the registration, transfer, exchange and replacement of Bonds as provided herein. Nevertheless, any moneys held by the Bond Trustee or any Paying Agent for the payment of the principal of, premium, if any, or interest on any Bond remaining unclaimed for five years after the principal of all Bonds has become due and payable, whether at maturity or upon proceedings for redemption or by declaration as provided herein, shall upon written request of the Institution to do so, be paid to the Institution, and the Holders of any Bonds not theretofore presented for payment shall thereafter be entitled to look only to the Institution for payment thereof as unsecured creditors and all liability of the Bond Trustee or any Paying Agent with respect to such moneys shall thereupon cease.

### MISCELLANEOUS

Section 11.1. Evidence of Acts of Bondholders. Any request, direction, consent or other instrument provided hereby to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such request, direction or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes hereof and shall be conclusive in favor of the Bond Trustee and the Authority, with regard to any action taken by them, or either of them, under such request or other instrument, namely:

(a) The fact and date of the execution by any Person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments in such jurisdiction, that the Person signing such writing acknowledged before him the execution thereof, or by the affidavit of a witness of such execution; and

(b) The ownership of all Bonds shall be proved by the register of such Bonds maintained by the Registrar.

Nothing in this Section shall be construed as limiting the Bond Trustee to the proof herein specified, it being intended that the Bond Trustee may accept any other evidence of the matters herein stated which it may deem sufficient.

Any action taken or suffered by the Bond Trustee pursuant to any provision hereof, upon the request or with the assent of any Person who at the time is the Holder of any Bond or Bonds shall be conclusive and binding upon all future Holders of the same Bond or Bonds.

Section 11.5. Holidays. When the date on which principal of or interest or premium on any Bond is due and payable is a day on which banking institutions at a place of payment on the Bonds are authorized or required by law or executive order to remain closed, payment may be made on Bonds presented at such place of payment on the next ensuing day on which banking institutions at such place are not authorized or required by law or executive order to remain closed with effect as though payment were made on the due date, and, if such payment is made, no interest shall accrue from and after such due date. When any other action is provided herein to be done on a day named or within a time period named, and the day or the last day of the period falls on a day other than a Business Day, it may be performed on the next ensuing Business Day with effect as though performed on the appointed day or within the specified period.

## CERTAIN PROVISIONS OF THE AGREEMENT

### **LOAN AGREEMENT; ISSUANCE OF SERIES 2017 BONDS AND SERIES 2017 NOTE**

Section 3.1. Loan Agreement; Issuance of Series 2017 Bonds and Application of Proceeds. The Authority hereby agrees to loan, and hereby loans, to the Institution, the amount set forth in the Agreement to provide funds to finance the Project, upon the terms and conditions set forth or referred to in the Agreement. The Institution agrees to borrow and hereby borrows, and agrees to repay, the amount set forth in the Agreement, upon the terms and conditions set forth or referred to in the Agreement. The Agreement shall constitute a general obligation of the Institution. To provide funds to finance the Project, the Authority agrees to use its best efforts to issue the Bonds in accordance with the Bond Indenture and to cause the proceeds thereof to be paid to the Bond Trustee as provided in the Bond Indenture. The Institution agrees that the proceeds of the Bonds being loaned to the Institution, to be made available to finance the Project, shall be deposited with the Bond Trustee and applied as provided in the Bond Indenture. The Institution acknowledges and agrees that it shall have no interest in the proceeds of the Bonds equal to or greater than that of the Holders who shall have a first and prior beneficial interest in such money until applied in accordance herewith and with the Bond Indenture.

Section 3.2. Issuance of Series 2017 Note. In consideration of the issuance by the Authority of the Bonds and the application of the proceeds thereof as provided in the Bond Indenture, and as security for the loan referred to in Section 3.1 hereof, the Institution agrees to issue and to cause to be authenticated and delivered to the Bond Trustee as assignee of the Authority, pursuant to the Agreement, the Master Indenture and the Supplemental Master Indenture, concurrently with the delivery of the Bonds to the Original Purchaser thereof in accordance with the Bond Purchase Contract, the Note in substantially the form attached hereto as Schedule B with such necessary and appropriate omissions, insertions and variations as are permitted or required by the Bond Indenture, the Master Indenture or the Supplemental Master Indenture. The Authority agrees that the Note shall be registered in the name of the Bond Trustee as assignee of the Authority. The Institution agrees that the principal amount of the Note shall be limited to the amount set forth in the Agreement, except for any Note authenticated and delivered in lieu of another Note as provided in the Master Indenture with respect to Notes mutilated, destroyed, lost or stolen or, subject to the provisions of Section 3.3 hereof, upon transfer or registration or exchange of the Note.

Section 3.5. Security for Bonds. (a) The Institution agrees that the principal and Redemption Price of and the interest on the Bonds shall be payable in accordance with the Bond Indenture and the right, title and interest of the Authority hereunder and in and to the Note, the Note Payments and other amounts paid or payable by the Institution hereunder, other than fees and expenses payable or reimbursable to the Authority, shall be assigned and pledged by the Authority to the Bond Trustee pursuant to the Bond Indenture to secure the payment of the Bonds. The Institution agrees that all of the rights accruing to or vested in the Authority with respect to the Note or hereunder may be exercised, protected and enforced by the Bond Trustee for or on behalf of the Holders in accordance with the provisions hereof and of the Bond Indenture.

(b) The Agreement is executed in part to induce the purchase by others of the Bonds, and, accordingly, all covenants and agreements on the part of the Institution (on its own behalf and on behalf of the Members of the Obligated Group) and the Authority, as set forth in the Agreement, are hereby declared to be for the benefit of the holders and owners from time to time of the Bonds.

(c) The Institution agrees to do all things within its power in order to comply with and to enable the Authority to comply with all requirements, and to fulfill and to enable the Authority to fulfill all covenants, of the Bond Resolution, the Tax Regulatory Agreement and the Bond Indenture.

(d) As further security for its obligation to make the Note Payments required under the Agreement, the Institution by the Agreement grants to the Authority a security interest in its Equipment and a mortgage lien on the Facility, subject to the Permitted Encumbrances set forth in Schedule D hereto and Permitted Encumbrances permitted under the Master Indenture. The security interest in the Equipment and the mortgage lien on the Facility shall secure the Bonds on a parity basis with the Authority's Outstanding Hospital Revenue Bonds, Concord Hospital Issues, Series 2011 (the "Series 2011 Bonds"), Series 2013A and Series 2013B. The Bond Trustee and the Authority may assign their rights and interests in the mortgage lien on the Facility and security interest in Equipment

granted hereunder at any time to the Master Trustee for the benefit of the holders of the Series 2017 Note and all Notes issued under the Master Indenture without the consent of the Holders of the Bonds. Any amendments may be made to the Agreement to reflect such assignment to the Master Trustee without the consent of the Holders of the Bonds.

(e) The mortgage lien on the Facility and the security interest in the Equipment granted hereby shall be released and discharged, upon request of the Institution, at such time as there shall no longer be Outstanding any of the Series 2011 Bonds. Upon the request of the Institution, if there shall no longer be Outstanding any of the Series 2011 Bonds, the Authority and the Bond Trustee shall cooperate with the Institution, and shall execute and deliver any documents necessary, including any amendments necessary to the Agreement, to provide for the full release and discharge of the mortgage lien and Lien on Equipment created hereby. The consent of the Holders of the Bonds shall not be required to implement the release and discharge of the mortgage lien and the Lien on Equipment pursuant to this paragraph (e).

## PAYMENTS

Section 4.1. Payments of Principal, Premium and Interest. The Institution, on behalf of itself and each other Member of the Obligated Group, covenants that it will duly and punctually pay the principal of and interest and any premium on the Note at the dates and in the places and manner mentioned therein and herein. Notwithstanding any schedule of payments to be made on the Note set forth therein or herein, the Institution agrees to make payments upon the Note and be liable therefor at the times and in the amounts equal to the amounts to be paid as the principal or Redemption Price of or interest on the Bonds from time to time Outstanding under the Bond Indenture as the same shall become due whether at maturity, upon redemption, by declaration of acceleration or otherwise. This provision shall not be read or interpreted to abrogate the joint and several liability of the Institution for all Notes issued under the Master Indenture.

All amounts payable with respect to the Note or hereunder by the Institution to the Authority, except as otherwise expressly provided herein, shall be paid to the Bond Trustee for the account of the Authority so long as any Bonds remain Outstanding.

The Institution agrees and represents that it has received fair consideration in return for the obligations undertaken and to be undertaken by the Institution resulting from the Note issued on behalf of the Obligated Group.

Section 4.2. Note Payments. (a) The Note Payments shall be made not later than the 20th day of each March and September, commencing March, 2018. Any scheduled payment which shall not be paid when due shall bear interest at the highest rate of interest borne on any Bond from the date the Note Payment is due until the same shall be paid.

(b) The Note Payments with respect to interest due on the Bonds shall be made on or prior to each March 20 and September 20 and shall include the amount, if any, necessary to cause the amount credited to the Interest Account together with available moneys and investment earnings on investments then on deposit in the Interest Account, if such earnings will be received before the next Bond Payment Date as determined by the Bond Trustee (but only to the extent that such moneys or investment earnings have not previously been credited for purposes of such calculation), to be not less than the full amount of interest to be paid on the Outstanding Bonds on the next Interest Payment Date. The Note Payments to be made pursuant to this paragraph (b) shall be appropriately adjusted to reflect the date of issuance of the Bonds and accrued or capitalized interest, if any, deposited in the Interest Account.

(c) The Note Payments with respect to principal of the Bonds shall be made on or prior to each September 20 and shall include (after credit for any investment earnings in such Account that have not previously been credited), during each Bond Year ending on a date on which Serial Bonds mature, the amount necessary to cause the amount credited to the Principal Account, together with the available moneys and investment earnings on investments then on deposit in the Principal Account, if such earnings will be received before the last day of the Bond Year as determined by the Bond Trustee (but only to the extent that such moneys or investment earnings have not previously been credited for purposes of such calculation), to be not less the principal amount of Serial Bonds

Outstanding which will mature on the last day of the Bond Year, and shall be appropriately adjusted to reflect the date of issuance of the Bonds.

(d) The Note Payments with respect to Sinking Fund Account Requirements of the Bonds shall be made on or prior to each September 20 and shall include (after credit for any investment earnings in such Account that have not previously been credited), during each Bond Year ending on a date which is a Sinking Fund Account Retirement Date, the amount necessary to cause the amount credited to the Sinking Fund Account, together with available moneys and investment earnings on investments then on deposit in the Sinking Fund Account, if such earnings will be received before the last day of the Bond Year as determined by the Bond Trustee (but only to the extent that such moneys or investment earnings have not previously been credited for purposes of such calculation), to be not less than the unsatisfied Sinking Fund Account Requirements to be satisfied on or before the last day of the Bond Year.

Section 4.6. Obligations Unconditional. The Agreement is a general obligation of the Institution and the obligations of the Institution and the other Members of the Obligated Group to make payments pursuant hereto and pursuant to the Note and to perform and observe all agreements on its part contained herein shall be absolute and unconditional. Until the Agreement is terminated or payment in full of all Bonds is made or is provided for in accordance with the Bond Indenture, the Institution (i) will not suspend or discontinue any payments hereunder or neglect to perform any of its duties required hereunder or under the Master Indenture, the Supplemental Indenture or the Tax Regulatory Agreement; (ii) will perform and observe all of its obligations set forth in the Agreement, in the Master Indenture, the Supplemental Indenture and in the Tax Regulatory Agreement; and (iii) except as provided herein, will not terminate the Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration; commercial frustration of purpose; any change in the tax or other laws or administrative rulings of, or administrative actions by or under authority of, the United States of America or of the State; or any failure of the Authority to perform and observe any obligation set forth in the Agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Agreement, the Tax Regulatory Agreement or the Bond Indenture.

Nothing contained in this Section shall be construed to release the Authority from the performance of any of its obligations contained herein. In the event the Authority fails to perform any such obligation, the Institution may institute such action against the Authority as the Institution may deem necessary and to the extent permitted by law to compel performance so long as such action shall not violate the terms or conditions of the Agreement, and provided that no costs, expenses or other monetary relief shall be recovered from the Authority except as may be payable from the Pledged Revenues. The Institution may, however, at its own cost and expense and in its own name or, to the extent lawful and upon written notice to, and prior receipt of written consent of the Authority, in the name of the Authority, prosecute or defend any action or proceeding or take any other action involving third Persons which the Institution deems reasonably necessary in order to secure or protect its rights hereunder. In such event the Authority hereby agrees, to the extent reasonable, to cooperate fully with the Institution, but at the Institution's expense, and to take all action necessary to effect the substitution of the Institution for the Authority in any such action or proceeding if the Institution shall so request.

Notwithstanding any other provisions contained in the Agreement, the rights of the Bond Trustee or any party or parties on behalf of whom the Bond Trustee is acting (including, specifically, but without limitation, the right to receive the Note Payments) shall not be subject to any defense, set off, counterclaim or recoupment whatsoever, whether arising out of any breach of any duty or obligation of the Authority or the Bond Trustee owing to the Institution, or by reason of any other indebtedness or liability at any time owing by the Authority or the Bond Trustee to the Institution.

## **PARTICULAR COVENANTS**

Section 5.1. Covenants as to Corporate Existence, Maintenance of Property, Etc. The Institution hereby covenants on behalf of itself and the other Members of the Obligated Group:

(a) Except as otherwise expressly provided herein, or as permitted under the Master Indenture, to preserve its corporate or other separate legal existence and all its rights and licenses to the extent necessary or desirable in the operation of its business and affairs and to be qualified to do business in each jurisdiction where its

ownership of Property or the conduct of its business requires such qualifications; provided, however, that nothing herein contained shall be construed to obligate it to retain or preserve any of its rights or licenses no longer used or useful in the conduct of its business.

(b) At all times to cause its business to be carried on and conducted and its Property to be maintained, preserved and kept in good repair, working order and condition and all needful and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing herein contained shall be construed (i) to 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 a determination by its Governing Body delivered to the Authority and the Bond Trustee) it is advisable not to operate the same, or if it intends to sell or otherwise dispose of the same in accordance with the provisions of the Agreement, the Master Indenture 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 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 to 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 Property; provided, nevertheless, that nothing herein contained shall require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof or the applicability thereof to it shall be contested in good faith; provided, however, that no such contest shall subject the Bond Trustee or the Authority to the risk of any liability, and, in any event, that the Institution shall indemnify the Bond Trustee and the Authority to their satisfaction against any liability resulting from such contest.

(d) Promptly to pay 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; provided, however, that no such contest shall subject any of its Property to risk of forfeiture or foreclosure or the Bond Trustee or the Authority to the risk of any liability, and, in any event, that the Institution shall indemnify the Bond Trustee and the Authority to their satisfaction against any liability resulting from such contest.

(e) Promptly to pay or otherwise satisfy and discharge all of its obligations and Indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Note issued and Outstanding hereunder and under the Master Indenture) whose validity, amount or collectability is being contested in good faith; provided, however, that no such contest shall subject any of its Property to risk of forfeiture or foreclosure or the Bond Trustee or the Authority to the risk of any liability, and, in any event, that the Institution shall indemnify the Bond Trustee and the Authority to their satisfaction against any liability resulting from such contest.

(f) At all times to comply with all terms, covenants and provisions of any Liens at such time existing upon its Property or any part thereof or securing any of its Indebtedness; provided, however, that it shall have the right to contest in good faith any such terms, covenants or provisions and pending such contest may delay or defer compliance therewith; provided, however, that no such contest shall subject any of its Property to risk of forfeiture or foreclosure or the Bond Trustee or the Authority to the risk of any liability, and, in any event, that the Institution shall indemnify the Bond Trustee and the Authority to their satisfaction against any liability resulting from such contest.

(g) To procure and maintain all necessary licenses and permits and maintain accreditation of its hospital and health care facilities (other than those of a type for which accreditation is not then available) by the Joint Commission on Accreditation of Healthcare Organizations (or other similar hospital accrediting organization) and/or the Center for Medicare and Medicare Services, as may be applicable and the status of its hospital and health care facilities (other than those not currently having such status) as a provider of health care services eligible for reimbursement under any appropriate third party payor programs and comparable programs, including future governmental programs as long as, in the opinion of the Institution, such eligibility or accreditation is in the best interests of the Institution.

(h) To maintain its status as a Tax Exempt Organization and to take no action or suffer any action to be taken by others under their control which would result in the interest on any Bond becoming subject to federal income taxes.

(i) To consent to the jurisdiction of the courts of the State for causes of action arising solely under the terms of the Agreement.

(j) That all action heretofore and hereafter taken by the Institution to operate and maintain the Institution's Property and to maintain the Project, and all actions hereafter taken by the Authority to maintain the Project upon the recommendation or request of any officer, employee or agent of the Institution have been and will be in full compliance with the Bond Resolution, the Bond Indenture, the Tax Regulatory Agreement, the Agreement and the Master Indenture and will comply in all material respects with all pertinent laws, ordinances, rules, regulations and orders applicable to the Institution or the Authority; and in connection with the operation, maintenance, repair and replacement of the Institution's Property, that it shall comply in all material respects with all applicable ordinances, laws, rules, regulations and orders of the United States of America, the State, or the municipality or municipalities in which the Project is located.

(k) That the Institution's Property has been and will be in compliance in all material respects with all applicable zoning, subdivision, building, land use and similar laws and ordinances and in compliance with all Environmental Laws; and that it shall not take any action or request the Authority to take any action which would cause such Property or any part thereof to be in violation of such laws, ordinances or Environmental Laws. The Institution acknowledges that any review by the staff or counsel of the Authority of any such actions heretofore or hereafter taken has been or will be solely for the protection of the Authority.

(l) To hold and use the Facility for hospital and health care purposes so long as the principal of and interest on the Bonds have not been fully paid and retired and all other conditions of the Bond Indenture, the Tax Regulatory Agreement and the Agreement have not been satisfied and the lien and security interests created under the Bond Indenture and the Agreement have not been released in accordance with the provisions hereof.

(m) The Project shall be used only for the purposes described in the Act and no part of the Project shall be used for any purpose which would cause the Authority's financing of the Project to constitute a violation of the First Amendment of the United States Constitution; and, in particular, that no part of the Project, so long as it is owned or controlled by the Institution, shall be used for any sectarian instruction or as a place of religious worship or in connection with any part of a program of a school or department of divinity for any religious denomination; and any proceeds of any sale, lease, taking by eminent domain of the Project or other disposition thereof shall not be used for, or to provide a place for, such instruction, worship or program. The provisions of the foregoing sentence shall, to the extent permitted and required by law, survive termination of the Agreement.

(n) To provide parking for the Facility at a site or sites convenient for its operation in compliance with applicable zoning requirements.

(o) To obtain the approval of the Authority, which approval shall not be unreasonably withheld, prior to entering into any derivative financial product, interest rate swap or other similar transactions relating to the Bonds.

(p) To comply with all covenants on its part set forth in the Master Indenture and the Supplemental Master Indenture, and to concurrently provide the Authority and the Bond Trustee with copies of all certificates, opinions or reports required to be submitted to the Master Trustee pursuant to the Master Indenture.

(q) Not to enter into any transaction described in and to be accomplished under the provisions of Sections 4.08 or 4.11(b)(2) of the Master Indenture (or applicable successor provisions), without the prior written consent of the Authority, which consent shall not be unreasonably withheld.

(r) Except as otherwise permitted pursuant to Section 703 of the Master Indenture, not to seek, consent to, or be released from its obligations under the Master Indenture pursuant to Section 404 thereof without the prior written consent of the Authority, which consent shall not be unreasonably withheld.

Section 5.2. Preservation of Exempt Status. (a) The Institution represents and warrants that as of the date of the Agreement: (i) it is a Tax Exempt Organization described in Section 501(c)(3) of the Code; (ii) it has received a letter or determination from the Internal Revenue Service to that effect; (iii) such letter or determination has not been modified, limited or revoked; (iv) it is in compliance with all terms, conditions and limitations, if any, contained in or forming the basis of such letter or determination; (v) the facts and circumstances which form the basis of such letter or determination continue substantially to exist as represented to the Internal Revenue Service; (vi) it is not a “private foundation” as defined in Section 509 of the Code; (vii) it is exempt from Federal income taxes under Section 501(a) of the Code and it is in compliance with the provisions of said Code and any applicable regulations thereunder necessary to maintain such status; and (viii) it is a “participating health care institution” within the meaning of the Act, being a not-for-profit hospital located within and incorporated under the laws of the State and licensed as a hospital by the Department of Health and Human Services of such State.

(b) The Institution agrees that (i) it shall perform any acts, enter into any agreements, carry on or permit to be carried on at its facilities, or permit its facilities to be used in or for any trade or business, which shall adversely affect the basis for the exemption under Section 501 of such Code; (ii) it shall not use more than five percent (5%) of the net proceeds of the Bonds or permit the same to be used, directly or indirectly, in any trade or business that constitutes an unrelated trade or business as defined in Section 513(a) of the Code or in any trade or business carried on by any Person or Persons who are not governmental units or Tax Exempt Organizations; (iii) it shall not directly or indirectly use the proceeds of the Bonds to make or finance loans to Persons other than governmental units or Tax Exempt Organizations; (iv) it shall not take any action or permit any action to be taken on its behalf, or cause or permit any circumstances within its control to arise or continue, if such action or circumstances, or its expectation on the date of issuance of the Bonds, would cause the Bonds to be “arbitrage bonds” under the Code or cause the interest paid by the Authority on the Bonds to be subject to Federal income tax in the hands of the holders thereof; and (v) it shall use its best efforts to maintain the tax exempt status of the Bonds.

(c) The Institution (or any related person, as defined in Section 147(a)(2) of the Code) shall not, pursuant to an arrangement existing at the time of the issuance of the Bonds, formal or informal, purchase the Bonds in an amount related to the amount of the payments due from the Institution under the Agreement.

Section 5.5. Securities Law Status. The Institution affirmatively represents, warrants and covenants that, as of the date of the Agreement, it is an organization organized and operated: (A) exclusively for charitable purposes; (B) not for pecuniary profit; and (C) no part of the net earnings of which inure to the benefit of any Person (other than a Tax-Exempt Organization), private stockholder or individual, all within the meaning, respectively, of the Securities Act of 1933, as amended, and of the Securities Exchange Act of 1934, as amended. The Institution agrees that it shall not perform any act nor enter into any agreement which shall change such status as set forth in this Section.

Section 5.7. Limitation of Authority’s Liability. No obligation of the Authority under or arising out of the Agreement or the Bond Indenture, or any document executed by the Authority in connection with any Property of the Institution financed, directly or indirectly, out of Bond proceeds or the issuance, sale or delivery of any Bonds shall impose, give rise to or be construed to authorize or permit a debt or pecuniary liability of, or a charge against the general credit of, the Authority, the State or any political subdivision of the State, but each such obligation shall be a limited obligation of the Authority payable solely from the Pledged Revenues.

Section 5.9. Source of Payments. The Institution agrees to make or cause to be made the payments required by the Agreement from the general funds or any other moneys legally available to the Institution in the manner and at the times provided by the Agreement. The Institution further agrees to charge Persons using any facilities of the Institution fees, rentals or other charges which, together with its general funds and other moneys legally available to it, shall provide moneys sufficient at all times (i) to make such payments as are required by the Agreement, and (ii) to pay all other obligations of the Institution as the same become due and payable. However, the foregoing shall not affect any State or federal obligation of the Institution to provide free medical or health care services.

Section 5.14. Compliance with Environmental Laws. (a) Obligations of Institution. The Institution hereby covenants to comply with, and to cause its officers, directors, shareholders, partners, agents, servants and employees and each tenant and other occupant and user of the Facility, and the officers, directors, shareholders, partners, agents, servants and employees of such tenants, occupants and users to comply with, each and every Environmental Law applicable to the Institution, the Facility and each such tenant, occupant or user with respect to the Facility. Specifically, but without limitation, with respect to the Facility:

- (i) the Institution shall obtain and maintain (and cause each tenant, occupant and user to obtain and maintain) all permits, certificates, licenses and other consents and approvals required by each Environmental Law from time to time applicable to the Institution, each and every part of the Facility and/or the conduct of any business thereat or related thereto;
- (ii) the Institution shall not cause any Release on or off the Facility and will not suffer or permit any Release, or the presence of Hazardous Materials, in, on or at the Facility (except in compliance with all applicable Environmental Laws);
- (iii) if the Institution causes a Release on or off the Facility, or if a Release occurs on the Facility, the Institution shall promptly effect the Clean Up of any resulting Contamination in accordance with and as required by the provisions of all applicable Environmental Laws; and
- (iv) within thirty (30) days after the date that any lien is imposed against the Facility or any part thereof under any Environmental Law, the Institution shall cause such lien to be discharged or bonded to the Authority's satisfaction.

(b) No Obligation of Authority. Notwithstanding any provision of the Agreement or any other loan document to the contrary, neither the execution by the Institution, nor the execution or acceptance by the Authority, of the Agreement nor any provision of the Agreement or any other loan document shall create or confer upon the Authority any obligation to (a) cure any failure by the Institution to comply with any Environmental Law, (b) take any actions or complete any actions taken, or expend any sums, to cure any failure by the Institution to comply with any Environmental Law or (c) compel, enjoin or otherwise cause the Institution to do any of the same; nor shall the execution by the Institution, or the execution or acceptance by the Authority, of the Agreement, or the existence or the exercise of any provision hereof or of any other loan document, operate to place upon the Authority any responsibility for the operation, control, care, management or repair of the Facility, or any responsibility for, or any right, power or ability to control or direct the storage, transportation, release, removal, containment, encapsulation, remediation, monitoring, or other disposition of any Hazardous Materials, or make the Authority an "operator" of the Facility within the meaning of any Environmental Laws.

(c) Survival. The provisions of this Section shall survive any satisfaction, release, discharge or reconveyance of the Agreement and the Institution shall continue to be obligated to indemnify each indemnified party with respect to any breach by the Institution of any of such provisions pursuant to Section 5.6 hereof for so long as such indemnified party may be liable for or subject to any claim, liability, damage, loss, order, penalty, fine, cost, charge or expense arising out of or related to any matter for which such indemnified party is indemnified under Section 5.6 hereof.

(d) Future Environmental Surveys and Testing. The Institution shall, at the request of the Authority, procure and provide to the Authority such environmental surveys and perform such environmental testing as the Authority shall, in the reasonable exercise of its discretion, deem appropriate; provided, however, that absent an event described in subsection (a) hereof, the Authority shall not require such surveys or testing more frequently than once every four (4) years.

## EVENTS OF DEFAULT AND REMEDIES

Section 6.1. Agreement Events of Default. Each of the following events shall constitute and be referred to herein as an “Agreement Event of Default”:

(a) Any Member of the Obligated Group shall fail to make any payment of the principal of, the premium, if any, and interest on any Note Payment 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.

(b) The Obligated Group shall fail duly to observe or perform any other covenant or agreement on its part under the Agreement or under the Tax Regulatory Agreement 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 Institution by the Authority or the Bond Trustee, or to the Institution, the Authority and the Bond Trustee by the holders of at least twenty-five percent (25%) in aggregate principal amount of the Note then Outstanding. If the breach of covenant or agreement is one which is capable of cure but cannot be completely remedied within the thirty (30) days after written notice has been given to the Institution, it shall not be an Agreement Event of Default as long as the Institution has taken active steps within the thirty (30) days after written notice has been given to remedy the failure and is diligently pursuing such remedy, and provided that such default is cured within sixty (60) days after written notice of such default is given to the Institution.

(c) The Obligated Group shall default in the payment of any Indebtedness for borrowed moneys (other than any Indebtedness which is Non Recourse Indebtedness), which Indebtedness is in a principal amount in excess of one percent (1%) of Operating Revenues of the Obligated Group for the Historic Test Period, whether such Indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired where the effect of such default is to accelerate the maturity of such Indebtedness or to permit the holders thereof (or a trustee on behalf of such holders) to cause such Indebtedness to become due prior to its stated maturity, or 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, whether such Indebtedness now exists or shall hereafter be created, shall occur, provided, however, that such default shall not constitute an Agreement Event of Default within the meaning of this Section if within thirty (30) days, or within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Indebtedness is commenced, whichever is longer, (i) the Institution in good faith commences proceedings to contest the existence or payment of such Indebtedness, and (ii) sufficient moneys or other adequate security 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 adjudging any Member of the Obligated Group a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Institution under the Federal Bankruptcy Code or any other applicable federal or State law, or appointing a receiver, liquidator, assignee, or sequestrator (or other similar official) of the Institution 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 sixty (60) consecutive days.

(e) The institution by any Member of the Obligated Group of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under the Federal 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, assignee, trustee or sequestrator (or other similar official) of any 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.

(f) If there occurs any Bond Indenture Event of Default.

(g) If there occurs any Master Indenture Event of Default.

An Agreement Event of Default shall be deemed to be in effect upon the actual occurrence of such event, whether or not notice thereof has been given or received. Upon having actual notice of the existence of an Agreement Event of Default, the Bond Trustee shall serve written notice thereof upon the Institution and the Authority unless the Institution has expressly acknowledged the existence of such Agreement Event of Default in a writing delivered by the Institution to the Bond Trustee and the Authority or filed by the Institution in any court.

Section 6.2. Remedies in General; Statutory Power of Sale. Upon the occurrence and during the continuance of any Agreement Event of Default, the Bond Trustee on behalf of the Authority, at its option, may take such action as it deems necessary or appropriate to collect amounts due hereunder, to enforce performance and observance of any obligation or agreement of the Institution hereunder or to protect the interests securing the same, and may, without limiting the generality of the foregoing:

(a) Exercise any or all rights and remedies given hereby or available hereunder or given by or available under any other instrument of any kind securing the Institution's performance hereunder.

(b) Take any action at law or in equity to collect the Note Payments then due, whether on the stated due date or by declaration of acceleration or otherwise, for damages or for specific performance or otherwise to enforce performance and observance of any obligation, agreement or covenant of the Institution hereunder.

(c) Apply to a court of competent jurisdiction for the appointment of a receiver (but only in the case of an Agreement Event of Default not described in Section 6.1(d) or (e) hereof) of any or all of the property of the Institution, such receiver to have such powers as the court making such appointment may confer. The Institution hereby consents and agrees, and will if requested by the Bond Trustee consent and agree at the time of application by the Bond Trustee for appointment of a receiver, to the appointment of such receiver 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 Institution could do so, and to borrow money and issue evidences of indebtedness as such receiver.

In the event of any Agreement Event of Default, the Authority, in addition to any other right or remedies it may have at law or in equity, shall have the right to and may enter into the Facility without being liable for any prosecution or damages therefor and may dispossess the Institution and may lease the Facility or any part thereof to another party for a term which may extend beyond the term hereof, and receive the rent therefor, upon such terms as shall be satisfactory to the Authority. Such entry by the Authority shall not operate to release the Institution from any sums to be paid or covenants to be performed under the Agreement during the full term hereof. In addition, the Institution hereby agrees that the receipt of rents, awards, and any other moneys or evidences thereof, and any disposition of the same by the Authority shall not constitute a waiver of the right of foreclosure and sale of the Facility by the Authority or the Bond Trustee in the case of an Agreement Event of Default.

For the purpose of leasing the Facility to another party, the Authority or the Bond Trustee shall be authorized to make such repairs or alterations in or to the Facility as the Authority may deem necessary to place the same in good order and condition. The Institution shall be liable to the Authority for the cost of such repairs or alterations and all expenses of such leasing. If the sum realized or to be realized from the leasing is insufficient to satisfy the sum payable by the Institution under the Agreement, the Authority or Bond Trustee, at its option, may require the Institution to pay such deficiency month by month, or may hold the Institution liable in advance for the entire deficiency to be realized during the term of the leasing of the Facility. Notwithstanding such entry by the Authority, the Institution agrees that any utility service (including heat) furnished to the Facility by the Institution prior to such entry shall continue to be furnished by the Institution to the Facility at the expense of the Institution.

The Agreement is upon the conditions herein and the "Statutory Conditions" as defined by Section 29 of Chapter 477 of the New Hampshire Revised Statutes Annotated, as amended, for any breach of which the Authority or the Bond Trustee as its assignee, shall have the "Statutory Power of Sale" under New Hampshire law. Upon compliance with the requirements of New Hampshire law respecting a Power of Sale mortgage foreclosure of real estate, the Authority or the Bond Trustee as its assignee, in addition to exercising such other rights and remedies as it may deem advisable, may sell the Facility, or any part thereof, at some place in Concord, New Hampshire, while proceeding in a commercially reasonable manner, and may convey the same by proper deed or deeds to the purchaser or purchasers absolutely and in fee simple; and such sale shall forever bar the Institution and all Persons

claiming under it from all right and interest in the Facility whether at law or in equity. In exercising any power of sale under this Section, it is agreed that a parcel may consist wholly of real estate, wholly of tangible personal property or any combination of both.

All rights and remedies herein given or granted to the Authority or the Bond Trustee are cumulative, non exclusive and in addition to any and all rights and remedies that the Authority or the Bond Trustee may have or be given by reason of any law, statute, ordinance or otherwise. Without limiting the generality of the foregoing, the Authority shall have all rights and remedies of a secured party under the New Hampshire Uniform Commercial Code with respect to the Equipment and any fixtures or tangible personal property which are or may become part of the Facility. The Authority or the Bond Trustee may deal with such as collateral under said Code or as part of the Facility mortgage hereunder or in part one and in part the other. Notice in accordance with Section 7.10 hereof, mailed to the Institution at least fifteen (15) days before any proposed realization upon such collateral shall constitute reasonable notification of such event under said Uniform Commercial Code.

When acting under the Agreement, the Bond Trustee shall have all of the rights, benefits, privileges, protections and indemnities provided to the Bond Trustee under the Bond Indenture.

Section 6.3. Discontinuance or Abandonment of Default Proceedings. If any proceedings taken by the Authority or the Bond Trustee on account of any Agreement Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Authority or the Bond Trustee, then and in every case the Authority, the Bond Trustee and the Institution shall be restored to their former position and rights hereunder, respectively, and all rights, remedies and powers of the Authority and the Bond Trustee shall continue as though no such proceeding had taken place.

Section 6.4. Remedies Cumulative. No remedy conferred upon or reserved to the Authority or the Bond Trustee hereby or now or hereafter existing at law or in equity or by statute, shall be exclusive but shall be cumulative with all others. Such remedies are not mutually exclusive and no election need be made among them, but any such remedy or any combination of such remedies may be pursued at the same time or from time to time so long as all amounts realized are properly applied and credited as provided herein. No delay or omission to exercise any right or power accruing upon any Agreement Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient by the Authority or the Bond Trustee. In the event of any waiver of an Agreement Event of Default hereunder, the parties shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any other or subsequent Agreement Event of Default or impair any right arising as a result thereof. In order to entitle the Bond Trustee to exercise any remedy reserved to it, it shall not be necessary to give notice other than as expressly required herein.

Section 6.5. Application of Moneys Collected. Any amounts collected pursuant to action taken under this Article VI shall be applied in accordance with the provisions of Article VII of the Bond Indenture, and to the extent applied to the payment of amounts due on the Bonds shall be credited against amounts due on the Note.

## MISCELLANEOUS

Section 7.5. Non-Business Days. When any action is provided for herein to be done on a day named or within a specified time period, and the day or the last day of the period falls on a day other than a Business Day, such action may be performed on the next ensuing Business Day with the same effect as though performed on the appointed day or within the specified period.

**APPENDIX C-2**

**FORM OF THE SECOND AMENDED AND RESTATED  
MASTER TRUST INDENTURE**

**(THIS PAGE LEFT BLANK INTENTIONALLY)**

---

---

**CONCORD HOSPITAL OBLIGATED GROUP**

**SECOND AMENDED AND RESTATED MASTER TRUST INDENTURE  
(Security Agreement)**

**among**

**CONCORD HOSPITAL, INC.,  
CONCORD HOSPITAL TRUST,**

**and**

**ANY ADDITIONAL MEMBERS FROM TIME TO TIME  
OF THE OBLIGATED GROUP**

**and**

**U.S. BANK NATIONAL ASSOCIATION,  
as Master Trustee**

---

**Dated as of December 1, 2017**

---

**TABLE OF CONTENTS**

Page

**ARTICLE I**

**DEFINITIONS**

Section 101. Definitions.....3  
Section 102. Interpretation.....19

**ARTICLE II**

**THE OBLIGATIONS**

Section 201. Series, Designation and Amount of Obligations.....20  
Section 202. Payment of Obligations.....21  
Section 203. Execution .....21  
Section 204. Authentication.....22  
Section 205. Form of Obligations .....22  
Section 206. Mutilated, Lost, Stolen or Destroyed Obligations .....22  
Section 207. Registration; Negotiability; Cancellation Upon Surrender; Exchange of  
Obligations .....23  
Section 208. Security for Obligations; Pledge of Gross Revenues.....23  
Section 209. Issuance of Obligations in Forms Other than Notes .....27  
Section 210. Substitute Obligations upon Withdrawal of a Member .....27  
Section 211. Appointment of Obligated Group Agent .....28  
Section 212. Conditions to Issuance of Obligations Hereunder .....28

**ARTICLE III**

**PREPAYMENT OR REDEMPTION OF OBLIGATIONS**

Section 301. Prepayment or Redemption Dates and Prices.....29

**ARTICLE IV**

**GENERAL COVENANTS**

Section 401. Payment of Principal, Premium, if any, and Interest and Other Amounts;  
Designated Affiliates .....29  
Section 402. Performance of Covenants.....31  
Section 403. Entrance into the Obligated Group .....31  
Section 404. Cessation of Status as a Member of the Obligated Group.....32

Section 405.	General Covenants; Right of Contest .....	33
Section 406.	Insurance; Proceeds; Awards .....	34
Section 407.	Long-Term Debt Service Coverage Ratio .....	35
Section 408.	Permitted Reorganizations .....	36
Section 409.	Financial Statements, Etc .....	38
Section 410.	Permitted Indebtedness .....	39
Section 411.	Permitted Dispositions .....	42
Section 412.	Permitted Encumbrances .....	43
Section 413.	Permitted Releases .....	43
Section 414.	Indemnity .....	44
Section 415.	Debt Service on Balloon Indebtedness .....	45
Section 416.	Debt Service on Variable Rate Indebtedness .....	45
Section 417.	Debt Service on Discount Indebtedness .....	46
Section 418.	Right to Consent, Etc .....	46

## ARTICLE V

### REMEDIES

Section 501.	Events of Default .....	46
Section 502.	Acceleration .....	48
Section 503.	Remedies; Rights of Obligation Holders .....	48
Section 504.	Direction of Proceedings by Holders .....	49
Section 505.	Appointment of Receivers .....	49
Section 506.	Application of Moneys .....	50
Section 507.	Remedies Vested in Master Trustee .....	51
Section 508.	Rights and Remedies of Obligation Holders .....	51
Section 509.	Termination of Proceedings .....	52
Section 510.	Waiver of Events of Default .....	52
Section 511.	Members' Rights of Possession and Use of Property .....	53
Section 512.	Related Bond Trustee or Bondholders Deemed To Be Obligation Holders .....	53
Section 513.	Remedies Subject to Provisions of Law .....	53
Section 514.	Notice of Default .....	54

## ARTICLE VI

### THE MASTER TRUSTEE

Section 601.	Acceptance of the Trusts .....	54
Section 602.	Fees, Charges and Expenses of Master Trustee .....	57
Section 603.	Notice to Obligation Holders if Default Occurs .....	57
Section 604.	Intervention by Master Trustee .....	57
Section 605.	Successor Master Trustee .....	57
Section 606.	Corporate Master Trustee Required; Eligibility .....	57

Section 607.	Resignation by the Master Trustee .....	58
Section 608.	Removal of the Master Trustee.....	58
Section 609.	Appointment of Successor Master Trustee by the Obligation Holders; Temporary Master Trustee.....	58
Section 610.	Concerning Any Successor Master Trustee .....	59
Section 611.	Master Trustee Protected in Relying Upon Resolutions, Etc .....	59
Section 612.	Successor Master Trustee as Trustee of Funds and Obligation Registrar .....	59
Section 613.	Maintenance of Records .....	59
Section 614.	List of Obligation Holders .....	59
Section 615.	Master Trustee as Registrar .....	60

## ARTICLE VII

### SUPPLEMENTAL MASTER INDENTURES

Section 701.	Supplemental Master Indentures Not Requiring Consent of Obligation Holders .....	60
Section 702.	Supplemental Master Indentures Requiring Consent of Obligation Holders .....	62
Section 703.	Amendments and Supplemental Master Indentures Permitting any Member of the Obligated Group to Affiliate with Another Entity or to Become Members of Another Obligated Group .....	63
Section 704.	Execution of Supplemental Master Indentures .....	65

## ARTICLE VIII

### SATISFACTION OF THE MASTER INDENTURE

Section 801.	Defeasance .....	65
Section 802.	Provision for Payment of a Particular Series of Obligations or Portion Thereof .....	66
Section 803.	Satisfaction of Related Bonds .....	67

## ARTICLE IX

### MANNER OF EVIDENCING OWNERSHIP OF OBLIGATIONS

Section 901.	Proof of Ownership.....	68
--------------	-------------------------	----

## ARTICLE X

### MISCELLANEOUS

Section 1001.	Limitation of Rights .....	68
---------------	----------------------------	----

Section 1002. Unclaimed Moneys .....	68
Section 1003. Severability .....	69
Section 1004. Notices .....	69
Section 1005. Counterparts .....	69
Section 1006. Applicable Law .....	69
Section 1007. Immunity of Officers, Employees and Members.....	69
Section 1008. Holidays .....	70
Section 1009. Electronic Communications.....	70
<b>Exhibit A</b> — List of Members of the Obligated Group .....	A-1
<b>Exhibit B</b> — List of Designated Affiliates.....	B-1
<b>Exhibit C</b> — Pre-Existing Liens .....	C-1

This is a **SECOND AMENDED AND RESTATED MASTER TRUST INDENTURE (SECURITY AGREEMENT)**, dated as of December 1, 2017, amending and restating the Amended and Restated Master Trust Indenture, dated as of November 1, 1990, and amended and restated as of March 1, 2011 (the “Master Indenture”) among **CONCORD HOSPITAL, INC.**, a New Hampshire nonprofit, voluntary corporation, as a Member of the Obligated Group and as Obligated Group Agent (the “Hospital” or the “Obligated Group Agent”) and **CONCORD HOSPITAL TRUST**, a New Hampshire nonprofit, voluntary corporation (the “Trust”), as the initial Members of the Obligated Group hereinafter referred to, any future Members from time to time of the Obligated Group, and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association organized and existing under and by virtue of the laws of the United States of America and being duly qualified to accept and administer the trusts created hereby, as master trustee (the “Master Trustee”).

#### **RECITALS:**

The Hospital and the Trust are each authorized by law, and each deems it necessary and desirable that it and any other Members of the Obligated Group from time to time be able to issue promissory notes, guarantees and other evidences of indebtedness or to evidence or secure other financial obligations (collectively, as defined herein, the “Obligations”) of several series in order to secure the financing or refinancing of health care and other facilities and for other lawful and proper corporate purposes of the Members of the Obligated Group and their affiliates.

The initial Members of the Obligated Group desire to provide in this Master Indenture for other legal entities in the future to become jointly and severally liable with the other Members of the Obligated Group hereunder for the payment of the Obligations and the performance of all covenants contained herein. The Hospital, the Trust and each other entity incurring such joint and several liability in accordance with the terms hereof are herein referred to individually as a “Member” and collectively as the “Members” or the “Obligated Group.”

This Master Trust Indenture was originally dated as of November 1, 1990, as amended and restated by the Amended and Restated Master Trust Indenture (Security Agreement), dated as of March 1, 2011 (the “Original Master Indenture”), and is being further amended and restated in its entirety hereby, effective on and as of December \_\_, 2017 with the consent of the holders on not less than a majority in the aggregate principal amount of the Outstanding Obligations on and as of such date, as further described below. On and as of December \_\_, 2017, there shall be Outstanding hereunder: (i) \$26,115,000 aggregate principal amount of the Concord Hospital, Inc. Series 2011 Note (the “Series 2011 Note”) issued to secure the New Hampshire Health and Education Facilities Authority Revenue Bonds, Concord Hospital Issue, Series 2011 (the “Series 2011 Bonds”); (ii) \$40,020,000 aggregate principal amount of the Concord Hospital, Inc. Series 2013A Note (the “Series 2013A Note”) issued to secure the New Hampshire Health and Education Facilities Authority Revenue Bonds, Concord Hospital Issue, Series 2013A (the “Series 2013A Bonds”); (iii) \$32,421,264 aggregate principal amount of the Concord Hospital, Inc. Series 2013B Note (the “Series 2013B Note”) issued to secure the New Hampshire Health and Education Facilities Authority Revenue Bonds, Concord Hospital Issue, Series 2013B (the “Series 2013B Bonds”); and (iv) \$\_\_\_\_\_ aggregate principal amount of the Concord Hospital, Inc. Series 2017 Note (the “Series 2017 Note”) issued to secure the New Hampshire Health and Education Facilities Authority Revenue Bonds, Concord Hospital Issue, Series 2017 (the “Series

2017 Bonds”). Citizens Bank, National Association, as registered owner of the Series 2013B Bonds and the Series 2013B Note, has consented in writing to the amendment and restatement of the Original Master Indenture by this Second Amended and Restated Master Trust Indenture. By virtue of their purchase of the Series 2017 Bonds, the holders of the Series 2017 Bonds have consented to, and are deemed to have consented to, the amendment and restatement of the Original Master Indenture by this Second Amended and Restated Master Trust Indenture and have waived, and are deemed to have waived, any requirements set forth in the Original Master Indenture for formal notice or written consent to the amendment and restatement of the Original Master Indenture. On and as of December \_\_, 2017, the only outstanding Supplemental Master Indentures hereto shall be the Supplemental Master Trust Indenture No. 8, dated as of March 1, 2011, relating to the Series 2011 Bonds and the Series 2011 Note, the Supplemental Master Trust Indenture No. 9, dated as of February 1, 2013, relating to the Series 2013A Bonds and the Series 2013A Note, the Supplemental Master Trust Indenture No. 10, dated as of April 1, 2013 relating to the Series 2013B Bonds and the Series 2013B Note and the Supplemental Master Trust Indenture No. 11, dated as of December 1, 2017, relating to the Series 2017 Note and the Series 2017 Bonds.

All acts and things necessary to constitute these presents a valid indenture and agreement according to its terms, have been done and performed, and the execution of this Master Indenture has in all respects been duly authorized, and the Hospital, the Trust and any other Members of the Obligated Group, in the exercise of the legal right and power vested in them, execute this Master Indenture and the Hospital, the Trust, or any future Member of the Obligated Group may make, execute, issue and deliver one or more Obligations of various series.

In order to declare the terms and conditions upon which Obligations of each series are authenticated, issued and delivered, and in consideration of the premises, of the purchase and acceptance of Obligations of each series by the holders thereof and of the sum of One Dollar to it duly paid by the Master Trustee at the execution of these presents, the receipt whereof is hereby acknowledged, the Hospital, the Trust, and each future Member of the Obligated Group, covenant and agree with the Master Trustee, for the equal and proportionate benefit of the respective holders from time to time of Obligations of each series, as follows:

## ARTICLE I

### DEFINITIONS

**Section 101. Definitions.** In addition to the words and terms elsewhere defined in this Master Indenture, the following words and terms as used in this Master Indenture shall have the following meanings unless the context or use indicates another or different meaning or intent:

**“Accounts”** has the meaning set forth in the Uniform Commercial Code as adopted in the State of New Hampshire.

**“Affiliate”** means a corporation, limited liability company, partnership, joint venture, association, business trust or similar entity (a) which is controlled directly or indirectly by a Member; or (b) a majority of the members of the Directing Body of which are members of the Directing Body of a Member. For the purposes of this definition, control means with respect to: (a) a corporation having stock, the ownership, directly or indirectly, of more than 50% of the securities (as defined in Section 2(a)(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors of such corporation; (b) a not for profit corporation not having stock, having the power to elect or appoint, directly or indirectly, a majority of the members of the Directing Body of such corporation; or (c) any other entity, the power to direct the management of such entity through the ownership of at least a majority of its voting securities or the right to designate or elect at least a majority of the members of its Directing Body, by contract or otherwise. For the purposes of this definition, **“Directing Body”** means with respect to: (a) a corporation having stock, such corporation’s board of directors and the owners, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporation’s directors (both of which groups shall be considered a Directing Body); (b) a not for profit corporation not having stock, such corporation’s members if the members have complete discretion or reserved approval rights to elect the corporation’s directors, or the corporation’s directors or governing board or body if the corporation’s members do not have such discretion or if the corporation is a non-member corporation; and (c) any other entity, its governing board or body. For the purposes of this definition, all references to directors and members shall be deemed to include all entities performing the function of directors or members however denominated.

**“Ancillary Obligation”** means an Obligation, expressly identified as an Ancillary Obligation in such Obligation, in a Supplemental Master Indenture or in an Officer’s Certificate delivered to the Master Trustee, as being entered into in order to evidence or secure financial obligations of a Member in an agreement that is ancillary to any direct Indebtedness, such as a reimbursement agreement, liquidity agreement, standby bond purchase agreement, bond insurance or credit enhancement agreement, continuing covenants agreement, bondholder agreement, rate maintenance agreement or similar agreement, unless and until and to the extent any such agreement constitutes a direct obligation of a Member to repay money borrowed, credit

extended or the equivalent thereof, at which time such Obligation shall be deemed a Debt Obligation.

**“Balloon Indebtedness”** means (1) Long-Term Indebtedness, twenty-five percent (25%) or more of the initial principal amount of which Long-Term Indebtedness matures (or is payable at the option of the holder) in any twelve month period, if such twenty-five percent (25%) or more is not to be amortized to below twenty-five percent (25%) by mandatory redemption prior to such twelve month period, or (2) any portion of an issue of Indebtedness which, if treated as a separate issue of Long-Term Indebtedness, would meet the test set forth in clause (1) of this definition and which Indebtedness is designated as Balloon Indebtedness in an Officer’s Certificate stating that such portion shall be deemed to constitute a separate issue of Balloon Indebtedness.

**“Board Resolution”** means a copy of a resolution certified by the Secretary or an Assistant Secretary of a Person to have been duly adopted by the Governing Body of such Person and to be in full force and effect on the date of such certification, and delivered to the Master Trustee.

**“Bondholder,” “holder of Bonds” or “owner of the Bonds”** means the registered owner of any Related Bond.

**“Bond Index”** means, at the option of the Obligated Group Agent as directed by an Officer’s Certificate, either (i) the 30-year Revenue Bond Index published most recently by The Bond Buyer, or a comparable index if such Revenue Bond Index is not so published, (ii) the SIFMA Index (or any comparable successor index if the SIFMA Index is no longer published), or (iii) such other interest rate or interest index as may be certified in writing to the Master Trustee as appropriate to the situation by the Obligated Group Agent.

**“Book Value,”** when used with respect to Property, means the value of such Property, net of accumulated depreciation and amortization, as reflected in the most recent consolidated audited financial statements of the System or, at the option of the Obligated Group Agent, the Obligated Group, which have been prepared in accordance with GAAP, provided that such aggregate value shall be calculated in such a manner so that no portion of the value of any Property of any System Affiliate or Member of the Obligated Group, as the case may be, is included more than once.

**“Business Day”** means a day which is not (a) a Saturday, Sunday or legal holiday on which banking institutions in the State of New Hampshire or the state in which the designated corporate trust office of the Master Trustee is located are authorized or required by law to close or (b) a day on which the New York Stock Exchange is closed.

**“Capitalized Interest”** means amounts irrevocably deposited in escrow to pay interest on Long-Term Indebtedness or Related Bonds and interest earned on amounts irrevocably deposited in escrow to the extent such interest earned is required to be applied to pay interest on Long-Term Indebtedness or Related Bonds.

**“Capitalized Lease”** means any lease of real or personal property which, in accordance with GAAP, is required to be capitalized on the balance sheet of the lessee; provided, however,

that no lease between a Member of the Obligated Group and either another Member of the Obligated Group or a System Affiliate shall be considered a Capitalized Lease.

**“Capitalized Rentals”** means, as of the date of determination, the amount at which the aggregate Net Rentals due and to become due under a Capitalized Lease under which a Person is a lessee would be reflected as a liability on a balance sheet of such Person.

**“Chattel Paper”** has the meaning set forth in the Uniform Commercial Code as adopted in the State of New Hampshire.

**“Code”** means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code herein shall be deemed to include the United States Treasury Regulations, including temporary and proposed regulations, relating to such section which are applicable to the Related Bonds or the use of the proceeds thereof.

**“Commodities Accounts”** means all Commodities Accounts, as that term is defined in the Uniform Commercial Code as adopted in the State of New Hampshire, of the Members of the Obligated Group.

**“Completion Indebtedness”** means any Indebtedness incurred for the purpose of financing the completion of constructing or equipping facilities for the construction or equipping of which some Indebtedness has theretofore been incurred in accordance with the provisions of the Master Indenture, to the extent necessary to provide a completed and equipped facility of the type and scope contemplated at the time, and in accordance with the general plans and specifications for such facility as originally prepared with only such changes as have been made in conformity with the documents pursuant to which such Indebtedness was originally incurred, including funding debt service reserve funds related thereto.

**“Consultant”** means a professional consulting, financial advisory, accounting, investment banking or commercial banking firm selected by the Obligated Group Agent and not unacceptable to the Master Trustee, having the skill and experience necessary to render the particular report required and having a favorable and nationally recognized reputation for such skill and experience, which firm does not control any Member of the Obligated Group or any Affiliate thereof and is not controlled by or under common control with any Member of the Obligated Group or an Affiliate thereof.

**“Contract Rights”** has the meaning set forth in the Uniform Commercial Code as adopted in the State of New Hampshire.

**“Controlling Member”** means the Member designated by the Obligated Group Agent to establish and maintain control over a Designated Affiliate as provided by Section 401(C).

**“Counsel”** means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include legal counsel for any Member or for the Master Trustee.

**“Current Assets”** means cash and cash equivalent deposits, marketable securities, accounts receivable, accrued interest receivable and any other assets of a Person ordinarily considered current assets under GAAP.

**“Current Value”** means the estimated fair market value of Property, which fair market value shall be evidenced by an Officer’s Certificate delivered to the Master Trustee.

**“Debt Obligation”** means an Obligation issued to secure or evidence any Indebtedness, including but not limited to a Guaranty (other than an Obligation expressly identified as an Ancillary Obligation or a Hedging Obligation), authorized to be issued by a Member pursuant to this Master Indenture that has been authenticated by the Master Trustee pursuant to Section 204 hereof.

**“Debt Service Requirements”** means, with respect to the period of time for which calculated, the aggregate of the payments required to be made during such period in respect of principal (whether at maturity, as a result of mandatory sinking fund redemption or mandatory prepayment) and interest on outstanding Long-Term Indebtedness of each Person or a group of Persons with respect to which calculated; provided that: (a) interest shall be excluded from the determination of the Debt Service Requirements to the extent that Capitalized Interest is available to pay such interest; (b) principal of Indebtedness shall be excluded from the determination of Debt Service Requirements to the extent that amounts are on deposit in an irrevocable escrow and such amounts (including, where appropriate, the earnings or other increment to accrue thereon) are required to be applied to pay such principal and such amounts so required to be applied are sufficient to pay such principal; (c) in the case of any Guaranty, the principal of (and premium, if any) and interest and other debt service charges on the debt that is Guaranteed for the period of time for which Debt Service Requirements are calculated shall be weighted in the calculation of Debt Service Requirements as provided in Section 410(b)(9) hereof with respect to any Permitted Guaranty; (d) to the extent that interest on any Indebtedness is the subject of or related to any Hedging Obligation, the Obligated Group at its option may determine from time to time whether or not to treat such interest payments due on Indebtedness as being equal to the net amounts paid and received by the Obligated Group pursuant to such Hedging Obligation; (e) to the extent that interest on any Indebtedness is the subject of or related to any rate maintenance agreement or other similar agreement, the Obligated Group at its option may determine from time to time whether or not to treat such interest payments due on Indebtedness as being equal to the net amount paid and received by the Obligated Group pursuant to such rate maintenance agreement or other similar agreement; (f) in any case where Long-Term Indebtedness has been incurred to acquire, improve, renovate, equip or construct capital improvements, the Debt Service Requirement with respect to such Long-Term Indebtedness shall not be taken into account in the calculation of the Debt Service Requirement until the first full Fiscal Year commencing after the occupation or utilization of such capital improvements or when such capital improvements could reasonably be occupied or utilized; (g) with respect to any credit facility or liquidity facility securing or enhancing any Indebtedness, any principal and interest relating to, or due or payable under, any such facility shall not be included in the calculation of the Debt Service Requirement so long as such facility has not been drawn upon or, if drawn upon, the provider of such facility has been fully reimbursed for such drawing; and (h) to the extent that any Indebtedness constitutes Balloon Indebtedness, Variable Rate Indebtedness or Discount Indebtedness, the principal of (and premium, if any) and interest

and other debt service charges on such Indebtedness shall be calculated in accordance with Sections 415, 416 and 417 of this Master Indenture, respectively.

**“Designated Affiliate”** means any Person which has been designated as such in accordance with Section 401(C) hereof so long as such Person’s status as a Designated Affiliate has not been terminated as provided in Section 401(C). The Designated Affiliates, as of the date of this Master Indenture, are listed on Exhibit B hereto. The Obligated Group Agent may from time to time deliver a revised Exhibit B to the Master Trustee, indicating additions or deletions of Designated Affiliates.

**“Discount Indebtedness”** means Indebtedness sold to the original purchaser thereof (other than any underwriter or other similar intermediary) at a discount from the par amount of such Indebtedness.

**“Documents”** means all documents, as that term is defined in the Uniform Commercial Code as adopted in the State of New Hampshire, of the Members of the Obligated Group, including, but not limited to, documents of title (as that term is defined in the Uniform Commercial Code as adopted in the State of New Hampshire) and any and all receipts of the kind described in Article 7 of the Uniform Commercial Code as adopted in the State of New Hampshire.

**“Escrow Securities”** means, (i) with respect to any Obligation which secures a series of Related Bonds, the securities permitted to be used to refund or advance refund such series of Related Bonds under the Related Bond Indenture, or (ii) with respect to any other Obligation, those securities identified as such in the Supplemental Master Indenture pursuant to which such Obligations were issued.

**“Expenses”** means, for any period, the aggregate of all expenses calculated under GAAP, including without limitation any taxes, incurred by the Person or group of Persons involved during such period, minus or before (or adding back) interest on Long-Term Indebtedness, depreciation, amortization, and payments on Obligations to the extent such payments are treated as an expense; provided that no calculation of Expenses shall take into account: (a) any realized loss from the sale of investment securities or unrealized loss resulting from changes in the value of, investment securities, including, but not limited to, any unrealized other-than-temporary impairment loss that is recognized in accordance with GAAP, (b) extraordinary or nonrecurring expenses or losses (including without limitation any losses on the sale or other disposition of assets or facilities not in the ordinary course of business), (c) any losses on the extinguishment of Indebtedness (including any termination payments made on Hedging Obligations or other hedges or derivatives related to or integrated with the Indebtedness being extinguished), (d) any expenses resulting from a forgiveness of, or the establishment of reserves against, Indebtedness of an Affiliate which does not constitute an extraordinary expense, (e) any losses resulting from discontinued operations or any reappraisal, revaluation or write-down of any asset, facility or good-will, and any loss or expense resulting from adjustments to prior periods, (f) any unrealized losses on or related to, including marking to market, any Hedging Obligations or other hedges or derivatives, (g) any accounting reserves or losses or expenses or other items that would be considered by the Obligated Group Agent to be non-cash items of the Person or group of Persons involved, and (h) if such calculation is being made with respect to the Obligated Group, any

losses or expenses attributable to transactions between any Member of the Obligated Group and any other Member of the Obligated Group.

**“Event of Default”** means any one or more of those events set forth in Section 501 of this Master Indenture.

**“Facilities”** means all land, leasehold interests and buildings and all fixtures and equipment (as defined in the Uniform Commercial Code as adopted in the State of New Hampshire or equivalent statute in effect in the state where such fixtures or equipment are located) of a Person.

**“Fiscal Year”** means, initially, the period beginning on October 1 of any calendar year and ending on September 30 of the following calendar year or such other fiscal year selected by the Obligated Group Agent as the fiscal year for the System or the Obligated Group and designated from time to time in writing by the Obligated Group Agent to the Master Trustee; for purposes of making historical calculations or determinations set forth in this Master Indenture on a Fiscal Year basis, or for purposes of combinations or consolidation of accounting information, with respect to those entities whose actual fiscal year is different from that designated above, the actual fiscal year of such entities which ended within the Fiscal Year of the System or the Obligated Group shall be used; provided, however, that for purposes of making any calculations or determinations as set forth in this Master Indenture, the Obligated Group Agent may designate in writing to the Master Trustee as the “Fiscal Year” any twelve-month period. Whenever the Master Indenture refers to a Fiscal Year of a specific entity, such reference shall be to the actual fiscal year adopted by such entity.

**“Future Test Period”** means each of the two full Fiscal Years immediately following the computation then being made, or, if such computation is then being made in connection with the provision of funds for capital improvements or expenditures, each of the two full Fiscal Years immediately following the estimated date of completion of the capital improvements or expenditures then being financed.

**“GAAP”** means generally accepted accounting principles as applied in the United States of America, consistently applied.

**“General Intangibles”** has the meaning set forth in the Uniform Commercial Code as adopted in the State of New Hampshire.

**“Governing Body”** means the board of directors, board of trustees or similar group in which the right to exercise the powers of corporate directors or trustees is vested or an executive committee of such board or any duly authorized committee of that board to which the relevant powers of that board have been lawfully delegated.

**“Gross Revenues”** means all revenues, rents, profits, receipts, benefits, royalties, and income of any Member arising from goods or services provided by Members or arising in any manner with respect to, incident to or on account of the Members’ operations, including, without limitation, (i) the Members’ rights under agreements with insurance companies, Medicare, Medicaid, governmental units and prepaid health organizations, including health care insurance receivables and rights to Medicare and Medicaid loss recapture under applicable regulations to

the extent not prohibited by applicable law, rules or regulations; (ii) gifts, grants, bequests, donations, contributions and pledges to any Member; (iii) insurance proceeds of any kind, and any award, or payment in lieu of an award, resulting from condemnation proceedings; (iv) all proceeds from the sale or other transfer of any goods, inventory and other tangible and intangible property, and all rights to receive the foregoing, whether now owned or hereafter acquired by any Member and regardless of whether generated in the form of Accounts, accounts receivable, Contract Rights, Chattel Paper, Documents, General Intangibles, Instruments, Investment Property, and proceeds of insurance; and (v) all proceeds of the foregoing; excluding, however, gifts, grants, bequests, donations, contributions and pledges to any Member heretofore or hereafter made, and the income and gains derived therefrom, which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with its use for payments required under this Master Indenture or on any Obligations or Indebtedness.

**“Gross Revenues Account”** means the account of that name established pursuant to Section 208 of this Master Indenture.

**“Guaranty”** means all obligations of a Person guaranteeing, or in effect guaranteeing, any Indebtedness or other obligation of any Primary Obligor in any manner, whether directly or indirectly including but not limited to obligations incurred through an agreement, contingent or otherwise, by such Person: (1) to purchase such Indebtedness or obligation or any Property constituting security therefor; (2) to advance or supply funds to the Primary Obligor: (i) for the purchase or payment of such Indebtedness or obligation, or (ii) to maintain working capital or other balance sheet condition for a Primary Obligor; (3) to purchase securities or other Property or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of the Primary Obligor to make payment of the Indebtedness or obligation; or (4) otherwise to assure the owner of such Indebtedness or obligation against loss in respect thereof. For purposes of this definition, a guaranty by one or more Members of the Obligated Group of Indebtedness of one or more other Members of the Obligated Group shall not be considered a Guaranty.

**“Hedging Obligation”** means an Obligation, expressly identified as a Hedging Obligation in such Obligation, in a Supplemental Master Indenture or in an Officer’s Certificate delivered to the Master Trustee as being entered into in order to hedge the interest payable on all or a portion of any Indebtedness, which agreement may include, without limitation, an interest rate swap, a basis swap, a yield curve swap, a currency swap, a forward or futures contract or an option (e.g., a call, put, cap, floor or collar) and which arrangement does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof.

**“Historic Test Period”** means, at the option of the Obligated Group Agent, either (i) any twelve (12) consecutive calendar months out of the most recent period of eighteen (18) full calendar months, or (ii) the most recent period of twelve (12) full consecutive calendar months for which audited financial statements of the Obligated Group are available, or (iii) the most recent Fiscal Year of the Obligated Group.

**“Hospital”** means Concord Hospital, Inc., a New Hampshire nonprofit, voluntary corporation, and its successors and assigns and any surviving, resulting or transferee corporation.

**“Income Available for Debt Service”** means, for any period, the excess of Revenues over Expenses of the Person or group of Persons involved.

**“Indebtedness”** means, for any Person, (a) indebtedness incurred or assumed by such Person for borrowed money or for the acquisition, construction or improvement of Property other than goods that are acquired in the ordinary course of business of such Person; (b) Capitalized Rentals or Capitalized Lease obligations of such Person; and (c) all Guaranties by such Person (weighted, with respect to Permitted Guarantees, as provided in Section 410(b)(9) hereof), and shall include Non-Recourse Indebtedness; provided that Indebtedness shall not include Indebtedness of one System Affiliate or Member to another System Affiliate or Member, any Guaranty by any System Affiliate or Member of Indebtedness of any other System Affiliate or Member, the joint and several liability of any System Affiliate or Member on Indebtedness issued by another System Affiliate or Member, any Hedging Obligation, any Ancillary Obligation, any trade payables, current salaries, current pension contributions, insurance premiums and similar obligations incurred, or any obligation to repay moneys deposited by patients or others with a System Affiliate or Member as security for or as prepayment of the cost of patient care or any rights of residents of life care, elderly housing or similar facilities to endowment or similar funds deposited by or on behalf of such residents.

**“Instruments”** has the meaning set forth in the Uniform Commercial Code as adopted in the State of New Hampshire.

**“Investment Property”** means with respect to each Member of the Obligated Group (i) all securities, or securities certificates or uncertificated securities representing the securities, (ii) security entitlements, (iii) Securities Accounts, (iv) commodity contracts, or (v) Commodities Accounts.

**“Lien”** means any mortgage or pledge of, security interest in, lien on, hypothecation of, or any other encumbrance, priority or preference on any Property of a Member that secures any Indebtedness, any Obligation or any other obligation of a Member.

**“Long-Term Debt Service Coverage Ratio”** means, for any period of time, the ratio determined by dividing (i) Income Available for Debt Service of the Obligated Group or, subject to the provisions of Section 102 hereof, at the option of the Obligated Group Agent, the System, for that period by (ii) the Debt Service Requirements on Long-Term Indebtedness of the Obligated Group or, subject to the provisions of Section 102 hereof, at the option of the Obligated Group Agent, the System; provided that when such calculation is being made with respect to the System or the Obligated Group, Income Available for Debt Service and Debt Service Requirements shall be determined only with respect to those Persons who are System Affiliates or Members of the Obligated Group, as the case may be, at the close of such period.

**“Long-Term Indebtedness”** means, with respect to any Person, (a) all Indebtedness of such Person for money borrowed or credit extended which is not Short-Term; (b) all Indebtedness of such Person incurred or assumed in connection with the acquisition or construction of Property which is not Short-Term; (c) the Person’s Guaranties of Indebtedness which are not Short-Term; and (d) Capitalized Rentals under Capitalized Leases entered into by the Person; provided, however, that Indebtedness that could be described by more than one of the

foregoing categories shall not in any case be considered more than once for the purpose of any calculation made pursuant to this Master Indenture.

**“Master Indenture”** means this Second Amended and Restated Master Trust Indenture (Security Agreement), dated as of December 1, 2017, amending and restating the Master Trust Indenture, dated as of November 1, 1990, and amended and restated by the Amended and Restated Master Trust Indenture (Security Agreement), dated as of March 1, 2011, among the Hospital, the Trust, any other future Members of the Obligated Group, and the Master Trustee, as it may from time to time be further amended or supplemented in accordance with the terms hereof.

**“Master Trustee”** means U.S. Bank National Association, or any successor trustee under the Master Indenture.

**“Material Designated Affiliate”** means any Designated Affiliate whose total revenues as set forth on its financial statements for the most recently completed Fiscal Year for such Designated Affiliate exceed 5% of the combined total revenues of the Obligated Group and the System Affiliates as set forth on the combined financial statements for the most recently completed Fiscal Year of the System.

**“Material Obligated Group Member”** means any Obligated Group Member whose total revenues as set forth on its financial statements for the most recently completed Fiscal Year for such Member exceed 5% of the combined total revenues of the Obligated Group and the System Affiliates as set forth on the combined financial statements for the most recently completed Fiscal Year of the System.

**“Maximum Annual Debt Service”** means, at the time of computation, the greatest Debt Service Requirements on Long-Term Indebtedness for the then current or any future Fiscal Year.

**“Member”** or **“Member of the Obligated Group”** means the Hospital, the Trust, and any Person who is listed on Exhibit A hereto after designation as a Member of the Obligated Group pursuant to the terms of this Master Indenture. The Obligated Group Agent may from time to time deliver a revised Exhibit A to the Master Trustee, indicating additions or deletions of Members of the Obligated Group.

**“Net Assets”** means (i) for a Person that is a Tax-Exempt Organization, the aggregate net assets of such Person, and (ii) for a Person that is not a Tax-Exempt Organization, the shareholders’ equity or member’s equity of such Person, or the excess of assets over unrestricted liabilities of such Person.

**“Net Proceeds”** means, when used with respect to any insurance or condemnation award, the gross proceeds from the insurance or condemnation award less all expenses (including attorney’s fees and expenses, adjuster’s fees and any expenses of the Master Trustee) incurred in the collection of such gross proceeds.

**“Net Rentals”** means all fixed rents (including as such all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender of the Property other than upon termination of the lease for a default thereunder) payable under a lease or sublease of real

or personal Property excluding any amounts required to be paid by the lessee (whether or not designated as rents or additional rents) on account of maintenance, repairs, utilities, insurance, taxes and similar charges. Net Rentals for any future period under any so-called “percentage lease” shall be computed on the basis of the amount reasonably estimated to be payable thereunder for such period, but in any event not less than the amount paid or payable thereunder during the immediately preceding period of the same duration as such future period; provided that the amount estimated to be payable under any such percentage lease shall in all cases recognize any change in the applicable percentage called for by the terms of such lease.

**“Non-Recourse Indebtedness”** means any Indebtedness the liability for which is effectively limited to any Property, Plant and Equipment and the income therefrom, the cost of which Property, Plant and Equipment shall have been financed with the proceeds of such Indebtedness with no recourse, directly or indirectly, to any other Property of any Member or to the general credit of any Member.

**“Obligated Group”** means the Hospital, the Trust, and any other Person which has fulfilled the requirements for entry into the Obligated Group set forth in Section 403 hereof and which has not ceased such status pursuant to Section 404 hereof.

**“Obligated Group Agent”** means the Hospital or such other Member (or Person that is not a Member) as may be designated from time to time pursuant to written notice to the Master Trustee, executed by an authorized officer of the Hospital or, if the Hospital is no longer a Member of the Obligated Group, of each Member of the Obligated Group.

**“Obligation holder,” “holder of an Obligation” or “owner of an Obligation”** means the registered owner of any fully registered or book entry Obligation unless alternative provision is made in the Supplemental Master Indenture pursuant to which such Obligation is issued for establishing ownership of such Obligation, in which case such alternative provision shall control.

**“Obligations”** means any Debt Obligations, Hedging Obligations, or Ancillary Obligations authorized to be issued by a Member pursuant to this Master Indenture which has been authenticated by the Master Trustee pursuant to Section 204 hereof.

**“Officer’s Certificate”** means a certificate signed, in the case of a certificate delivered by or on behalf of the Obligated Group, by the President or any Vice-President or any other authorized officer of the Obligated Group Agent.

**“Operating Expenses”** means the total operating expenses of the System Affiliates or, at the option of the Obligated Group Agent, the Obligated Group, as determined in accordance with GAAP consistently applied.

**“Operating Revenues”** means the total operating revenues of the System Affiliates or, at the option of the Obligated Group Agent, the Obligated Group, less applicable deductions from operating revenues, as determined in accordance with GAAP consistently applied.

**“Outstanding”** means, in the case of any Obligations, any Indebtedness, or any Related Bonds, all Obligations, all Indebtedness or all Related Bonds, as the case may be, except:

(a) Obligations, Indebtedness or Related Bonds canceled after purchase in the open market or after payment at or prepayment or redemption prior to maturity;

(b) Obligations, Indebtedness or Related Bonds for the payment or redemption of which cash or non-callable Escrow Securities, or a combination thereof, have been deposited with the Master Trustee, the lender or a trustee or fiduciary for such lender, or the Related Bond Trustee, as applicable (whether upon or prior to their maturity or redemption date thereof) in an amount that is sufficient to pay the amounts due thereon; provided that if such Obligations, Indebtedness or Related Bonds are to be prepaid or redeemed prior to their maturity, notice of prepayment or redemption has been given or irrevocable arrangements satisfactory to the Master Trustee, the lender or a trustee or fiduciary for such lender, or the Related Bond Trustee, as applicable, have been made therefor, or waiver of such notice by the Person entitled to such notice has been provided;

(c) Obligations, Indebtedness or Related Bonds in lieu of which other instruments or securities have been authenticated and delivered; and

(d) For the purpose of all consents, approvals, waivers and notices required to be obtained or given under this Master Indenture, any relevant loan document relating to Indebtedness, or any Related Bond Indenture, as applicable, Obligations, Indebtedness or Related Bonds held or owned by a Member of the Obligated Group.

Notwithstanding the foregoing, any Obligation or other Indebtedness securing Related Bonds shall be deemed Outstanding only if such Related Bonds are Outstanding.

***“Permitted Dispositions”*** means dispositions of Property permitted by Section 411(b) of the Master Indenture.

***“Permitted Encumbrances”*** means, as of any particular time:

(a) any Lien on Property newly acquired subject to an existing Lien, if at the time of such acquisition, the aggregate amount remaining unpaid on the Indebtedness secured thereby (whether or not assumed by a Member of the Obligated Group) does not exceed the fair market value or (if such Property has been purchased) the lesser of the acquisition price or the fair market value of the Property subject to such Lien, as determined in good faith by the Obligated Group Agent;

(b) any Lien on any Property of any Material Obligated Group Member granted in favor of or securing Indebtedness to any System Affiliate;

(c) (i) any Lien on Property if such Lien equally and ratably secures all of the Obligations and, if the Obligated Group Agent shall so determine, any other Indebtedness or obligation of any Member of the Obligated Group or any other System Affiliate, and (ii) the Lien on Gross Revenues pledged pursuant to Section 208 hereof;

(d) Liens on or in Property given, granted, bequeathed or devised by the owner thereof existing at the time of such gift, grant, bequest or devise, provided that such Liens

secure Indebtedness which is not assumed by a Member of the Obligated Group and such Liens attach solely to the Property (including the income therefrom) which is the subject of such gift, grant, bequest or devise;

(e) Liens on proceeds of Indebtedness (or on income from the investment of such proceeds) pending application to the purposes for which such Indebtedness was incurred, or that secure payment of such Indebtedness and any security interest in any rebate fund established pursuant to the Code, any depreciation reserve, debt service reserve or interest reserve, debt service fund or any similar fund established pursuant to the terms of any Supplemental Master Indenture, Related Bond Indenture or Related Loan Document in favor of the Master Trustee, a Related Bond Trustee, a Related Issuer or the holder of the Indebtedness issued pursuant to such Supplemental Master Indenture, Related Bond Indenture or Related Loan Document or the provider of any liquidity or credit support for such Related Bond or Indebtedness;

(f) Liens on Escrow Securities;

(g) any Lien on any Related Bond or any evidence of Indebtedness of any Member of the Obligated Group acquired by or on behalf of any Member of the Obligated Group by the provider of liquidity or credit support for such Related Bond or Indebtedness;

(h) Liens on accounts receivable (i) arising as a result of the sale or disposition of such accounts receivable in accordance with Section 411(b)(9) hereof with or without recourse, or (ii) to secure Indebtedness incurred pursuant to Section 410(b)(16) hereof (the Master Trustee shall cooperate in releasing any accounts receivable from the Lien on Gross Revenues subject to receipt of the Officer's certificate and opinion of Counsel required by Section 413(c) hereof);

(i) Liens on any Property in effect on the effective date of this Master Indenture, including but not limited to those listed on Exhibit C hereto, or existing at the time any Person becomes a Member of the Obligated Group; provided that no such Lien (or the amount of Indebtedness secured thereby) may be increased, extended, renewed or modified to apply to any Property of such Member of the Obligated Group not subject to such Lien on such date unless such Lien as so increased, extended, renewed or modified is otherwise permitted under this Master Indenture;

(j) Liens on Property of a Person existing at the time such Person is merged into or consolidated with a Member of the Obligated Group, or at the time of a sale, lease or other disposition of the properties of a Person as an entirety or substantially as an entirety to a Member of the Obligated Group which becomes part of a Property that secures Indebtedness that is assumed by a Member of the Obligated Group as a result of any such merger, consolidation or acquisition; provided, that no such Lien may be increased, extended, renewed, or modified after such date to apply to any Property of a Member of the Obligated Group not subject to such Lien on such date unless such Lien as so increased, extended, renewed or modified is otherwise permitted under this Master Indenture;

(k) Liens which secure Non-Recourse Indebtedness incurred pursuant to Section 410(b)(6) hereof;

(l) Liens arising out of (i) Capitalized Leases (ii) leases, installment purchase contracts and other similar borrowing instruments incurred pursuant to Section 410 hereof, including without limitation, Indebtedness permitted by Section 410(b)(8) hereof; or (iii) leases between System Affiliates;

(m) Liens on Property of a Material Obligated Group Member, in addition to those Liens permitted elsewhere in this definition of Permitted Encumbrances, if the total aggregate Book Value (or at the option of the Obligated Group Agent, Current Value) of the Property subject to a Lien of the type described in this subsection (m) does not exceed twenty percent (20%) of the combined Value of the Property of the System Affiliates (calculated on the same basis as the Value of Property subject to such Lien and calculated at the time such Lien is granted); and

(n) Liens on any Property of a Material Obligated Group Member given (by mortgage, security interest, conveyance in trust, deed, sale, or lease) in order to satisfy the legal or policy requirements of any Related Issuer with respect to their issuance of any Related Bonds;

(o) any Lien securing any Hedging Obligation that is related to Permitted Indebtedness (including any obligation arising upon the termination of any such Hedging Obligation), or that may be required from time to time to satisfy any collateralization requirements relating to any Hedging Obligation;

(p) any Lien on Property required by, or resulting from, any lease agreement whereby a Member of the Obligated Group leases a hospital or health care facility or facilities from a governmental unit or units;

(q) any Lien in the nature of a purchase money mortgage if, after giving effect to such Lien, such purchase money mortgage secures an amount not in excess of the cost of the particular asset to which such Lien relates and any related financing charges, where such purchase money mortgage constitutes a Lien on fixed assets acquired or constructed by a Member and granted contemporaneously with such acquisition or construction, and which Lien secures all or a portion of the related purchase price or construction cost of such assets; and

(r) any Lien that a Member of the Obligated Group is not obligated to remove pursuant to Section 405 of this Master Indenture.

**“Permitted Guaranty”** means any Guaranty by any Member of the Obligated Group permitted under Section 410(b)(9) of this Master Indenture.

**“Permitted Indebtedness”** means Indebtedness of any Members of the Obligated Group permitted under Section 410 of this Master Indenture.

**“Permitted Investments”** means (i) with respect to any Obligation which secures a series of Related Bonds, the obligations in which the Related Bond Trustee may invest funds under the Related Bond Indenture, (ii) with respect to any Obligations for which a Supplemental Master Indenture specifies certain permitted investments, the investments so specified and (iii) in all other cases such legal and prudent investments as are determined and designated by the Obligated Group Agent.

**“Permitted Release”** means any release of Property or portions thereof from the covenant against Liens set forth in Section 412 of this Master Indenture, or from any security interests, liens, pledges or negative pledges of such Property, including but not limited to the pledge of Gross Revenues granted pursuant to this Master Indenture, securing Obligations, permitted by Section 413 of this Master Indenture.

**“Permitted Reorganization”** means any consolidation, merger, sale of assets or reorganization of any Members of the Obligated Group permitted by Section 408 of the Master Indenture.

**“Person”** means any natural person, firm, joint venture, joint operating agreement, association, partnership, business trust, corporation, limited liability company, public body, agency or political subdivision thereof or any other similar entity.

**“Primary Obligor”** means the Person who is primarily obligated on an obligation which is guaranteed by another Person.

**“Property”** means any and all rights, titles and interests in and to any and all property, whether real or personal, tangible (including cash) or intangible, wherever situated and whether now owned or hereafter acquired, including but not limited to Property, Plant and Equipment and Gross Revenues.

**“Property, Plant and Equipment”** means all Property of each System Affiliate or, at the option of the Obligated Group Agent, each Member of the Obligated Group, that is classified as property, plant and equipment under GAAP.

**“Related Bonds”** means (a) any revenue bonds or similar obligations issued by any state, commonwealth or territory of the United States or any municipal corporation or other political subdivision formed under the laws thereof or any constituted authority, agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, the proceeds of which are loaned or otherwise made available to any Member or System Affiliate in consideration, whether in whole or in part, of the execution, authentication and delivery of an Obligation or Obligations to or upon the order of such governmental issuer and (b) any revenue or general obligation bonds issued by or on behalf of any Member, any System Affiliate or any other Person in consideration, whether in whole or in part, of the execution, authentication and delivery of an Obligation or Obligations to the holder of such bonds or the Related Bond Trustee.

**“Related Bond Indenture”** means any indenture, bond resolution or similar instrument pursuant to which any series of Related Bonds is issued.

**“Related Bond Trustee”** means any trustee under any Related Bond Indenture and any successor trustee thereunder or, if no trustee is appointed under a Related Bond Indenture, the Related Issuer.

**“Related Issuer”** means any issuer of a series of Related Bonds.

**“Related Loan Document”** means any document or documents (including without limitation any loan agreement, lease, sublease or installment sales contract) pursuant to which

any proceeds of any Related Bonds are loaned to, advanced to or made available to or for the benefit of any Member or System Affiliate (or any Property financed or refinanced with such proceeds is leased, sublet or sold to a Member or System Affiliate).

**“Revenues”** means, for any period, (a) in the case of any Person providing health care services, the sum of (i) all gross patient service revenues less contractual allowances plus (ii) all other operating revenues, plus (iii) all non-operating revenues; and (b) in the case of any other Person, gross revenues less sale discounts and sale returns and allowances, as determined in accordance with GAAP; provided that no calculation of Revenues shall take into account: (i) any realized gain from the sale of investment securities or any unrealized gain resulting from changes in the value of investment securities, (ii) extraordinary or nonrecurring gains or revenues (including without limitation any gains on the sale or other disposition of assets or facilities not in the ordinary course of business), provided that for such purpose any revenues that represent payments of incentive payments or shared savings amounts from payors, accountable care organizations or similar entities, any charitable donations and grants and any dividends or other equity distributions from entities in which such Person owns an interest shall not be considered to be extraordinary or non-recurring, (iii) any gains on the extinguishment of Indebtedness (including any termination payments received on Hedging Obligations or other hedges or derivatives related to or integrated with the Indebtedness being extinguished), (iv) any gains resulting from discontinued operations or any reappraisal, revaluation or write-up of any asset, facility or good-will, and any gain or revenue resulting from adjustments to prior periods, (v) any unrealized gains on or related to any Hedging Obligations or other hedges or derivatives, (vi) any revenue or income or other items that would be considered by the Obligated Group Agent to be non-cash items of the Person or group of Persons involved, (vii) earnings which constitute Capitalized Interest or earnings on amounts which are irrevocably deposited in escrow to pay the principal of or interest on Indebtedness; and (viii) if such calculation is being made with respect to the Obligated Group, any gains or revenues attributable to transactions between any Member of the Obligated Group and any other Member of the Obligated Group.

**“Securities Account”** shall mean all securities accounts, as that term is defined in the Uniform Commercial Code as adopted in the State of New Hampshire, of the Members of the Obligated Group.

**“Short-Term,”** when used in connection with Indebtedness, means Indebtedness of a Person for money borrowed or credit extended (including without limitation credit extended in connection with the acquisition or construction of Property, Guaranties of Indebtedness and Capitalized Rentals under Capitalized Leases) having an original maturity or term less than or equal to one year and not renewable at the option of the debtor for, or subject to any binding commitment to refinance or otherwise provide for such Indebtedness having, a term greater than one year beyond the date of original issuance.

**“SIFMA”** means the Securities Industry and Financial Markets Association, any successor thereto, or any person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Obligated Group Agent.

**“SIFMA Index”** means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations (the SIFMA Municipal

Swap Index), as produced by Municipal Market Data and published or made available by SIFMA, or any person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Obligated Group Agent, and effective from such date.

**“Subordinated Indebtedness”** means all obligations incurred or assumed, the payment of which is by its terms specifically subordinated to payments on all Obligations, or the principal of and interest on which cannot be accelerated and would not be paid (whether by the terms of such obligation or by agreement of the obligee) while an Event of Default exists hereunder or while bankruptcy, insolvency, receivership or other similar proceedings are instituted and implemented.

**“Supplemental Master Indenture”** means an indenture amending or supplementing this Master Indenture entered into pursuant to Article VII hereof after the date hereof.

**“System”** means the affiliated group of Persons comprised of all of the System Affiliates.

**“System Affiliate”** means each Member of the Obligated Group, each Affiliate of the Hospital or of any other Member of the Obligated Group, each Designated Affiliate and each other Person with whom a Member or Designated Affiliate has in place a contract or other agreement whereby such Person is obligated to make payments in respect of Obligations as described in Section 401(B) hereof.

**“Tax-Exempt Organization”** means a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code, which is exempt from federal income taxation under Section 501(a) of the Code, and which is not a “private foundation” within the meaning of Section 509(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

**“Transaction Test”** means the Master Trustee shall have received any one of the following:

(i) an Officer’s Certificate demonstrating that the Long-Term Debt Service Coverage Ratio for the Historic Test Period, assuming that the proposed additional Long-Term Indebtedness had been incurred, or that the proposed transaction had occurred, at the beginning of the Historic Test Period, is not less than 1.10; or

(ii) an Officer’s Certificate demonstrating (a) that the Long-Term Debt Service Coverage Ratio for the Historic Test Period was not less than 1.10, and (b) that the Long-Term Debt Service Coverage Ratio for the Future Test Period is projected to be not less than 1.10 or, if less than 1.10 but at least 1.00, is projected to be greater than such ratio would have been if the proposed transaction had not taken place; or

(iii) an Officer’s Certificate demonstrating that immediately after the proposed transaction the aggregate principal amount of all outstanding Long-Term Indebtedness of the Members of the Obligated Group (excluding any Guaranty) will not exceed sixty-five percent (65%) of the sum of (a) the aggregate principal amount of all outstanding Long-Term Indebtedness of the Members of the Obligated Group (excluding any Guaranty) plus (b) the aggregate Net Assets of the Members of the Obligated Group.

**“Trust”** means Concord Hospital Trust, a New Hampshire nonprofit corporation, and its successors and assigns and any surviving, resulting or transferee corporation.

**“Value”** means, as determined by the Obligated Group Agent, the Book Value or the Current Value of all Property, Plant and Equipment, plus the Current Value of all Property (other than Property, Plant and Equipment).

**“Variable Rate Indebtedness”** means Indebtedness that bears interest at a variable, adjustable or floating rate.

**Section 102. Interpretation.** Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural and vice versa. Headings of articles and sections herein and the table of contents hereof are solely for the convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof. Any reference herein to any officer of a Member of the Obligated Group shall include those succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

If any Debt Obligations are issued hereunder to secure Related Bonds, which Related Bonds are valued, in accordance with the provisions of a Related Bond Indenture, at other than their principal amount for purposes of the provisions of such Related Bond Indenture relating to redemption, acceleration, defeasance, computation of Related Bonds Outstanding, application of moneys in payment of the Related Bonds and actions by holders of such Related Bonds, then, for purposes of this Master Indenture, references in this Master Indenture to the principal amount of the Debt Obligations issued to evidence or secure such Related Bonds contained herein shall be deemed to refer to an amount equal, at any time of calculation, to the valuation of such Related Bonds, at such time of calculation, as set forth in such Related Bond Indenture.

All accounting terms not specifically defined herein shall be construed in accordance with GAAP consistently applied, except as otherwise stated herein. For the avoidance of doubt, subsidiaries that are consolidated with the financial results of a Member shall be included for all purposes with respect to financial covenants and financial reporting herein. If any change in accounting principles from those used in the preparation of the financial statements of the System or the Obligated Group as of September 30, 2017 results from the promulgation of rules, regulations, pronouncements and opinions by or required by the Financial Accounting Standards Board, American Institute of Certified Public Accountants or other authoritative bodies that determine GAAP (or successors thereto or agencies with similar functions) and such change results in a change in the accounting terms used in this Master Indenture, the accounting terms used herein shall be modified to reflect such change in accounting principles so that the criteria for evaluating the Obligated Group’s or the System’s financial condition and the method of computing of such financial condition shall be the same after such change as if such change had not been made. Any such modification shall be described in an Officer’s Certificate filed with the Master Trustee, which shall contain a certification to the effect that (i) such modifications are occasioned by such a change in accounting principles and (ii) such modifications will not have a materially adverse effect on the Obligation holders or result in materially different criteria for evaluating the Obligated Group’s or the System’s financial condition. At the option of the

Obligated Group Agent, any requirement for the delivery of the audited or unaudited financial statements of the Obligated Group required to be provided pursuant to Section 409 hereof shall be deemed to be satisfied by the delivery of the consolidated financial statements (i) of the Hospital and its subsidiaries, or (ii) of any ultimate corporate parent of, and that controls, the Members of the Obligated Group, so long as such financial statements, in either case, include consolidating schedules specifically reflecting the corresponding figures for the Obligated Group, either for each Obligated Group Member individually or for the Members of the Obligated Group in the aggregate.

Notwithstanding anything else in this Master Indenture to the contrary, in computing or calculating Book Value, Current Assets, Debt Service Requirements, Income Available for Debt Service, Indebtedness, Long-Term Debt Service Coverage Ratio, Maximum Annual Debt Service, Operating Expenses, Operating Revenues, Property, Property Plant and Equipment, Revenues, Transaction Test and any other quantitative financial test or provision, the Obligated Group, at the option of the Obligated Group Agent, may, unless the context specifically requires otherwise, utilize financial and other information either (i) with respect to the Members of the Obligated Group in the aggregate or (ii), so long as the Obligated Group constitutes or is responsible for at least seventy-five percent (75%) of the assets and revenues of the System for the most recent Fiscal Year of the System, with respect to the System, in the aggregate, such percentage to be calculated in a manner that excludes intercompany eliminations from the numerator of such calculation. Except where the context otherwise requires, all references herein to “as the case may be” shall be deemed to require an election by the Obligated Group Agent of one (and only one) of the foregoing clauses (i) or (ii) applied consistently for the applicable definition, provision or covenant.

## ARTICLE II

### THE OBLIGATIONS

**Section 201. Series, Designation and Amount of Obligations.** No Obligations may be issued under the provisions of this Master Indenture except in accordance with this Article. Other than the Obligated Group Agent, no authorization or approval of any Member of the Obligated Group, Designated Affiliate or System Affiliate is required under this Master Indenture for the issuance of Obligations. No Obligations may be issued under this Master Indenture unless (i) such Obligation is executed by the Obligated Group Agent; or (ii) with the written consent of the Obligated Group Agent, such Obligation is executed by any other Member of the Obligated Group. The total amount of Obligations, the number of Obligations and the series of Obligations that may be created under this Master Indenture is not limited and shall be as set forth in the Supplemental Master Indenture providing for the issuance thereof. Each series of Obligations shall be issued pursuant to a Supplemental Master Indenture. Each series of Obligations shall be designated so as to differentiate the Obligations of such series from the Obligations of any other series. Unless provided to the contrary in a Supplemental Master Indenture, Obligations shall be issued as fully registered Obligations.

**Section 202. Payment of Obligations.** The principal of, premium, if any, and interest on the Obligations, and any other amounts due under an Obligation, shall be payable in any currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts, and such amounts shall be payable at the designated corporate trust office of the Master Trustee or at the office of any Related Bond Trustee named in any such Obligations or in a Related Bond Indenture or to the registered owner of such Obligation, as may be provided in such Obligation. Unless contrary provision is made in the Supplemental Master Indenture pursuant to which such Obligation is issued or the election referred to in the next sentence is made, payments on the Obligations shall be made to the person appearing on the registration books of the Obligated Group (kept in the corporate trust office of the Master Trustee or its agent as Obligation registrar) as the registered owner thereof and shall be paid by check or draft mailed to the registered owner at its address as it appears on such registration books or at such other address as is furnished to the Master Trustee in writing by such holder; provided, however, that any Supplemental Master Indenture creating any Obligation may provide that amounts due under such Obligation may be paid, upon the request of the holder of such Obligation, by wire transfer or by such other means as are then commercially reasonable and acceptable to the holder thereof and the Master Trustee. The foregoing notwithstanding, if a Member so elects, or if an Obligation so provides, payments on such Obligation shall be made directly by such Member, by check or draft hand delivered to the holder thereof or its designee or shall be made by such Member by wire transfer to such holder, or by such other means as are then commercially reasonable and acceptable to the holder thereof, in any case delivered on or prior to the date on which such payment is due. Upon the reasonable written request of the Master Trustee, each Member shall provide information identifying the Obligation or Obligations with respect to which such payment, specifying the amount, was made, by series, designation, number and registered holder. Except with respect to Obligations directly paid to or upon the order of the holder thereof, or as otherwise may be provided in a Supplemental Master Indenture, the Members agree to deposit with the Master Trustee prior to each due date of the principal of, premium, if any, or interest on any of the Obligations a sum sufficient to pay such principal, premium, if any, or interest so becoming due. Any such moneys shall upon written request and direction of the Obligated Group Agent be invested in Permitted Investments. The foregoing notwithstanding, amounts deposited with the Master Trustee to provide for the payment of Obligations pledged to the payment of Related Bonds shall be invested in accordance with the provisions of the Related Bond Indenture and Related Loan Document. The Master Trustee shall not be liable or responsible for any loss resulting from any such investments made in accordance with the terms hereof. Supplemental Master Indentures may create such security including debt service reserve funds and other funds as are necessary to provide for payment or to hold moneys deposited for payment or as security for a related series of Obligations.

**Section 203. Execution.** Obligations shall be executed on behalf of a Member by the manual or, if permitted by law, facsimile signature of the Chairman of its Governing Body, its President or any Vice President or any other authorized officer of the Member (or on their behalf by a similar authorized officer of the Obligated Group Agent). In case any officer whose signature or facsimile of whose signature shall appear on the Obligations shall cease to be such officer before the delivery of such Obligations, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until delivery.

**Section 204. Authentication.** No Obligation shall be valid or obligatory for any purpose or entitled to any security or benefit under this Master Indenture unless and until a certificate of authentication on such Obligation substantially in the form set forth below shall have been duly executed by the Master Trustee, and such executed certificate of the Master Trustee upon any such Obligation shall be conclusive evidence that such Obligation has been authenticated and delivered under this Master Indenture. The Master Trustee's certificate of authentication on any Obligation shall be deemed to have been executed by it if signed by an authorized officer or signer of the Master Trustee, but it shall not be necessary that the same officer or signer sign the certificate of authentication on all of the Obligations issued hereunder.

The Master Trustee's authentication certificate shall be in substantially the following form:

**Master Trustee's Authentication Certificate**

This Obligation is one of the Obligations described in the within-mentioned Master Indenture.

**U.S. BANK NATIONAL ASSOCIATION,  
as Master Trustee**

By \_\_\_\_\_  
Authorized Officer

**Section 205. Form of Obligations.** All Obligations issued under this Master Indenture shall be substantially in the form set forth or referred to in the Supplemental Master Indenture pursuant to which such Obligations are issued, to reflect the terms and conditions thereof as established hereby and by any Supplemental Master Indenture. Unless Obligations of a series have been registered under the Securities Act of 1933, as amended, each Obligation of such series shall be endorsed with a legend which shall read substantially as follows: "This [Obligation/Note/Guarantee] has not been registered under the Securities Act of 1933, as amended."

**Section 206. Mutilated, Lost, Stolen or Destroyed Obligations.** In the event any temporary or definitive Obligation is mutilated, lost, stolen or destroyed, the Member issuing such Obligation may execute and, upon the written direction of the Obligated Group Agent, the Master Trustee may authenticate a new Obligation of like form, date, maturity and denomination as that mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Obligation, such mutilated Obligation shall first be surrendered to the Master Trustee, and in the case of any lost, stolen or destroyed Obligation, there shall be first furnished to the Obligated Group Agent, such Member and the Master Trustee evidence of such loss, theft or destruction satisfactory to the Obligated Group Agent, such Member and the Master Trustee, together with indemnity satisfactory to them. In the event any such Obligation shall have matured, instead of issuing a duplicate Obligation the Obligated Group may pay the same without surrender thereof. The

Obligated Group and the Master Trustee may charge the holder or owner of such Obligation with their reasonable fees and expenses in this connection.

**Section 207. Registration; Negotiability; Cancellation Upon Surrender; Exchange of Obligations.** Upon surrender for transfer of any Obligation at the designated corporate trust office of the Master Trustee, the Member issuing such Obligation shall execute, and upon the written direction of the Obligated Group Agent, the Master Trustee shall authenticate and deliver in the name of the transferee or transferees, a new fully registered Obligation or Obligations of the same series, designation and maturity without coupons for a like aggregate amount.

As to any Obligation, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the amounts due under any such Obligation shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as herein provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Obligation to the extent of the sum or sums so paid.

Any Obligation surrendered for the purpose of payment or retirement or for replacement pursuant to Section 206 hereof shall be canceled upon surrender thereof to the Master Trustee. Certification of Obligations canceled by the Master Trustee shall be made to the Obligated Group Agent. Canceled Obligations may be destroyed by the Master Trustee unless instructions to the contrary are received from the Obligated Group Agent.

The Obligated Group and the Master Trustee may charge each Obligation holder requesting an exchange, registration, change in registration or transfer of an Obligation any tax, fee or other governmental charge required to be paid with respect to such exchange, registration or transfer.

The Master Trustee shall not be required to transfer or exchange any Obligation during the period of 15 days next preceding any payment date of such Obligation or to transfer or exchange any Obligation after the notice calling such Obligation or portion thereof for redemption has been given as herein provided, or during the period of 15 days next preceding the mailing of such notice of redemption with respect to any Obligation of the same series and maturity.

**Section 208. Security for Obligations; Pledge of Gross Revenues. Security.** All Obligations issued and outstanding under this Master Indenture are and shall be joint and several obligations of each Member of the Obligated Group, and are and shall be equally and ratably secured by this Master Indenture except to the extent specifically provided otherwise as permitted hereby. All Obligations issued and outstanding under this Master Indenture are and shall be equally and ratably secured by the pledge of Gross Revenues described below, except to the extent specifically provided otherwise as permitted by this Master Indenture. Any one or more series of Obligations issued hereunder may be secured by security (including without limitation letters or lines of credit, insurance or Liens on Property, including Facilities or Property of the Obligated Group, any Members of the Obligated Group, any Designated Affiliates or any System Affiliates, or security interests in a depreciation reserve, debt service

reserve or interest reserve or debt service or similar funds), so long as any Liens created in connection therewith or securing such Obligations constitute Permitted Encumbrances. Such security need not extend to any other Indebtedness (including any other Obligations or series of Obligations). Consequently, the Supplemental Master Indenture pursuant to which any one or more series of Obligations is issued may provide for such supplements or amendments to the provisions hereof, including without limitation Articles II and V hereof, as are necessary to provide for such security and to permit realization upon such security solely for the benefit of the Obligations entitled thereto.

Pledge of Gross Revenues. In order to secure the prompt payment of all amounts due on all Obligations issued under this Master Indenture and the performance by the Members of the Obligated Group of their obligations under this Master Indenture and the Obligations, the Members of the Obligated Group hereby pledge and assign to the Master Trustee, and grant a security interest in, for the equal and ratable benefit of the holders from time to time of all of the Obligations, all of their Gross Revenues, but the existence of such pledge, assignment and security interest shall not prevent the expenditure, deposit or commingling of Gross Revenues by the Members of the Obligated Group for any purpose so long as no Event of Default under Section 501(a) hereof has occurred and is continuing and all required payments with respect to the Obligations are made when due. Without limiting the generality of the foregoing, this security interest shall apply to all rights to receive Gross Revenues whether in the form of accounts, accounts receivable, contract rights or other rights, and to the proceeds of such rights. This security interest shall apply to all of the foregoing, whether now existing or hereafter coming into existence and whether now owned or held or hereafter acquired by the Members of the Obligated Group. The Members of the Obligated Group hereby represent that as of the date of the delivery hereof they have not granted any Lien on Gross Revenues prior to the security interest granted by this Section, except for the Liens on Gross Revenues, if any, described on Exhibit C hereto. The Members of the Obligated Group hereby further covenant and agree that, except for Permitted Encumbrances, they will not pledge, suffer to exist, or grant a Lien on Gross Revenues. This Master Indenture is intended to be a security agreement pursuant to the Uniform Commercial Code as adopted in the State of New Hampshire.

The Members of the Obligated Group agree to execute and file, if and to the extent required by law, such financing statements covering the Gross Revenues from time to time and in such form as may be required to perfect and continue a security interest in the Gross Revenues, and to deliver file-stamped copies thereof to the Master Trustee. The Obligated Group Agent shall, or shall cause the Master Trustee to, file, in a timely manner, continuation statements with respect to such financing statements which list the Master Trustee as secured party. The Members of the Obligated Group shall pay all costs of filing such financing statements and continuation statements and any renewals thereof and shall pay all reasonable costs and expenses of any record searches and preparation fees for financing statements and continuation statements that may be required. The pledge of Gross Revenues does not extend to, or constitute a pledge of or lien upon, any funds, cash or investments held by any member of the Obligated Group, except to the extent such funds, cash or investments are proceeds of Gross Revenues received after the occurrence of an Event of Default under Section 501(a) hereof.

Notwithstanding anything to the contrary in this Master Indenture, upon and during the continuation of an Event of Default, the Master Trustee will have the remedies of a secured party

under the Uniform Commercial Code as adopted in the State of New Hampshire and, at its option, may also pursue the remedies permitted under applicable law as to such Gross Revenues. Without limiting the generality of the foregoing, upon and during the continuation of an Event of Default and upon notice to the Obligated Group Agent, to the extent permitted by law, the Master Trustee may realize upon such lien by any one or more of the following actions: (i) take possession of the financial books and records of any Member of the Obligated Group relating to the Gross Revenues and of all checks or other orders for payment of money and cash in the possession of the Member representing Gross Revenues or proceeds thereof; (ii) notify account debtors obligated on any Gross Revenues to make payment directly to the order of the Master Trustee; (iii) collect, compromise, settle, compound or extend Gross Revenues which are in the form of accounts receivable or contract rights from the Member's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Member, whether or not the full amount of any such account receivable or contract right owing shall be paid to the Master Trustee; (iv) require the Member to deposit all cash, money and checks or other orders for the payment of money which represent Gross Revenues within five (5) Business Days after receipt of written notice of such requirement, and thereafter as received, into a fund or account to be established for such purpose by the Master Trustee, provided, however, that the requirement to make such deposits shall cease, and the balance of such fund or account shall be paid to the Member, when all Events of Default of the type described in Section 501(a) have been cured; (v) forbid the Member to extend, compromise, compound or settle any accounts receivable or contract rights which represent Gross Revenues, or release, wholly or partly, any Person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; and (vi) endorse in the name of the Member any checks or other orders for the payment of money representing Gross Revenues or the proceeds thereof.

The Members of the Obligated Group hereby further covenant that if an Event of Default of the type described in Section 501(a) hereof shall occur and be continuing, any Gross Revenues then received and any Gross Revenues thereafter received, shall not be commingled or deposited but shall immediately, or upon receipt, be transferred by the Members of the Obligated Group on a daily basis to the Master Trustee and deposited into the Gross Revenues Account as provided below. Such daily deposits shall continue until such Event of Default described in the preceding sentence shall have been cured. Any such proceeds on deposit with the Master Trustee shall be disbursed by the Master Trustee pursuant to the provisions of Section 506 of the Master Indenture and as provided below.

The Master Trustee is hereby authorized and directed to establish a Gross Revenues Account, or Accounts, into which there shall be deposited upon the occurrence and continuation of any Event of Default under Section 501(a) of the Master Indenture, upon receipt by the Master Trustee, any and all Gross Revenues of the Obligated Group. Upon the occurrence of an event that requires the funding of the Gross Revenues Account the Obligated Group hereby covenants to take all action necessary to insure that all such Gross Revenues are deposited into the Gross Revenues Account including, but not limited to, depositing directly all payments received and directing all debtors and payors of the Obligated Group to make all payments due to the Obligated Group Members into the Gross Revenues Account. The Gross Revenues Account shall become subject to the lien of this Master Indenture in favor of the holders of all Obligations. Amounts on deposit in such Account shall be transferred first to the payment of current Operating Expenses of the Members of the Obligated Group as may be directed by the

Obligated Group Agent and in accordance with budgeted amounts proposed by the Obligated Group Agent, and second to the payment of debt service on all Obligations due and past due and thereafter shall otherwise be transferred as may be directed by the Obligated Group Agent to and applied by the Obligated Group for its corporate purposes until the Master Trustee gives written notice to the Obligated Group of the acceleration of the Obligations and the exercise of remedies under the Master Indenture as a secured party and the Master Trustee enforces its rights and interests in and to the Gross Revenues Account and the amounts on deposit therein. Upon the giving of such written notice of acceleration and exercise of remedies, the Master Trustee is hereby authorized to take such self-help and other measures that a secured party is entitled to take under the Uniform Commercial Code as adopted in the State of New Hampshire. Upon a cure or waiver of the Event of Default that requires the funding of the Gross Revenues Account, the Master Trustee shall transfer the amounts on deposit in the Gross Revenues Account to or at the direction of the Obligated Group Agent.

Each Member of the Obligated Group represents, warrants and covenants for and on behalf of itself (except as specified below) that the following shall apply to the pledge of such Member's Gross Revenues created by this Master Indenture:

(a) Creation: This Master Indenture creates a valid and binding pledge of, assignment of, lien on and security interest in its Gross Revenues in favor of the Master Trustee, as security for payment of the Obligations, enforceable by the Master Trustee in accordance with the terms hereof.

(b) Perfection: Under the laws of the state of such Member, such pledge, assignment, lien and security interest is and shall be prior to any judicial lien hereafter imposed on such collateral to enforce a judgment against the Obligated Group or any Member thereof on a simple contract. The Obligated Group Agent represents, warrants and covenants that by the date of the effectiveness of this Master Indenture, the Obligated Group Agent will have filed or caused to be filed all financing statements describing, and transferred such possession or control over, such collateral (and for so long as any Obligation is outstanding under this Master Indenture, the Obligated Group Agent will, or will cause the Master Trustee to, file, continue, and amend or cause to be amended all such financing statements and transfer or cause to be transferred such possession and control) as may be necessary to establish and maintain such priority in each jurisdiction in which the Obligated Group or any Member thereof is organized or such collateral may be located or that may otherwise be applicable pursuant to §§9.301--9.306 of the Uniform Commercial Code as adopted in the State of New Hampshire.

(c) Priority: Each Member of the Obligated Group represents, warrants and covenants that it has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of its Gross Revenues that ranks on a parity with or prior to the pledge, assignment, lien and security interest in its Gross Revenues granted hereby, except for the Liens on Gross Revenues described on Exhibit C hereto. Each Member of the Obligated Group represents, warrants and covenants that it has not described such collateral in a Uniform Commercial Code financing statement that will remain effective after the date of the effectiveness of this Master Indenture, except for the Liens on Gross Revenues, if any, described on Exhibit C hereto. Each Member of the

Obligated Group represents, warrants and covenants that it shall not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in such collateral that ranks prior to or on a parity with the pledge, assignment, lien and security interest in its Gross Revenues granted hereby, or file any financing statement describing any such pledge, assignment, lien, or security interest, except as expressly permitted under this Master Indenture.

**Section 209. Issuance of Obligations in Forms Other than Notes.** To the extent that any Debt Obligation, any Hedging Obligation or any Ancillary Obligation is not in the form of a promissory note, an Obligation in the form of a promissory note may be issued hereunder and pledged as security for the payment of the amounts due under any such Obligation. Nevertheless, the parties hereto agree that Obligations may be issued hereunder to evidence any type of obligation, including but not limited to, Indebtedness (other than Non-Recourse Indebtedness), including without limitation any obligation or Indebtedness in a form other than a promissory note. In addition, any Hedging Obligation or Ancillary Obligation may be authenticated as an Obligation hereunder. Consequently, the Supplemental Master Indenture pursuant to which any Obligation is issued may provide for such supplements or amendments to the provisions hereof, including without limitation Articles II and V hereof, as are necessary to permit the issuance of such Obligation hereunder and as are not inconsistent with the intent hereof that, except as otherwise expressly provided herein, all Obligations issued hereunder be equally and ratably secured hereunder, including by the pledge of Gross Revenues created under Section 208 hereof. Any Hedging Obligation or Ancillary Obligation which is authenticated as an Obligation hereunder shall be equally and ratably secured hereunder with all other Obligations issued hereunder, except as otherwise expressly provided herein; provided, however, that any such Hedging Obligation or Ancillary Obligation shall be deemed to be Outstanding hereunder solely for the purpose of receiving payment hereunder and shall not be entitled to exercise any rights hereunder, including but not limited to any rights to direct the exercise of remedies, to vote or to grant consents.

Anything in this Master Indenture to the contrary notwithstanding, the Obligated Group or any Member thereof may issue Hedging Obligations pursuant to this Master Indenture, without designating in such Hedging Obligation or in the Supplemental Master Indenture pursuant to which such Hedging Obligation is issued, and without regard to, a notional or principal amount, to any provider of one or more interest rate swaps, forward or futures contracts, or options, in order to evidence and secure one or more of such swaps, contracts or options issued by or with the same provider during a single Fiscal Year or calendar year, as designated by the Obligated Group Agent.

**Section 210. Substitute Obligations upon Withdrawal of a Member.** In the event any Member ceases to be a Member of the Obligated Group in accordance with Section 404 and, in compliance with Section 404(a), another Member issues an Obligation hereunder pursuant to a Supplemental Master Indenture evidencing or assuming the Obligated Group's obligation in respect of Related Bonds, if so provided for in such Obligation originally issued by such withdrawing Member, such Obligation shall be surrendered to the Master Trustee in exchange for a substitute Obligation without notice to or consent of any Related Bondholder, provided that such substitute Obligation provides for payments of principal, interest, premium

and other amounts due under such Obligation identical to the surrendered Obligation and sufficient to provide all payments on any Related Bonds.

**Section 211. Appointment of Obligated Group Agent.** Each Member, by becoming a Member of the Obligated Group, irrevocably appoints the Obligated Group Agent as its agent and true and lawful attorney in fact and grants to the Obligated Group Agent full and exclusive power to (a) authorize, negotiate and determine the terms of, and execute and deliver, Obligations and Supplemental Master Indentures authorizing the issuance of Obligations or series of Obligations; (b) as applicable, negotiate and determine the terms of, approve, execute, deliver, perform, amend, waive provisions of, grant consents related to, extend and terminate: loan agreements, bond indentures, bond purchase agreements related to liquidity or insurance, disclosures, and all such other agreements and instruments as are reasonably related to entering into and managing the specific transactions represented by such Supplemental Master Indentures; (c) negotiate and determine the terms of, approve, execute, deliver, perform, amend, waive provisions of, grant consents related to, extend and terminate certificates and other undertakings as are reasonably necessary or appropriate to entering into and managing the specific transactions represented by such Supplemental Master Indentures and/or Obligations; and (d) manage, oversee, direct, authorize, control, and implement (i) all Outstanding Indebtedness and financial relationships related in any manner to such Indebtedness, including, but not limited to: credit support and liquidity facilities; (ii) swaps, hedges, interest rate exchanges and any other derivative instruments of any classification; (iii) related insurance products and policies; (iv) debt management policy setting and determinations such as the mix of fixed and variable debt and similar determinations; (v) allocation, calculations, accounting for, collections from Obligated Group Members, and payment of debt service, discounts, premiums, costs of issuance and other costs and fees related to Indebtedness, including termination, amendment and similar fees; (vi) planning, authorization and implementation of conversions, refunding, defeasances and other debt management or modification activities; (vii) all waivers, consents or amendments to any document or agreement, directly or indirectly, related to one or more of the Obligations, this Master Indenture and any Supplemental Master Indenture, including, but not limited to, any of the types of documents or agreements mentioned in subsections (b) and (c) above and this subsection (d); and (viii) direction of agents and control, direction and management of third party relationships (such as trustees, paying agents, registrars, issuing authorities, underwriters, remarketing agents, swap counterparties, financial and other advisors, and counsel) related to Indebtedness or the issuance of Obligations. The authority granted in this Section shall be and remain irrevocable until and unless any Obligated Group Member is permitted to withdraw from the Obligated Group in accordance with the terms hereof. Notwithstanding the foregoing and for the avoidance of doubt, the provisions of this Section 211 may be amended in accordance with the terms of Article VII hereof.

**Section 212. Conditions to Issuance of Obligations Hereunder.** With respect to Obligations to be issued hereunder, simultaneously with or prior to the execution, authentication and delivery of Obligations pursuant to this Master Indenture:

(a) All requirements and conditions to the issuance of such Obligations, if any, set forth in the related Supplemental Master Indenture or in this Master Indenture shall have been complied with and satisfied, as provided in and evidenced by an Officer's Certificate of the Obligated Group Agent delivered to the Master Trustee; and

(b) The issuer of such Obligations shall have delivered to the Master Trustee an opinion of Counsel to the effect that (1) registration of such Obligations under the Securities Act of 1933, as amended, and qualification of this Master Indenture or the Supplemental Master Indenture under the Trust Indenture Act of 1939, as amended, is not required, or, if such registration or qualification is required, that all applicable registration and qualification provisions of said acts have been complied with, and (2) the related Supplemental Master Indenture, the Master Indenture and the Obligations are valid, binding and enforceable obligations of the Members of the Obligated Group in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance and other laws affecting creditors' rights generally and usual equity principles and subject to such other customary qualifications, assumptions or exceptions as are not reasonably objected to by the Master Trustee, and (3) all of the conditions contained herein related to the issuance of Obligations have been satisfied.

### ARTICLE III

#### PREPAYMENT OR REDEMPTION OF OBLIGATIONS

**Section 301. Prepayment or Redemption Dates and Prices.** Obligations shall be subject to optional and mandatory prepayment or redemption in whole or in part and may be prepaid or redeemed prior to maturity as provided in the Supplemental Master Indenture or the Related Loan Document pertaining to the series of Obligations to be prepaid or redeemed.

### ARTICLE IV

#### GENERAL COVENANTS

**Section 401. Payment of Principal, Premium, if any, and Interest and Other Amounts; Designated Affiliates.** (A) Each Member unconditionally and irrevocably (subject to the right of such Member to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of Section 404 hereof), jointly and severally covenants that it will promptly pay the principal of, premium, if any, and interest on, and all other amounts due under, every Obligation issued under this Master Indenture and any other payments, including the purchase price of Related Bonds tendered or deemed tendered for purchase pursuant to the terms of a Related Bond Indenture or Related Loan Document required by the terms of such Obligations, at the place, on the dates and in the manner provided herein and in said Obligations according to the true intent and meaning thereof. Notwithstanding any schedule of payments upon the Obligations set forth herein or in the Obligations, each Member unconditionally and irrevocably (subject to the right of such Member to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of Section 404 hereof), jointly and severally agrees to make payments upon each Obligation and be liable therefor at the times and in the amounts (including principal, interest and premium, if any, and all other amounts due thereunder) equal to the amounts to be paid as interest, principal at maturity or by mandatory sinking fund redemption, or premium, if any, upon any Related Bonds from time to time outstanding and upon

any other financial obligations evidenced or secured by an Obligation. If any Member does not tender payment of any installment of principal, premium or interest on, or any other amounts due under, any Obligation when due and payable and such payment by its terms was to have been made to the Master Trustee, the Master Trustee shall provide prompt written notice of such nonpayment to such Member and the Obligated Group Agent.

(a) Each Controlling Member shall cause each of its Designated Affiliates and shall use reasonable efforts to cause each of its other System Affiliates (subject to contractual and organizational limitations) to pay, loan or otherwise transfer to the Obligated Group Agent or other Member such amounts as are necessary to duly and punctually pay the principal of, premium, if any, and interest on all Outstanding Obligations and any other payments due under any Obligation, including the purchase price of Related Bonds tendered for purchase pursuant to the terms of a Related Bond Indenture or Related Loan Document, required by the terms of such Obligations, on the dates, at the times and at the places and in the manner provided in such Obligations, the applicable Supplemental Master Indenture and this Master Indenture, when and as the same become payable, whether at maturity, upon call for redemption, by acceleration of maturity or otherwise.

(b) The Obligated Group Agent shall at all times maintain an accurate and complete list of all Persons that are Obligated Group Members, Designated Affiliates and System Affiliates. Any Person may be designated by the Obligated Group Agent as a Designated Affiliate hereunder in addition to those Designated Affiliates, if any, initially designated on Exhibit B, by the delivery to the Master Trustee of an Officer's Certificate, attaching thereto a substitute Exhibit B to be appended to this Master Indenture. The Obligated Group Agent by an Officer's Certificate delivered to the Master Trustee shall designate any Member as the Controlling Member of any such additional Designated Affiliate. With respect to each such Person, and so long as such Person is designated as a Designated Affiliate, the Member designated by the Obligated Group Agent as the Controlling Member, shall either (i) maintain, directly or indirectly, control of each Designated Affiliate, including the power to direct the management, policies, disposition of assets and actions of such Designated Affiliate to the extent required to cause such Designated Affiliate to comply with the terms and conditions of this Master Indenture, whether through the ownership of voting securities, by contract, partnership interests, membership, reserved powers, or the power to appoint members, trustees or directors or otherwise, or (ii) execute and have in effect such contracts or other agreements that the Obligated Group Agent or Controlling Member, in its sole judgment, deems sufficient for it to cause such Designated Affiliate to comply with the terms and conditions of this Master Indenture. Any Person will cease to be a Designated Affiliate upon the declaration of the Obligated Group Agent in an Officer's Certificate delivered to the Master Trustee, and upon such declaration, such Person shall no longer be subject to any of the covenants applicable to a Designated Affiliate hereunder. Notwithstanding the foregoing or anything else to the contrary herein, no Person shall cease to be a Designated Affiliate or a System Affiliate if any Outstanding Related Bonds have been issued for the benefit of such Person until there is delivered to the Master Trustee an opinion of nationally recognized bond counsel to the effect that, under then existing law, the cessation by such Person of its status as a Designated Affiliate or System Affiliate will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable thereon to which such Related Bond would otherwise be entitled.

(c) Each Controlling Member covenants that it will cause, pursuant to Section 401(c), each of its Designated Affiliates to comply with the terms and conditions of this Master Indenture which are applicable to such Designated Affiliate, and of the Related Loan Document, if any, to which such Designated Affiliate is a party. The Members covenant that they will take such action as they deem reasonably necessary to ensure that the System Affiliates comply with the terms or conditions of this Master Indenture applicable to the System Affiliates.

**Section 402. Performance of Covenants.** Each Member covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Master Indenture and in each and every Obligation executed, authenticated and delivered hereunder and will perform all covenants and requirements imposed on the Obligated Group Agent or any Member under the terms of any Related Bond Indenture.

**Section 403. Entrance into the Obligated Group.** Any Person may become a Member of the Obligated Group if:

(a) Such Person is a corporation or other legal entity;

(b) Such Person shall execute and deliver to the Master Trustee a Supplemental Master Indenture acceptable to the Master Trustee which shall be executed by the Master Trustee and the Obligated Group Agent on behalf of each then current Member of the Obligated Group, containing the agreement of such Person (i) to become a Member of the Obligated Group and thereby to become subject to compliance with all provisions of this Master Indenture, including, but not limited to, agreeing to pledge, and pledging, its Gross Revenues in accordance with Section 208 hereof, and (ii) unconditionally and irrevocably (subject to the right of such Person to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of Section 404 hereof) to jointly and severally make payments upon each Obligation at the times and in the amounts provided in each such Obligation;

(c) The Obligated Group Agent shall have approved the admission of such Person into the Obligated Group, which approval shall be evidenced by the Obligated Group Agent executing the Supplemental Master Indenture referred to in Section 403(b);

(d) The Master Trustee shall have received (1) an Officer's Certificate which demonstrates that, immediately upon such Person becoming a Member of the Obligated Group, the Members would not, as a result of such transaction, be in default in the performance or observance of any covenant or condition to be performed or observed by them hereunder, (2) an opinion of Counsel to the effect that (x) the instrument described in paragraph (b) above has been duly authorized, executed and delivered and constitutes a legal, valid and binding agreement of such Person, enforceable in accordance with its terms, subject to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors' rights and application of general principles of equity and to such other customary exceptions as are not reasonably objected to by the Master Trustee, and (y) the addition of such Person to the Obligated Group will not adversely affect the status as a Tax-Exempt Organization of any Member which otherwise has such status, and (3) if all amounts due or to become due on all Related Bonds have not been paid to the holders thereof and provision for such payment has not been made in such manner as to have resulted in the defeasance of all Related Bond Indentures,

an opinion of nationally recognized municipal bond counsel to the effect that, under then existing law, the consummation of such transaction will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable on such Related Bond to which such Related Bond would otherwise be entitled;

(e) The Obligated Group Agent shall have delivered an Officer's Certificate to the Master Trustee demonstrating that the Transaction Test will be met, assuming the incurrence of \$1.00 of additional Indebtedness, after giving effect to the proposed transaction; and

(f) Exhibit A to this Master Indenture shall be amended or replaced by the Obligated Group Agent to add such Person as a Member.

Each successor, assignee, surviving, resulting or transferee corporation or other legal entity of a Member must agree to become, and satisfy the above-described conditions to becoming, a Member of the Obligated Group prior to any such succession, assignment or other change in such Member's corporate status.

**Section 404. Cessation of Status as a Member of the Obligated Group.** Each Member covenants that, except as permitted by Section 703 hereof, it will not take any action, corporate or otherwise, which would cause it or any successor thereto into which it is merged or consolidated under the terms of the Master Indenture to cease to be a Member of the Obligated Group hereunder unless:

(a) if the Member proposing to withdraw from the Obligated Group is a party to any Related Loan Documents with respect to Related Bonds which remain outstanding, another Member of the Obligated Group has issued an Obligation hereunder evidencing or assuming the obligation of the Obligated Group in respect of such Related Bonds;

(b) prior to cessation of such status, there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel to the effect that, under then existing law, the cessation by the Member of its status as a Member will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable on such Related Bond to which such Bond would otherwise be entitled;

(c) immediately after such cessation, no Event of Default exists hereunder and no event shall have occurred which with the passage of time or the giving of notice, or both, would become such an Event of Default;

(d) prior to such cessation there is delivered to the Master Trustee an opinion of Counsel to the effect that the cessation by such Member of its status as a Member will not adversely affect the status as a Tax-Exempt Organization of any Member which otherwise has such status;

(e) The Obligated Group Agent shall have delivered an Officer's Certificate to the Master Trustee demonstrating that the Transaction Test will be met, assuming the incurrence of \$1.00 of additional Indebtedness, after giving effect to the proposed transaction;

(f) prior to the cessation of such status, the Obligated Group Agent consents in writing to the withdrawal of such Member; and

(g) Exhibit A to this Master Indenture shall be amended or replaced by the Obligated Group Agent to delete such Person as a Member.

**Section 405. General Covenants; Right of Contest.** Each Member hereby covenants to, and each Controlling Member covenants to cause each of its Designated Affiliates to:

(a) Except as otherwise expressly provided herein (i) preserve its corporate or other separate legal existence, (ii) preserve all its rights and licenses to the extent necessary or desirable in the operation of its business and affairs as then conducted and (iii) be qualified to do business and conduct its affairs in each jurisdiction where its ownership of Property or the conduct of its business or affairs requires such qualification; provided, however, that nothing contained in this Master Indenture shall be construed to obligate such Member or Designated Affiliate to retain, preserve or keep in effect the rights, licenses or qualifications no longer used or useful in the conduct of its business.

(b) In the case of any Person that is a Tax-Exempt Organization at the time it becomes a Member or Designated Affiliate, so long as this Master Indenture shall remain in force and effect and so long as all amounts due or to become due on all Related Bonds have not been fully paid to the holders thereof or provision for such payment has not been made, to take no action or suffer any action to be taken by others, including any action which would result in the alteration or loss of its status as a Tax-Exempt Organization, which could result in any such Related Bond being declared invalid or result in the interest on any Related Bond, which is otherwise exempt from federal or state income taxation, becoming subject to such taxation.

(c) At its sole cost and expense, promptly comply with all present and future laws, ordinances, orders, decrees, decisions, rules, regulations and requirements of every duly constituted governmental authority, commission and court and the officers thereof which may be applicable to it or any of its affairs, business, operations and Property, any part thereof, any of the streets, alleys, passageways, sidewalks, curbs, gutters, vaults and vault spaces adjoining any of its Property or any part thereof or to the use or manner of use, occupancy or condition of any of its Property or any part thereof, if the failure to so comply would have a materially adverse effect on the operations or financial affairs of the Obligated Group, taken as a whole.

The foregoing notwithstanding, any Member, Designated Affiliate or System Affiliate may (i) cease to be a not for profit corporation or (ii) take actions which could result in the alteration or loss of its status as a Tax-Exempt Organization if prior thereto there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel to the effect that such actions would not adversely affect the validity of any Related Bond, the exemption from federal or state income taxation of interest payable on any Related Bond otherwise entitled to such exemption or adversely affect the enforceability in accordance with its terms of the Master Indenture against any Person.

No Member, Designated Affiliate or System Affiliate shall be required to remove any Lien required to be removed under Section 412, pay or otherwise satisfy and discharge its obligations, Indebtedness (other than any Obligations), demands and claims against it or to comply with any Lien prohibited by Section 412, or with any law, ordinance, rule, order, decree, decision, regulation or requirement referred to in Section 412, so long as such Member, Designated Affiliate or System Affiliate shall contest, in good faith and at its cost and expense, in its own name and behalf, the amount or validity thereof, in an appropriate manner or by appropriate proceedings which shall operate during the pendency thereof to prevent the collection of or other realization upon the obligation, Indebtedness, demand, claim or Lien so contested, and the sale, forfeiture, or loss of its Property or any part thereof, provided, that no such contest shall subject any Related Issuer, any Obligation holder or the Master Trustee to the risk of any liability. While any such matters are pending, such Member, Designated Affiliate or System Affiliate shall not be required to pay, remove or cause to be discharged the obligation, Indebtedness, demand, claim or Lien being contested unless such Member, Designated Affiliate or System Affiliate agrees to settle such contest. Each such contest shall be promptly prosecuted to final conclusion (subject to the right of such Member, Designated Affiliate or System Affiliate engaging in such a contest to settle such contest), and in any event the Member, Designated Affiliate or System Affiliate will save any Related Issuer, all Obligation holders and the Master Trustee harmless from and against all losses, judgments, decrees and costs (including attorneys' fees and expenses in connection therewith) as a result of such contest and will, promptly after the final determination of such contest or settlement thereof, pay and discharge the amounts which shall be determined to be payable therein, together with all penalties, fines, interests, costs and expenses thereon or incurred in connection therewith.

**Section 406. Insurance; Proceeds; Awards.** (a) Each Member shall maintain or cause to be maintained at its sole cost and expense, with financially sound and reputable insurers (which may include System Affiliates or other captive insurers), such public liability insurance, third party property damage insurance, business interruption insurance and casualty insurance with respect to liabilities, losses or damage in respect of the assets, properties and businesses of the Obligated Group as may customarily be carried or maintained under similar circumstances by healthcare service providers of established reputation engaged in similar businesses (or, in the case of an Obligated Group Member that is not a healthcare services provider, customarily carried or maintained under similar circumstances by entities of established reputation engaged in similar businesses), in each case in such amounts (giving effect to self-insurance), with such deductibles, covering such risks and otherwise on such terms and conditions as are customary for corporations similarly situated in the industry and as are determined to be consistent with reasonably prudent business practices, which determination can be based upon the advice of an independent insurance consultant.

(b) Insurance proceeds or condemnation awards paid or payable to the Obligated Group, or to the Master Trustee pursuant to, or in connection with, any Related Bond Indenture or any Related Loan Document, shall be applied, at the direction of the Obligated Group Agent, either to (i) repair, reconstruct, restore or replace the damaged or condemned Property, or (ii) prepay all Outstanding Obligations pro-rata among all such Outstanding Obligations. Any such insurance proceeds or condemnation awards remaining after application as provided in the preceding sentence shall be paid or applied as directed by the Obligated Group Agent for any purpose as may be determined by the Obligated Group Agent. Notwithstanding the foregoing,

(x) the Obligated Group agrees that it shall not permit or direct the application of any insurance proceeds or condemnation awards received with respect to any Property financed with the proceeds of Related Bonds in any manner that would adversely affect the tax-exempt status of any Related Bonds; (y) upon the written direction of the Obligated Group Agent, the Master Trustee shall deposit or cause to be deposited into an account or accounts, as may be required by any Related Bond Indenture or Related Loan Document, any insurance proceeds or condemnation awards (or allocable portion thereof) to be applied to the restoration, reconstruction or repair of any Property or the prepayment of Related Bonds and (z) if an Event of Default under this Master Indenture is continuing and the Master Trustee gives written notice to the Obligated Group of the acceleration of the Obligations and the exercise of remedies under the Master Indenture as a secured party, such insurance proceeds or condemnation awards shall be paid to Master Trustee and applied in accordance with Section 506.

**Section 407. Long-Term Debt Service Coverage Ratio.** Each Member covenants and agrees to, and each Controlling Member covenants to cause each of its Designated Affiliates to, conduct its business on a revenue producing basis and to charge such fees and rates and to exercise such skill and diligence as to provide income from its Property together with other available funds sufficient to pay promptly all payments of principal and interest on its Indebtedness, all expenses of operation, maintenance and repair of its Property and all other payments required to be made by the Obligated Group hereunder to the extent permitted by law. Each Member further covenants and agrees that it will, and each Controlling Member covenants that it will cause each of its Designated Affiliates to, from time to time as often as necessary and to the extent permitted by law, revise its rates, fees and charges in such manner as may be necessary or proper to comply with the provisions of this Section.

The Obligated Group Agent shall calculate the Income Available for Debt Service of the Obligated Group or, subject to the provisions of Section 102 hereof, at the option of the Obligated Group Agent, the System, for each Fiscal Year as of the end of such Fiscal Year and the Long-Term Debt Service Coverage Ratio of the System or the Obligated Group, as the case may be, for such Fiscal Year as of the end of such Fiscal Year and deliver a copy of such calculations to the Persons to whom and at the time at which annual financial statements are required to be delivered under Section 409 hereof.

If in any Fiscal Year the Long-Term Debt Service Coverage Ratio of the System or the Obligated Group, as the case may be, is less than 1.10 to 1, the Obligated Group Agent shall, at the expense of the Obligated Group, retain a Consultant, in a timely manner but in no event later than ninety (90) days after the date on which the Obligated Group Agent determines that such Long-Term Debt Service Coverage Ratio is less than 1.10 to 1, to prepare a report and make recommendations with respect to the rates, fees and charges of the System or the Obligated Group, as the case may be, and the System's or the Obligated Group's, as the case may be, methods of operation and other factors affecting their financial condition in order to increase such Long-Term Debt Service Coverage Ratio to at least 1.10 to 1. Any Consultant so retained shall be required to submit such report and recommendations within sixty (60) days after being retained. So long as the Obligated Group has retained a Consultant and has followed the report and recommendations of the Consultant to the extent permitted by applicable laws, the Obligated Group shall be deemed to have complied with this Section even if such ratio for any subsequent Fiscal Year is below the required level of 1.10, unless the ratio at the end of any subsequent

Fiscal Year is less than 1.00, in which case an Event of Default hereunder shall occur. The Obligated Group shall no longer be required to retain such Consultant if and for so long as such ratio is restored to and maintained at not less than 1.10.

A copy of the Consultant's report and recommendations, if any, shall be filed with the Obligated Group Agent and the Master Trustee. Each Member shall follow and each Controlling Member shall cause each Designated Affiliate to follow each recommendation of the Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of such Member) and permitted by law, applicable regulations and the legal obligations binding upon such Member. The Members shall take such steps as they consider feasible to cause System Affiliates that are not Members or Designated Affiliates to follow each recommendation of the Consultant applicable to such System Affiliate. This Section shall not be construed to prohibit any Person from serving indigent patients to the extent required for such Person to continue its qualification as a Tax-Exempt Organization or from serving any other class or classes of patients without charge or at reduced rates so long as such service does not prevent the System or the Obligated Group, as the case may be, from satisfying the other requirements of this Section.

The foregoing provisions notwithstanding, if in any Fiscal Year the Long-Term Debt Service Coverage Ratio of the System or the Obligated Group, as the case may be, is less than 1.10 to 1, the Obligated Group Agent shall not be required to retain a Consultant to make such recommendations if: (a) there is filed with the Master Trustee a written report of a Consultant which contains an opinion of such Consultant to the effect that applicable laws or regulations have prevented the System or the Obligated Group, as the case may be, from generating Income Available for Debt Service during such Fiscal Year in an amount sufficient to produce a Long-Term Debt Service Coverage Ratio of the System or the Obligated Group, as the case may be, of 1.10 to 1 or higher; (b) the report of such Consultant indicates that the fees and rates charged by the System Affiliates or the Members of the Obligated Group, as the case may be, are such that, in the opinion of the Consultant, the System Affiliates or the Members of the Obligated Group, as the case may be, have generated the maximum amount of Revenues reasonably practicable given such laws or regulations or other legal obligations; and (c) the Long-Term Debt Service Coverage Ratio of the System or the Obligated Group, as the case may be, was at least 1.00 to 1 for such Fiscal Year. The Obligated Group Agent shall not be required to cause the Consultant's report referred to in the preceding sentence to be prepared more frequently than once every two Fiscal Years if at the end of the first of such two Fiscal Years the Obligated Group Agent provides to the Master Trustee an Officer's Certificate or an opinion of Counsel to the effect that the applicable laws and regulations underlying the Consultant's report delivered in respect of the previous Fiscal Year have not changed in any material way.

**Section 408. Permitted Reorganizations.** (a) Each Member agrees that it will not (x) merge into, or consolidate with, one or more corporations or other legal entities that are not Members, or (y) allow one or more of such corporations or other legal entities to merge into it, or (z) sell or convey all or substantially all of its Property to any Person who is not a Member, unless in any such case:

(i) In the event that the successor corporation or other legal entity is not the Member, then any successor corporation or other legal entity to such

Member (including without limitation any purchaser of all or substantially all the Property of such Member) is a corporation or other legal entity organized and existing under the laws of the United States of America or a state thereof and shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such successor corporation or other legal entity to assume, jointly and severally, the due and punctual payment of the principal of, premium, if any, and interest on, and any other amounts due under, all Obligations according to their tenor and the due and punctual performance and observance of all the covenants and conditions of this Master Indenture to be kept and performed by such Member;

(ii) Immediately after such merger or consolidation, or such sale or conveyance, no Member would be in default in the performance or observance of any covenant or condition of any Related Loan Document or this Master Indenture;

(iii) If all amounts due or to become due on all Related Bonds have not been fully paid to the holders thereof or fully provided for, there shall be delivered to the Master Trustee (i) an opinion of Counsel to the effect that the consummation of such merger, consolidation, sale or conveyance will not adversely affect the status as a Tax-Exempt Organization of any Member which otherwise has such status; and (ii) an opinion of nationally recognized municipal bond counsel to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance would not adversely affect the validity of such Related Bonds or the exemption otherwise available from federal or state income taxation of interest payable on such Related Bonds;

(iv) The Obligated Group Agent shall have consented to such Permitted Reorganization; and

(v) The Obligated Group Agent shall have delivered an Officer's Certificate to the Master Trustee demonstrating that the Transaction Test will be met, assuming the incurrence of \$1.00 of additional Indebtedness, after giving effect to the proposed Permitted Reorganization.

(b) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation or other legal entity, such successor corporation or other legal entity shall succeed to and be substituted for its predecessor, with the same effect as if it had been named herein as such Member and the Member party to such transaction, if it is not the survivor, shall thereupon be relieved of any further obligation or liabilities hereunder or upon the Obligations and such Member as the predecessor or non-surviving corporation or other legal entity may thereupon or at any time thereafter be dissolved, wound up or liquidated. Any successor corporation or other legal entity to such Member thereupon may cause to be signed and may issue in its own name Obligations hereunder and the predecessor corporation or other legal entity shall be released from its obligations hereunder and under any Obligations, if such predecessor corporation or other legal entity shall have conveyed all or substantially all Property owned by it (or all such Property shall be deemed conveyed by

operation of law) to such successor corporation or other legal entity. All Obligations so issued by such successor corporation or other legal entity hereunder shall in all respects have the same legal rank and benefit under this Master Indenture as Obligations theretofore or thereafter issued in accordance with the terms of this Master Indenture as though all of such Obligations had been issued hereunder by such prior Member without any such consolidation, merger, sale or conveyance having occurred.

(c) In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued as may be appropriate.

(d) The Master Trustee may rely upon an opinion of Counsel to the effect that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of this Section and that it is proper for the Master Trustee under the provisions of Article VII and of this Section to join in the execution of any instrument required to be executed and delivered by this Section.

(e) Except as may be expressly provided in any Supplemental Master Indenture, the ability of any Designated Affiliate or any System Affiliate that is not a Member of the Obligated Group to merge into, or consolidate with, one or more corporations, or allow one or more corporations to merge into it, or sell or convey all or substantively all of its Property to any Person is not limited by the provisions of this Master Indenture. Notwithstanding anything to the contrary herein, no System Affiliate shall engage in any merger or consolidation or disposition of substantially all of its assets if any Outstanding Related Bonds have been issued for the benefit of such System Affiliate until there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel to the effect that, under then existing law, such action will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable thereon to which such Related Bond would otherwise be entitled.

**Section 409. Financial Statements, Etc.** Each Member covenants that it will, and will cause each System Affiliate controlled by any such Member to, keep or cause to be kept proper books of records and accounts in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of such Member in accordance with GAAP consistently applied except as may be disclosed in the notes to the audited financial statements referred to in subparagraph (A) below, and the Obligated Group Agent will furnish to the Master Trustee:

(A) As soon as practicable after they are available, but in no event more than 150 days after the last day of each Fiscal Year, a financial report of the System or, at the option of the Obligated Group Agent, of the Obligated Group, for such Fiscal Year (or if the Obligated Group Agent shall so elect, a consolidated financial report of the System or the Obligated Group) certified by a firm of nationally recognized independent certified public accountants selected by the Obligated Group Agent prepared on a combined or consolidated, or combining or consolidating, basis in accordance with GAAP, covering the operations of the System or the Obligated Group, as the case may be, for such Fiscal Year and containing an audited consolidated statement of financial position of the System

or, at the option of the Obligated Group Agent, of the Obligated Group, as of the end of such Fiscal Year and an audited consolidated and an unaudited consolidating statement of changes in net assets and statement of cash flows of the System or, at the option of the Obligated Group Agent, of the Obligated Group, for such Fiscal Year and an audited consolidated and an unaudited consolidating statement of operations of the System or, at the option of the Obligated Group Agent, of the Obligated Group, for such Fiscal Year, showing in each case in comparative form the financial figures for the preceding Fiscal Year.

(B) At the time of delivery of the financial report referred to in subsection (A) above, an Officer's Certificate, stating that the Obligated Group Agent has made a review of the activities of each Member, Designated Affiliate and System Affiliate during the preceding Fiscal Year for the purpose of determining whether or not the Members, Designated Affiliates and System Affiliates have complied with all of the terms, provisions and conditions of this Master Indenture and that each Member, Designated Affiliate and System Affiliate has kept, observed, performed and fulfilled each and every covenant, provision and condition of this Master Indenture on its part to be performed and is not in default in the performance or observance of any of the terms, covenants, provisions or conditions hereof, or if an Event of Default shall have occurred or be continuing such certificate shall specify all such Events of Default and the nature thereof.

Notwithstanding the foregoing, the Master Trustee shall not be considered to have notice of the content of the financial statements of the Obligated Group delivered to it, nor shall it have knowledge of any default based on such content. The Master Trustee shall not have a duty to verify the accuracy of such statements.

**Section 410. Permitted Indebtedness.** (a) The Members of the Obligated Group covenant that, except for Permitted Indebtedness described in paragraph (b) of this Section 410, the Members of the Obligated Group shall not incur additional Indebtedness, directly, indirectly or contingently.

(b) Permitted Indebtedness shall include only the following:

(1) Long-Term Indebtedness, if prior to the incurrence of such Long-Term Indebtedness there is delivered to the Master Trustee an Officer's Certificate demonstrating that the Transaction Test shall have been met for, and giving effect to, the incurrence of such Indebtedness;

(2) Long-Term Indebtedness, if prior to the incurrence of such Long-Term Indebtedness there is delivered to the Master Trustee an Officer's Certificate to the effect that the total principal amount of Long-Term Indebtedness to be incurred at such time, when added to the aggregate principal amount of all other Long-Term Indebtedness theretofore issued pursuant to this paragraph (b)(2) and then Outstanding, will not exceed thirty percent (30%) of the Operating Revenues of the Obligated Group or the System, as the case may be, for the Historic Test Period. Any Long-Term Indebtedness or portion thereof incurred under this paragraph (b)(2) which is Outstanding at any time shall be deemed to have been incurred under any one of the paragraphs of the Transaction Test if

at any time subsequent to the incurrence thereof there shall be filed with the Master Trustee an Officer's Certificate to the effect that such Outstanding Indebtedness or portion thereof would satisfy such other provision, specifying such other provision, and thereupon the amount deemed to have been incurred and to be Outstanding under this paragraph (b)(2) shall be deemed to have been reduced by such amount and to have been incurred under such other provision;

(3) Completion Indebtedness, if prior to the incurrence of such Completion Indebtedness there is delivered to the Master Trustee an Officer's Certificate (i) to the effect that the net proceeds of such proposed Completion Indebtedness is needed for the completion of the construction or equipping of the facilities in question; (ii) to the effect that the original Indebtedness for the facilities in question when incurred was assumed to be sufficient for the projected costs; (iii) describing the reasons why such Completion Indebtedness is necessary; (iv) certifying as to the amount needed for the completion of the facilities in question; and (v) certifying that the principal amount of such Completion Indebtedness will not exceed twenty percent (20%) of the initial principal amount of the Indebtedness originally incurred for the facilities in question;

(4) Long-Term Indebtedness incurred for the purpose of refunding, including advance refunding, any Outstanding Long-Term Indebtedness, if prior to the incurrence of such Long-Term Indebtedness there is delivered to the Master Trustee an Officer's Certificate to the effect that either (i) such refunding will not increase Maximum Annual Debt Service in any year (calculated for the period during which the Indebtedness to be refunded would have been Outstanding but for such proposed refunding) by more than ten percent (10%), or (ii) such refunding will result in a present value savings in the debt service requirements as compared to that of the Outstanding Long-Term Indebtedness being refunded; provided, however, refundings in the nature of the rolling-over of Indebtedness in the form of commercial paper shall be permitted, without limitation and without the need for the delivery of any Officer's Certificate;

(5) Short-Term Indebtedness, provided that immediately after the incurrence of such Indebtedness the aggregate Outstanding principal amount of all Short-Term Indebtedness does not exceed twenty-five percent (25%) of the aggregate Operating Revenues of the Obligated Group or the System, as the case may be, for the Historic Test Period;

(6) Non-Recourse Indebtedness, in a principal amount Outstanding at any one time not in excess of twenty-five percent (25%) of Operating Revenues for the Historic Test Period, which Non-Recourse Indebtedness is: (i) secured by a Lien on Property which is part of the Property, Plant and Equipment; or (ii) secured by a Lien on Property which is inventory or pledges of gifts or grants to be received in the future; provided that such gifts or grants shall be excluded from the calculation of Income Available for Debt Service so long as such Non-Recourse Indebtedness is Outstanding;

(7) Subordinated Indebtedness, without limitation;

(8) Indebtedness in the form of installment purchase contracts, Capitalized Leases, purchase money mortgages, loans, sale agreements or other typical borrowing instruments; provided that the aggregate annual debt service on the Indebtedness permitted under this paragraph (b)(8) shall not in any Fiscal Year exceed five percent (5%) of the Operating Revenues of the System or the Obligated Group, as the case may be, for the Historic Test Period;

(9) Guarantees, (i) if such Guaranty could then be incurred by the Obligated Group as Long-Term Indebtedness under Section 410(b)(1) or (2) hereof, or as Short-Term Indebtedness under Section 410(b)(5) hereof, provided that in each case for purposes of any computations provided for in this paragraph (b)(9)(i), and also for purposes of calculating the Debt Service Requirements with respect to a Guaranty, (A) the aggregate annual principal and interest payments on, and the principal amount of, any indebtedness of a Person which is the subject of a Guaranty hereunder and which would, if such obligation were incurred by the Obligated Group, constitute Long-Term Indebtedness, shall be deemed equivalent to twenty percent (20%) of the actual Debt Service Requirements on, and principal amount of, such indebtedness of the Primary Obligor (assuming the definitions of this Master Indenture apply to such indebtedness), so long as no Event of Default has occurred with respect to such Indebtedness that is the subject of such Guaranty and such Guaranty constitutes a contingent liability under GAAP; and (B) the Debt Service Requirements on, and principal amount of, any Long-Term Indebtedness represented by a Guaranty shall be deemed equivalent to one hundred percent (100%) of the actual Debt Service Requirements on, and principal amount of, such indebtedness of the Primary Obligor, if a payment has been made by the Obligated Group on such Guaranty within one (1) year of the date of any computation to be made under this paragraph (b)(9)(i) (assuming the definitions of this Master Indenture apply to such indebtedness); or (ii) if such Guaranty is of Indebtedness of another Member of the Obligated Group, which Indebtedness has been or could be incurred as Permitted Indebtedness hereunder; (ii) if such Guaranty is of Indebtedness of another Member of the Obligated Group, which Indebtedness has been or could be incurred as Permitted Indebtedness hereunder; or (iii) if such Guaranty is of indebtedness of a System Affiliate;

(10) Indebtedness represented by a letter of credit reimbursement agreement or standby bond purchase agreement or other similar agreement entered into by any Member of the Obligated Group and a financial institution providing either a liquidity or credit support with respect to any other Indebtedness incurred in accordance with any other provision of this Section 410(b);

(11) Indebtedness in the form of a borrowing from another Member of the Obligated Group or from a System Affiliate;

(12) Indebtedness in the form of any other financial obligation to another Member of the Obligated Group or to a System Affiliate;

(13) Indebtedness incurred on an interim basis with respect to any construction project for which money is available therefor in the construction fund for such project;

(14) Indebtedness incurred in the ordinary course of business;

(15) Indebtedness in the form of a guaranty or confirmation of liability of an Affiliate incurred directly or indirectly with respect to a self-insurance or captive insurance program benefiting any Member of the Obligated Group;

(16) Indebtedness incurred or deemed incurred by virtue of any recourse obligation associated with any sale or assignment of accounts receivable, but in no event shall the Indebtedness exceed the monetary consideration received from any such sale or assignment by more than twenty percent (20%); and in any event not in excess of twenty percent (20%) of the total amount of accounts receivable (net of contractual allowances) of the Obligated Group or the System, as the case may be, as of the end of the Historic Test Period; and

(17) any Indebtedness (or obligations not for borrowed money), which Indebtedness or obligation is not generally treated as indebtedness, such as obligations to make contributions to employee benefit plans, social security alternative plans, self-insurance programs, captive insurance companies and unemployment insurance liabilities.

**Section 411. Permitted Dispositions.** (a) The Members of the Obligated Group covenant that, except for Permitted Dispositions described in paragraph (b) of this Section 411, the Members of the Obligated Group shall not sell, lease, remove, release from the liens of the this Master Indenture, transfer, assign, convey or otherwise dispose of any Property of the Members of the Obligated Group.

(b) Permitted Dispositions shall include only the following:

(1) the disposition of Property if the Value of such Property disposed of in any one Fiscal Year is not in excess of ten percent (10%) of the Value of the Property of the System as of the end of the Historic Test Period;

(2) the disposition of Property if the Value of such Property disposed of in any one Fiscal Year exceeds ten percent (10%) of the Value of the Property of the System; provided, however, that an Officer's Certificate is delivered to the Master Trustee demonstrating that the Transaction Test shall have been met for, and giving effect to, such proposed Permitted Disposition;

(3) the disposition of Property in the case of any proposed, pending or potential condemnation or taking for public or quasi-public use of the Property or any portion thereof;

(4) the disposition of Property to any Person if such Property has, or within the next succeeding twenty-four (24) calendar months is reasonably expected to, become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property;

- (5) the disposition of Property in the ordinary course of business;
- (6) the disposition of Property if such Property is replaced promptly or has been replaced by other Property of comparable utility or worth, evidenced in the case of dispositions of real property with a Value in excess of the greater of twenty million dollars (\$20,000,000) or one-half of one percent (0.5%) of the Value of the Property of the System or the Obligated Group, as the case may be, by an appraisal by a qualified appraiser and dated and filed with the Master Trustee not more than thirty (30) days prior to such disposition;
- (7) the disposition of Property (other than Current Assets or Gross Revenues) that does not constitute part of the health care Facilities of the Obligated Group;
- (8) the disposition of Property if the Obligated Group, or any Member thereof, receives fair market value therefor;
- (9) the disposition of Property constituting the sale, assignment or other disposition of not in excess of thirty-five percent (35%) of the Obligated Group's accounts receivable in the immediately preceding Fiscal Year; provided that the transaction is commercially reasonable and for consideration deemed fair and adequate in an Officer's Certificate delivered to the Master Trustee;
- (10) the disposition of Property to another Member of the Obligated Group or to a System Affiliate; and
- (11) the disposition of Property in connection with a Permitted Reorganization.

**Section 412. Permitted Encumbrances.** No Material Obligated Group Member shall create or incur or permit to be created or incurred or to exist any Lien on any Property of such Member, except for Permitted Encumbrances.

**Section 413. Permitted Releases.** (a) The Members of the Obligated Group covenant that, except for Permitted Releases described in paragraph (b) of this Section 413, the Members of the Obligated Group shall not release any of the Gross Revenues from the security interest created by this Master Indenture, or release any of the Property or portions thereof from the covenant against Liens set forth in Section 412 hereof.

(b) Permitted Releases shall include only the following:

(1) a release made with respect to the Property that is to be disposed of in conjunction with a Permitted Disposition of the Property;

(2) a release made with respect to the Property that is permitted to be disposed of, but in fact is not to be disposed of, in accordance with the provisions of this Master Indenture relating to Permitted Dispositions; and

(3) a release made with respect to the Property of a Member upon the withdrawal of such Member from the Obligated Group in accordance with Section 404 hereof.

(c) Members of the Obligated Group shall be entitled to a release of any Gross Revenues from the security interest created by this Master Indenture in connection with, and to the extent of, any Permitted Releases. The Master Trustee is authorized to cooperate with the Obligated Group to implement any such Permitted Release; provided, that the Master Trustee shall be entitled, as a condition to taking any such action (including without limitation the execution or delivery of any instrument or other document) to receive and rely conclusively upon an Officer's Certificate of the Obligated Group Agent and opinion of Counsel satisfactory to the Master Trustee, each in form and content reasonably satisfactory to the Master Trustee, stating to the effect that such action (including execution and delivery of any applicable instrument or document) by the Master Trustee is authorized or permitted under this Master Indenture and all requirements and conditions precedent applicable thereto under this Master Indenture, if any, have been satisfied (such Officer's Certificate and opinion of Counsel to be provided to the Master Trustee by the Obligated Group Agent).

**Section 414. Indemnity.** Each Member will, jointly and severally, pay and will protect, indemnify and save the Master Trustee (and its directors, officers, employees and agents) harmless from and against any and all liabilities, losses, damages, costs and expenses (including reasonable attorneys' fees and expenses of such Member and the Master Trustee), causes of action, suits, claims, demands and judgments of whatsoever kind and nature (including those arising or resulting from any injury to or death of any person or damage to Property) arising from or in any manner directly or indirectly growing out of or connected with the following:

(1) the use, non-use, condition or occupancy of any of the Property of any Member, any repairs, construction, alterations, renovation, relocation, remodeling and equipping thereof or thereto or the condition of any of such Property including adjoining sidewalks, streets or alleys and any equipment or Facilities at any time located on such Property or used in connection therewith but which are not the result of the negligence of the Master Trustee;

(2) violation of any agreement, warranty, covenant or condition of this Master Indenture, except by the Master Trustee;

(3) violation of any contract, agreement or restriction by any Member relating to its Property, which shall have existed at the commencement of this Master Indenture;

(4) violation of any law, ordinance, regulation or court order affecting any Property of any Member or the ownership, occupancy or use thereof;

(5) any statement or information concerning any Member or its officers and members or its Property, contained in any official statement or other offering document furnished to the Master Trustee or the purchaser of any Obligations or any Related Bonds, that is untrue or incorrect in any material respect, and any omission from such official statement or other offering document of any statement or information which should be contained therein for the purpose for which the same is to be used or which is necessary to make the statements therein concerning any Member, its officers and members and its Property not misleading in any material respect, provided that the official statement or other offering document has been approved by a Member of the

Obligated Group and the indemnified party did not have knowledge of the omission or misstatement or did not use the official statement or other offering document with willful misconduct or gross negligence in regard to the accuracy or completeness of the official statement or other offering document; and

(6) the performance by the Master Trustee of its powers, duties and obligations under this Master Indenture except in the case of its gross negligence or willful misconduct.

Such indemnity shall extend to each Person, if any, who “controls” the Master Trustee as that term is defined in Section 15 of the Securities Act of 1933, as amended. The respective obligations of the Members under this Section 414 to indemnify and hold harmless the Master Trustee shall survive satisfaction and discharge of this Master Indenture and the replacement or resignation of the Master Trustee.

In the event of settlement of any litigation commenced or threatened, such indemnity shall be limited to the aggregate amount paid under a settlement effected with the written consent of the Obligated Group Agent and the Master Trustee.

The Master Trustee shall promptly notify the Obligated Group Agent in writing of any claim or action brought against the Master Trustee, its directors, officers, employees and agents, or any controlling person, as the case may be, in respect of which indemnity may be sought against any Member, setting forth the particulars of such claim or action, and the Obligated Group will assume the defense thereof, including the employment of counsel satisfactory in the reasonable discretion of the Master Trustee or such controlling person, as the case may be, and the payment of all expenses. The Master Trustee or any such controlling person, as the case may be, may employ separate counsel in any such action and participate in the defense thereof, and the reasonable fees and expenses of such counsel shall not be payable by the Obligated Group unless such employment has been specifically authorized by the Obligated Group Agent.

**Section 415. Debt Service on Balloon Indebtedness.** For purposes of the computation of the Debt Service Requirement, whether historic or projected, Balloon Indebtedness shall, at the election of the Obligated Group Agent, be deemed to be Indebtedness which was payable over (a) thirty (30) years from the date of incurrence of such Indebtedness, at a rate of interest equal to that derived from the Bond Index, as determined by an Officer’s Certificate, (b) the remaining term to maturity of such Indebtedness, at a rate of interest equal to that derived from the Bond Index, as determined by an Officer’s Certificate, or (c) the term of refinancing if such Indebtedness is subject to a binding commitment for the refinancing of such Indebtedness, at a rate of interest specified in such refinancing commitment, as determined by an Officer’s Certificate, and in each case with level annual debt service.

**Section 416. Debt Service on Variable Rate Indebtedness.** For purposes of the computation of the projected (but not historic) Debt Service Requirement, Variable Rate Indebtedness shall be deemed Indebtedness maturing in accordance with its terms, and which bears interest at a rate equal to that derived from the Bond Index, all as determined by an Officer’s Certificate.

**Section 417. Debt Service on Discount Indebtedness.** For purposes of the computation of the Debt Service Requirement, whether historic or projected, the amount of principal represented by Discount Indebtedness shall, at the election of the Obligated Group Agent, be deemed to be the accreted value of such Indebtedness computed on the basis of a constant yield to maturity.

**Section 418. Right to Consent, Etc.** Each Member, with the prior written consent of the Obligated Group Agent, shall have the right to agree in, and according to the terms of, any Related Bond Indenture, Related Loan Document or Supplemental Master Indenture pursuant to which an Obligation is issued that, so long as any Related Bonds remain outstanding under such Related Bond Indenture or such Obligation remains outstanding, any or all provisions of this Master Indenture that provide for approval, consent, direction or appointment by the Master Trustee, or provide that anything must be satisfactory or acceptable to the Master Trustee or not unacceptable to the Master Trustee, or allow the Master Trustee to request anything or contain similar provisions granting discretion to the Master Trustee, may also require or allow, as the case may be, the approval, consent, appointment, satisfaction, acceptance, request or like exercise of discretion by the Related Issuer, the Related Bond Trustee, the credit or liquidity enhancer of any Related Bonds, or the holders of some specified percentage of such Obligations as provided for in such Obligations, or any one thereof, and that all items required to be delivered or addressed to the Master Trustee hereunder may also be delivered or addressed to the Related Issuer, such Obligation holders, the credit enhancer of any Related Bonds, and the Related Bond Trustee, or any one thereof, unless waived thereby.

## ARTICLE V

### REMEDIES

**Section 501. Events of Default.** Each of the following events is hereby declared an “Event of Default”:

(a) any failure of the Obligated Group to pay any installment of interest or principal, or any premium, or any other amount due, on any Obligation when the same shall become due and payable, whether at maturity, upon any date fixed for prepayment or by acceleration or otherwise (giving effect to any grace period provided in the Supplemental Master Indenture pursuant to which such Obligation was issued); or

(b) any failure of any Member to comply with, observe or perform any other covenants, conditions, agreements or provisions hereof and to remedy such default within 60 days after written notice thereof to such Member and the Obligated Group Agent from the Master Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Debt Obligations; provided, that if such default cannot with due diligence and dispatch be wholly cured within 60 days but can be wholly cured, the failure of the Member to remedy such default within such 60-day period shall not constitute a default hereunder if the Member shall immediately upon receipt of such notice commence with due diligence and dispatch the curing of

such default and, having so commenced the curing of such default, shall thereafter prosecute and complete the same with due diligence and dispatch; or

(c) any representation or warranty made by any Member herein or in any Supplemental Master Indenture or in any statement or certificate furnished to the Master Trustee or the purchaser of any Obligation or Related Bond in connection with the delivery of any Obligation or sale of any Related Bond or furnished by any Member pursuant hereto or any Supplemental Master Indenture proves untrue in any material respect as of the date of the issuance or making thereof and the facts or circumstances that make such representation or warranty materially untrue shall not be corrected or brought into compliance within 60 days after written notice thereof to the Obligated Group Agent by the Master Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Debt Obligations; or

(d) any default or event of default, in either case that has not been properly cured or waived, under or with respect to any Obligation, including but not limited to any default or event of default under any mortgage, loan agreement, reimbursement agreement, standby bond purchase agreement, or other instrument that is evidenced or secured by any such Obligation; or

(e) any default in the payment of the principal of, premium, if any, or interest on any Indebtedness for borrowed money (other than Non-Recourse Indebtedness) of any Member, including without limitation any Indebtedness created by any Related Loan Document, as and when the same shall become due, or an event of default as defined in any mortgage, indenture, loan agreement or other instrument under or pursuant to which there was issued or incurred, or by which there is secured, any such Indebtedness (including any Obligation) of any Member, and which default in payment or event of default results in the acceleration of such Indebtedness prior to the date on which it would otherwise become due and payable; provided, however, that if such Indebtedness is not evidenced by an Obligation or issued, incurred or secured by or under a Related Loan Document, a default in payment thereunder shall not constitute an "Event of Default" hereunder unless the unpaid principal amount of such Indebtedness, together with the unpaid principal amount of all other Indebtedness so in default, exceeds the greater of two percent (2%) of the Operating Revenues of the Obligated Group or the System, as the case may be, or ten percent (10%) of the Value of the Current Assets of the System or the Obligated Group, as the case may be, as shown on or derived from the then latest available audited financial statements of the System; or

(f) any judgment, writ or warrant of attachment or of any similar process shall be entered or filed against any Member or against any Property of any Member and remains unvacated, unpaid, unbonded, unstayed or uncontested in good faith for a period of 60 days; provided, however, that none of the foregoing shall constitute an Event of Default hereunder unless the amount of such judgment, writ, warrant of attachment or similar process, together with the amount of all other such judgments, writs, warrants or similar processes so unvacated, unpaid, unbonded, unstayed or uncontested, exceeds the greater of two percent (2%) of the Operating Revenues of the Obligated Group or the System, as the case may be, or ten percent (10%) of the Value of the Current Assets of the System or the Obligated Group, as the case may be, as shown on or derived from the then latest available audited financial statements of the System; or

(g) any Material Obligated Group Member admits insolvency or bankruptcy or its inability to pay its debts as they mature, or is generally not paying its debts as such debts become due, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee, custodian or receiver for such Member, or for the major part of its Property; or

(h) a trustee, custodian or receiver is appointed for any Material Obligated Group Member or for the major part of its Property and is not discharged within 60 days after such appointment; or

(i) bankruptcy, dissolution, reorganization, arrangement, insolvency or liquidation proceedings, proceedings under Title 11 of the United States Code, as amended, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors are instituted by or against any Material Obligated Group Member (other than bankruptcy proceedings instituted by any Material Obligated Group Member against third parties), and if instituted against any Material Obligated Group Member are allowed against such Member or are consented to or are not dismissed, stayed or otherwise nullified within 60 days after such institution.

**Section 502. Acceleration.** If an Event of Default has occurred and is continuing, the Master Trustee may, and if requested by the holders of not less than 25% in aggregate principal amount of Outstanding Debt Obligations shall, by notice in writing delivered to the Obligated Group Agent, declare the entire principal amount of or other amounts evidenced under all Obligations then outstanding hereunder and the interest accrued thereon immediately due and payable, and the entire principal or other amounts and such interest shall thereupon become immediately due and payable, subject, however, to the provisions of Section 510 hereof with respect to waivers of Events of Default, or contrary direction pursuant to the provisions of Section 504 hereof.

**Section 503. Remedies; Rights of Obligation Holders.** Upon the occurrence of any Event of Default hereunder, the Master Trustee may pursue any available remedy including a suit, action or proceeding at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Obligations outstanding hereunder and any other sums due under the Obligations or hereunder and may collect such sums in the manner provided by law out of the Property of any Member wherever situated.

If an Event of Default shall have occurred and is continuing, and if it shall have been requested to do so by the holders of 25% or more in aggregate principal amount of Debt Obligations outstanding (and upon the provision of indemnity satisfactory to the Master Trustee in its sole discretion), the Master Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Section 503 as the Master Trustee shall deem most expedient in the interests of the holders of Debt Obligations; provided, however, that the Master Trustee shall have the right to decline to comply with any such request if the Master Trustee shall be advised by Counsel (who may be its own Counsel) that the action so requested may not lawfully be taken or the Master Trustee in good faith shall determine that such action would be unjustly prejudicial to the holders of Obligations not parties to such request.

No remedy by the terms of this Master Indenture conferred upon or reserved to the Master Trustee (or to the holders of Debt Obligations) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Master Trustee or to the holders of Debt Obligations hereunder now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default, or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder, whether by the Master Trustee or by the holders of Debt Obligations, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

**Section 504. Direction of Proceedings by Holders.** The holders of a majority in aggregate principal amount of all Debt Obligations then outstanding which have become due and payable in accordance with their terms or have been declared due and payable pursuant to Section 502 hereof and have not been paid in full in the case of remedies exercised to enforce such payment, or the holders of a majority in aggregate principal amount of the Debt Obligations then outstanding in the case of any other remedy, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Master Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Master Indenture or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of this Master Indenture and that the Master Trustee shall have the right to decline to comply with any such request if the Master Trustee shall be advised by Counsel (who may be its own Counsel) that the action so directed may not lawfully be taken or the Master Trustee in good faith shall determine that such action would be unjustly prejudicial to the holders of the Obligations not parties to such direction.

The foregoing notwithstanding, the holders of a majority in aggregate principal amount of all Debt Obligations then outstanding which are entitled to the exclusive benefit of certain security in addition to that intended to secure all or other Obligations shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Master Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Master Indenture, the Supplemental Master Indentures pursuant to which such Obligations were issued or so secured or any separate security document in order to realize on such security; provided, however, that such direction shall not be otherwise than in accordance with the provisions of law and of this Master Indenture.

**Section 505. Appointment of Receivers.** Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Master Trustee and the holders of Obligations under this Master Indenture, the Master Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the rights and properties pledged hereunder and of the revenues, issues, payments and profits thereof, pending such proceedings, with such powers as the court making such appointment shall

confer. Each Member of the Obligated Group hereby consents and agrees, and will if requested by the Master Trustee consent and agree at the time of application by the Master Trustee for appointment of a receiver of its Property, to the appointment of such receiver of its Property and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of and operate and deal with such Property and the revenues, profits and proceeds therefrom, with like effect as the Member of the Obligated Group could do so, and to borrow money and issue evidences of indebtedness as such receiver.

**Section 506. Application of Moneys.** All moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of this Article V (except moneys held for the payment of Obligations called for prepayment or redemption which have become due and payable) shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the fees of, expenses, liabilities and advances incurred or made by the Master Trustee, any Related Issuers and any Related Bond Trustees, be applied as follows:

(a) Unless all Obligations shall have become or shall have been declared due and payable, all such moneys shall be applied:

First: To the payment to the persons entitled thereto of all installments of interest (and fees, if any) then due on the Obligations, in the order of the maturity of the installments of such interest (including but not limited to the reimbursement of interest paid by a letter of credit provider under any letter of credit securing an issue or series of Related Bonds), and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second: To the payment to the persons entitled thereto of the unpaid principal and premium, if any, on the Obligations which shall have become due (other than Obligations called for redemption or payment for payment of which moneys are held pursuant to the provisions of this Master Indenture), in the order of the scheduled dates of their payment, and, if the amount available shall not be sufficient to pay in full Obligations due on any particular date, then to the payment ratably, according to the amount of principal and premium due on such date, to the persons entitled thereto without any discrimination or privilege; and

Third: To the payment to the persons entitled thereto of any other amounts which have become due under any and all Obligations, including but not limited to any payments under Hedging Obligations or Ancillary Obligations.

(b) If all Obligations shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal, premium, if any, and interest and all other amounts then due and unpaid upon the Obligations without preference or priority of principal, premium, interest or other amounts over the others, or of any installment of interest over any other installment of interest, or of any Obligation over any other Obligation,

ratably, according to the amounts due respectively for principal, premium, if any, interest and all other amounts to the persons entitled thereto without any discrimination or privilege; and

(c) If all Obligations shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article V, then, subject to the provisions of paragraph (b) of this Section 506 in the event that all Obligations shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section 506.

Whenever moneys are to be applied by the Master Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Master Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts to be paid on such date shall cease to accrue. The Master Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the holder of any unpaid Obligation until such Obligation shall be presented to the Master Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all Obligations and interest thereon have been paid under the provisions of this Section 506 and all expenses and charges of the Master Trustee have been paid, any balance remaining shall be paid to the person entitled to receive the same; if no other person shall be entitled thereto, then the balance shall be paid to the Obligated Group Agent on behalf of the Members. When all Obligations and interest thereon have been paid under the provisions of this Section 506 and all expenses and charges of, and other amounts owing to, the Master Trustee have been paid, the Obligated Group Agent shall be authorized to terminate of record any financing statements or other filings or evidence of any Lien granted hereunder.

**Section 507. Remedies Vested in Master Trustee.** All rights of action including the right to file proof of claims under this Master Indenture or under any of the Obligations may be enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Master Trustee shall be brought in its name as Master Trustee without the necessity of joining as plaintiffs or defendants any holders of the Obligations, and any recovery of judgment shall be for the equal benefit of the holders of the Outstanding Obligations. Upon the occurrence of an Event of Default under this Master Indenture, the Master Trustee shall, in addition to any other remedies available hereunder or under applicable law, have the right to enforce the covenants of each Controlling Member to cause its Designated Affiliates to comply, and to enforce the covenant to cause each System Affiliate to comply, with the covenants applicable thereto as provided in Section 401 hereof.

**Section 508. Rights and Remedies of Obligation Holders.** No holder of any Obligation shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Master Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless a default shall have become an

Event of Default and the holders of 25% or more in aggregate principal amount (i) of all Debt Obligations then Outstanding which have become due and payable in accordance with their terms or have been declared due and payable pursuant to Section 502 hereof and have not been paid in full in the case of powers exercised to enforce such payment or (ii) of all Debt Obligations then Outstanding in the case of any other exercise of power, shall have made written request to the Master Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, and shall have offered indemnity to the Master Trustee for its fees and expenses in an amount satisfactory to the Master Trustee in its sole discretion, and unless the Master Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Master Trustee to be conditions precedent to the execution of the powers and trusts of this Master Indenture and to any action or cause of action for the enforcement of this Master Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more holders of the Obligations shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Master Indenture by its, his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the holders of all Obligations outstanding. Nothing in this Master Indenture contained shall, however, affect or impair the right of any holder to enforce the payment of the principal of, premium, if any, and interest on, or any other amounts due under, any Obligation at and after the maturity thereof, or the obligation of the Members to pay the principal, premium, if any, and interest on, or any other amounts due under, each of the Obligations issued hereunder to the respective holders thereof at the time and place, from the source and in the manner expressed in said Obligations.

**Section 509. Termination of Proceedings.** In case the Master Trustee shall have proceeded to enforce any right under this Master Indenture by the appointment of a receiver, or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Master Trustee, then and in every case the Members and the Master Trustee shall, subject to any determination in such proceeding, be restored to their former positions and rights hereunder with respect to the Property pledged and assigned hereunder, and all rights, remedies and powers of the Master Trustee shall continue as if no such proceedings had been taken.

**Section 510. Waiver of Events of Default.** If, at any time after all Obligations shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided and before the acceleration of any Related Bond, any Member shall pay or shall deposit with the Master Trustee (in connection with any Event of Default described in Section 501(a) hereof) a sum sufficient to pay all matured installments of interest upon all such Obligations and the principal and premium, if any, of, and any other amounts due under, all such Obligations that shall have become due otherwise than by acceleration (with interest on overdue installments of interest and on such principal and premium, if any, at the rate borne by such Obligations to the date of such payment or deposit, to the extent permitted by law) and the expenses of the Master Trustee, and any and all Events of Default under this Master Indenture, other than the nonpayment of any amounts due under such Obligations that shall have become due by acceleration, shall have been remedied,

then, and in every such case, the Master Trustee shall rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or affect any subsequent Event of Default, or shall impair any right consequent thereon.

No delay or omission of the Master Trustee or of any holder to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article to the Master Trustee and the holders, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

The Master Trustee may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions hereof, or before the completion of the enforcement of any other remedy hereunder.

In case of any waiver by the Master Trustee of an Event of Default hereunder, the Members of the Obligated Group, the Master Trustee and the holders shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

**Section 511. Members' Rights of Possession and Use of Property.** So long as no Event of Default shall have occurred and is continuing, each Member shall be suffered and permitted to possess, use and enjoy its Property and appurtenances thereto free of claims of the Master Trustee.

**Section 512. Related Bond Trustee or Bondholders Deemed To Be Obligation Holders.** For the purposes of this Master Indenture, unless a Related Bond Trustee elects to the contrary or contrary provision is made in a Related Bond Indenture and written notice thereof is given to the Master Trustee in either such case, each Related Bond Trustee shall be deemed the holder of the Obligation or Obligations pledged to secure the Related Bonds with respect to which such Related Bond Trustee is acting as trustee. If such a Related Bond Trustee so elects or the Related Bond Indenture so provides and written notice thereof is given to the Master Trustee in either such case, the holders of each series of Related Bonds (or, in lieu thereof, the credit enhancer for such Related Bonds) shall be deemed the holders of the Obligations to the extent of the principal amount of the Obligations to which such Related Bonds relate. Notwithstanding the above, but subject to any limitations set forth in any Related Bond Indenture, the holder of any Related Bonds, or if there is a credit enhancer for any Related Bond, the credit enhancer for any Related Bonds (i.e., a bond insurer or other financial institution providing a bond insurance policy or surety bond, or a bank or other financial institution providing a letter of credit, in any case securing, insuring or guaranteeing all principal of and interest on any Related Bonds) shall be deemed to be the holder of the Obligation securing such Related Bonds for all purposes of the Master Indenture, including without limitation, all approvals, consents and directions under the Master Indenture.

**Section 513. Remedies Subject to Provisions of Law.** All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Article are intended to

be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this instrument or the provisions hereof invalid or unenforceable under the provisions of any applicable law.

**Section 514. Notice of Default.** The Master Trustee shall, within ten (10) days after a responsible officer of the Master Trustee has actual knowledge of the occurrence of an Event of Default, mail, by first class mail, to all holders of the Obligations 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 is known to the Master Trustee to have been cured before the giving of such notice; provided that, except in the case of default in the payment of the principal of or premium, if any, or interest or any other amounts on any of the Obligations and the Events of Default specified in subsections (g), (h) or (i) of Section 501, the Master Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or any responsible officers of the Master Trustee in good faith determines that the withholding of such notice is in the interests of the holders. For purposes hereof, “Responsible Officer” shall mean the officer in the Master Trustee’s Corporate Trust Services department having responsibility for the administration of this Master Indenture.

## ARTICLE VI

### THE MASTER TRUSTEE

**Section 601. Acceptance of the Trusts.** The Master Trustee accepts and agrees to execute the trusts imposed upon it by this Master Indenture, but only upon the terms and conditions set forth herein. The Master Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Master Indenture and to perform such duties as an ordinarily prudent trustee under a corporate indenture, and no implied covenants or obligations should be read into this Master Indenture against the Master Trustee. If an Event of Default under this Master Indenture shall have occurred and be continuing, the Master Trustee shall exercise such of the rights and powers vested in it by this Master Indenture and shall use the same degree of care as a prudent person would exercise or use in the circumstances in the conduct of his or her own affairs. The Master Trustee agrees to perform such trusts only upon and subject to the following express terms and conditions:

(a) The Master Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers, or employees but shall be answerable for the conduct of the same in accordance with the standard specified above, and shall be entitled to advice of counsel concerning all matters of trusts hereof and duties hereunder, and may in all cases pay such reasonable compensation to any attorney, agent, receiver or employee retained or employed by it in connection herewith. The Master Trustee may act upon the opinion or advice of an attorney, surveyor, engineer or accountant selected by it with reasonable care or, if selected or retained by any Member, approved by the Master Trustee with reasonable care.

(b) The Master Trustee shall not be responsible for any recital herein, or in the Obligations (except with respect to the certificate of authentication of the Master Trustee endorsed on the Obligations), or for the investment of moneys as herein provided (provided that no investment shall be made by the Master Trustee except in compliance with the provisions of this Master Indenture applicable to such investment), or for the recording or re-recording, filing or re-filing of this Master Indenture, or any supplement or amendment thereto, or the filing of financing statements to perfect any security interest hereunder (provided that the Master Trustee shall be responsible for filing continuation statements to perpetuate the perfection of any security interest hereunder prior to the expiration of the financing statements originally filed with respect thereto which name the Master Trustee as secured party and filed copies of which were delivered to the Master Trustee), or for the validity of the execution by any Member of this Master Indenture, or by any Member of any supplemental indentures or instruments of further assurance, or for the sufficiency of the security for the Obligations issued hereunder or intended to be secured hereby, or for the value or title of the Property herein conveyed or otherwise as to the maintenance of the security hereof, or for any information contained in any official statement relating to any Related Bonds (except any information provided by the Master Trustee for inclusion in any such official statement). The Master Trustee may (but shall be under no duty to) require of any Member full information and advice as to the performance of the covenants, conditions and agreements in this Master Indenture and shall use its best efforts, but without any obligation, to advise the Members of any impending default known to the Master Trustee. The Master Trustee shall have no obligation to perform any of the duties of the Obligated Group hereunder.

(c) The Master Trustee shall not be accountable for the use or application by the Obligated Group of any of the Obligations or the proceeds thereof or for the use or application of any money paid over by the Master Trustee in accordance with the provisions of this Master Indenture. The Master Trustee may become the owner of Obligations secured hereby with the same rights it would have if it were not Master Trustee, and may enter into other business and financial transactions with any Member.

(d) The Master Trustee shall be protected in acting upon any notice, order, requisition, request, consent, certificate, order, opinion (including an opinion of Counsel), affidavit, letter, telegram, email or other paper or document in good faith reasonably deemed by it to be genuine and correct, and to have been signed or sent by the proper person or persons. Any action taken by the Master Trustee pursuant to this Master Indenture upon the request or authority or consent of any Person who at the time of making such request or giving such authority or consent is the owner of any Obligation shall be conclusive and binding upon all future owners of the same Obligation and upon Obligations issued in exchange therefor or in place thereof.

(e) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Master Trustee shall be entitled to rely upon an Officer's Certificate as sufficient evidence of the facts therein contained and, prior to the occurrence of a default of which the Master Trustee has been notified as provided in subsection (g) of this Section, or of which by said subsection it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed

necessary or advisable, but shall in no case be bound to secure the same. The Master Trustee may accept an Officer's Certificate to the effect that a resolution in the form therein set forth has been adopted by such Member as conclusive evidence that such resolution has been duly adopted, and is in full force and effect.

(f) The permissive right of the Master Trustee to do things enumerated in this Master Indenture shall not be construed as a duty and the Master Trustee shall not be answerable for other than its negligence or willful default.

(g) The Master Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except failure by the Obligated Group to cause to be made any of the payments to the Master Trustee required to be made by Section 202 or Section 401 unless the Master Trustee shall be specifically notified in writing of such default by a Member, by any Related Issuer, by any Related Bond Trustee, or by the holders of at least 25% in aggregate principal amount of all Debt Obligations then outstanding and all notices or other instruments required by this Master Indenture to be delivered to the Master Trustee must, in order to be effective, be delivered at the corporate trust office of the Master Trustee, and in the absence of such notice so delivered, the Master Trustee may conclusively assume there is no default except as aforesaid.

(h) The Master Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(i) Notwithstanding anything contained elsewhere in this Master Indenture, the Master Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Obligation, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Master Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action by the Master Trustee deemed desirable for the purpose of establishing the right of any Member to the authentication of any Obligations, the withdrawal of any cash, the release of any property or the taking of any other action by the Master Trustee.

(j) All moneys received by the Master Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law or by this Master Indenture. The Master Trustee shall not be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(k) No provision of this Master Indenture shall require the Master Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(1) Whether or not therein expressly so provided, every provision of this Master Indenture relating to the conduct or affecting the liability of or affording protection to the Master Trustee shall be subject to the provisions of this Section 601.

**Section 602. Fees, Charges and Expenses of Master Trustee.** The Master Trustee shall be entitled to payment and/or reimbursement by the Members for reasonable fees and for its services rendered hereunder and all advances, counsel fees and expenses and other expenses reasonably and necessarily made or incurred by the Master Trustee in connection with such services. The Master Trustee shall be entitled to payment and reimbursement for the reasonable fees and charges of the Master Trustee as Obligation registrar for the Obligations as hereinabove provided. Upon an Event of Default, but only upon an Event of Default, the Master Trustee shall have a right of payment prior to payment on account of principal of, or premium, if any, or interest on, or any other amounts due under, any Obligation for the foregoing advances, fees, costs and expenses incurred. The respective obligations of the Members under this Section 602 to compensate the Master Trustee to pay or reimburse the Master Trustee for expenses, disbursements or advances, shall survive satisfaction and discharge of this Master Indenture.

**Section 603. Notice to Obligation Holders if Default Occurs.** If a default occurs of which the Master Trustee is by subsection (g) of Section 601 hereof required to take notice or if notice of default be given as in said subsection (g) provided, then the Master Trustee shall give written notice thereof by mail to the last known owners of all Obligations then outstanding shown by the list of Obligation holders required by the terms of this Master Indenture to be kept at the office of the Master Trustee or its agent.

**Section 604. Intervention by Master Trustee.** In any judicial proceeding to which any Member is a party and which in the opinion of the Master Trustee and its counsel has a substantial bearing on the interests of owners of the Obligations, the Master Trustee may intervene on behalf of Obligation holders and shall do so if requested in writing by the owners of at least 25% in aggregate principal amount of all Debt Obligations then outstanding if indemnification satisfactory to the Master Trustee in its sole discretion is provided to the Master Trustee. The rights and obligations of the Master Trustee under this Section 604 are subject to the approval of a court of competent jurisdiction.

**Section 605. Successor Master Trustee.** Any corporation or association into which the Master Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor Master Trustee hereunder and vested with all of the title to the whole property or trust estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

**Section 606. Corporate Master Trustee Required; Eligibility.** There shall at all times be a Master Trustee hereunder which shall be a bank or trust company organized under the laws of the United States of America or any state thereof, authorized to exercise corporate trust powers, subject to supervision or examination by federal or state authorities, and (except for

the Master Trustee initially appointed under this Master Indenture and its successors under Section 605) having a reported combined capital and surplus of at least \$50,000,000. If at any time the Master Trustee shall cease to be eligible in accordance with the provisions of this Section 606, it shall resign immediately in the manner provided in Section 607 hereof. No resignation or removal of the Master Trustee and no appointment of a successor Master Trustee shall become effective until the successor Master Trustee has accepted its appointment under Section 610 hereof.

**Section 607. Resignation by the Master Trustee.** The Master Trustee and any successor Master Trustee may at any time resign from the trusts hereby created by giving thirty days' written notice to the Obligated Group Agent and by registered or certified mail to each registered owner of Obligations then outstanding as shown by the list of Obligation holders required by this Master Indenture to be kept at the office of the Master Trustee or its agent. Such resignation shall take effect at the end of such thirty days or when a successor Master Trustee has been appointed and has assumed the trusts created hereby, whichever is later, or upon the earlier appointment of a successor Master Trustee by the Obligation holders or by the Obligated Group. Such notice to the Obligated Group Agent may be served personally or sent by registered or certified mail.

**Section 608. Removal of the Master Trustee.** The Master Trustee may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Master Trustee and to the Obligated Group Agent, and signed by the owners of a majority in aggregate principal amount of all Debt Obligations then outstanding. So long as no Event of Default or event which with the passage of time or giving of notice or both would become such an Event of Default has occurred and is continuing hereunder, the Master Trustee may be removed with or without cause at any time by an instrument or concurrent instruments in writing signed by the Obligated Group Agent, delivered to the Master Trustee.

**Section 609. Appointment of Successor Master Trustee by the Obligation Holders; Temporary Master Trustee.** In case the Master Trustee hereunder shall resign or be removed, or be dissolved, or shall be in the process of dissolution or liquidation, or otherwise becomes incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the owners of a majority in aggregate principal amount of all Debt Obligations then outstanding, by an instrument or concurrent instruments in writing signed by such owners, or by their attorneys in fact, duly authorized. The foregoing notwithstanding, so long as no Event of Default or event which with the passage of time or giving of notice or both would become such an Event of Default has occurred, the Obligated Group Agent shall have the right to approve any such successor trustee and to appoint any such successor trustee in lieu of the owners of a majority in aggregate principal amount of all Debt Obligations then Outstanding. Every such successor Master Trustee appointed pursuant to the provisions of this Section shall be a trust company or bank in good standing under the law of the jurisdiction in which it was created and by which it exists, having corporate trust powers and subject to examination by federal or state authorities, and having a reported capital and surplus of not less than \$50,000,000. If the Master Trustee has provided written notice of its resignation and no successor Master Trustee has been appointed in accordance with the terms of this Article VI within 30 days after such notice, the Master Trustee may make a request to a court of competent jurisdiction to appoint a successor.

**Section 610. Concerning Any Successor Master Trustee.** Every successor Master Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Obligated Group Agent an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the Obligated Group Agent, or of its successor, execute and deliver an instrument transferring to such successor Master Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Master Trustee shall deliver all securities and moneys held by it as Master Trustee hereunder to its successor. Should any instrument in writing from any Member be required by any successor Master Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by such Member. The resignation of any Master Trustee and the instrument or instruments removing any Master Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article VI shall be filed and/or recorded by the successor Master Trustee in each recording office, if any, where the Master Indenture shall have been filed and/or recorded.

**Section 611. Master Trustee Protected in Relying Upon Resolutions, Etc.** The resolutions, opinions, certificates and other instruments provided for in this Master Indenture may be accepted by the Master Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Master Trustee for the release of property and the withdrawal of cash hereunder.

**Section 612. Successor Master Trustee as Trustee of Funds and Obligation Registrar.** In the event of a change in the office of Master Trustee, the predecessor Master Trustee which has resigned or been removed shall cease to be trustee of any funds provided hereunder and Obligation registrar, and the successor Master Trustee shall become trustee of all funds provided hereunder and Obligation registrar. The resigned or removed Master Trustee shall be responsible for transferring to the successor Master Trustee all books, records and assets (including without limitation the Gross Revenues Account and any balance therein) theretofore maintained by the resigned or removed Master Trustee hereunder.

**Section 613. Maintenance of Records.** The Master Trustee agrees to maintain such records with respect to any and all moneys or investments held by the Master Trustee pursuant to the provisions hereof as are reasonably requested by the Obligated Group Agent. The Master Trustee shall be entitled to reasonable compensation for its maintenance of any such records.

**Section 614. List of Obligation Holders.** The Master Trustee will keep on file at its office or at the office of its agent a list of the names and addresses of the last known holders of all Obligations and the serial numbers of such Obligations held by each of such holders. At reasonable times, upon prior written notice, and under reasonable regulations established by the Master Trustee, said list may be inspected and copied by any Member, any Obligation holder or the authorized representative thereof, provided that the ownership of such holder and the

authority of any such designated representative shall be evidenced to the satisfaction of the Master Trustee.

**Section 615. Master Trustee as Registrar.** The Master Trustee is hereby designated and agrees to act as Obligation registrar for and in respect to the Obligations.

## ARTICLE VII

### SUPPLEMENTAL MASTER INDENTURES

**Section 701. Supplemental Master Indentures Not Requiring Consent of Obligation Holders.** Subject to the limitations set forth in Section 702 hereof with respect to this Section 701, the Members (or the Obligated Group Agent on their behalf) and the Master Trustee may, without the consent of, or notice to, any of the Obligation holders, amend or supplement this Master Indenture, for any one or more of the following purposes:

(a) To cure any ambiguity or defective provision in or omission from this Master Indenture in such manner as is not inconsistent with and does not impair the security of the Master Indenture or adversely affect the holder of any Obligation;

(b) To grant to or confer upon the Master Trustee for the benefit of the Obligation holders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Obligation holders and the Master Trustee, or either of them, to add to the covenants of the Members for the benefit of the Obligation holders or to surrender any right or power conferred hereunder upon any Member, including, but not limited to, any amendments necessary to establish or maintain any credit ratings applicable to the Obligated Group;

(c) To assign and pledge under this Master Indenture any additional revenues, properties or collateral;

(d) To evidence the succession of another entity to the agreements of a Member or the Master Trustee, or the successor to any thereof hereunder;

(e) To permit the qualification of this Master Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar federal statute hereafter in effect or to permit the qualification of any Obligations for sale under the securities laws of any state of the United States;

(f) To provide for the refunding or advance refunding of any Obligation (subject to the provisions of Section 410(b) hereof);

(g) To provide for the issuance of Obligations as permitted hereunder;

(h) To reflect the addition to or withdrawal of a Member from the Obligated Group or the addition or deletion of any Designated Affiliate, including the necessary changes to

Exhibit A and Exhibit B hereto, or Gross Revenues created under this Master Indenture to the extent such release constitutes a Permitted Disposition or a Permitted Release under Article IV of this Master Indenture;

(i) To provide for the issuance of Obligations with original issue discount, provided such issuance would not materially adversely affect the holders of Outstanding Obligations;

(j) To permit an Obligation to be secured by security that is not extended to all Obligation holders to the extent not prohibited hereunder;

(k) To permit the issuance of Obligations which are not in the form of a promissory note;

(l) To modify or eliminate any of the terms of this Master Indenture; provided, however, that such Supplemental Master Indenture shall expressly provide that any such modifications or eliminations shall become effective only when there is no Obligation outstanding of any series created prior to the execution of such Supplemental Master Indenture;

(m) To modify, eliminate or add to the provisions of this Master Indenture if the Master Trustee shall have received (i) written confirmation from each rating agency that such change will not result in a withdrawal or reduction of its credit rating assigned to any series of Obligations or Related Bonds, as the case may be, or a report, opinion or certification of a Consultant to the effect that such change is consistent with then current industry standards, and (ii) an Officer's Certificate to the effect that, in the judgment of the Obligated Group Agent, such change is necessary to permit any Member of the Obligated Group to affiliate or merge with, on acceptable terms, one or more corporations that provide health care services and such modification is in the best interests of the holders of the Outstanding Obligations; and

(n) To make any other change that does not materially adversely affect the rights or interests of the holders of any of the Obligations and does not materially adversely affect the rights or interests of the holders of any Related Bonds, including without limitation any modification, amendment or supplement to this Master Indenture or any indenture supplemental hereto in such a manner as to establish or maintain exemption of interest on any Related Bonds under a Related Bond Indenture from federal income taxation under applicable provisions of the Code.

Any Supplemental Master Indenture providing for the issuance of Obligations shall set forth the date thereof, the date or dates upon which principal of, premium, if any, and interest on, and any other amounts due under, such Obligations shall be payable, the other terms and conditions of such Obligations, the form of such Obligations and the conditions precedent to the delivery of such Obligations which shall include, among other things:

(a) delivery to the Master Trustee of an opinion of Counsel acceptable to the Master Trustee to the effect that all requirements and conditions to the issuance of such Obligations, if any, set forth herein and in the Supplemental Master Indenture have been complied with and satisfied; and

(b) delivery to the Master Trustee of an opinion of Counsel acceptable to the Master Trustee to the effect that neither registration of such Obligations under the Securities Act of 1933, as amended, nor qualification of such Supplemental Master Indenture under the Trust Indenture Act of 1939, as amended, is required, or, if such registration or qualification is required, that the Obligated Group has complied with all applicable provisions of said acts.

If at any time the Obligated Group Agent shall request the Master Trustee to enter into any Supplemental Master Indenture pursuant to subsection (m) above, the Master Trustee shall cause notice of the proposed execution of such Supplemental Master Indenture to be given to each rating agency then maintaining a rating on any Obligations or Related Bonds, in the manner provided in Section 1004 hereof at least 15 days prior to the execution of such Supplemental Master Indenture, which notice shall include a copy of the proposed Supplemental Master Indenture.

**Section 702. Supplemental Master Indentures Requiring Consent of Obligation Holders.** In addition to Supplemental Master Indentures covered by Section 701 hereof and subject to the terms and provisions contained in this Section 702, and not otherwise, the holders of not less than a majority in aggregate principal amount of all Debt Obligations which are outstanding hereunder at the time of the execution of such Supplemental Master Indenture or, in case less than all of the several series of Debt Obligations are affected thereby, the holders of not less than a majority in aggregate principal amount of all Debt Obligations of each series affected thereby which are outstanding hereunder at the time of the execution of such Supplemental Master Indenture, shall have the right, from time to time, anything contained in this Master Indenture to the contrary notwithstanding, to consent to and approve the execution by the Members and the Master Trustee of such Supplemental Master Indentures as shall be deemed necessary and desirable by the Members for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Master Indenture or in any Supplemental Master Indenture; provided, however, that nothing contained in this Section 702 or in Section 701 hereof shall permit, or be construed as permitting, (a) an extension of the stated maturity or reduction in the principal or other amount of or reduction in the rate or extension of the time of paying of interest on or reduction of any premium payable on the redemption of, any Obligation, without the consent of the holder of such Obligation, (b) a reduction in the aforesaid aggregate principal or other amount or percentage of Obligations the holders of which are required to consent to any such Supplemental Master Indenture, without the consent of the holders of all the Obligations at the time outstanding that would be affected by the action to be taken, or (c) modification of the rights, duties or immunities of the Master Trustee, without the written consent of the Master Trustee.

If at any time the Obligated Group Agent shall request the Master Trustee to enter into any such Supplemental Master Indenture for any of the purposes of this Section 702, the Master Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Master Indenture to be mailed by first class mail postage prepaid to each holder of an Obligation or, in case less than all of the series of Obligations are affected thereby, of an Obligation of the series affected thereby. Such notice shall briefly set forth the nature of the proposed Supplemental Master Indenture and shall state that copies thereof are on file at the corporate trust office of the Master Trustee identified in such notice for inspection by all Obligation holders. The Master Trustee shall not, however, be

subject to any liability to any Obligation holder by reason of its failure to mail such notice, and any such failure shall not affect the validity of such Supplemental Master Indenture when consented to and approved as provided in this Section 702. If the holders of not less than a majority in aggregate principal amount of all Debt Obligations or the Debt Obligations of each series affected thereby, as the case may be, which are outstanding hereunder at the time of the execution of any such Supplemental Master Indenture shall have consented to and approved the execution thereof as herein provided, no holder of any Obligation shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Master Trustee or the Members from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Master Indenture as permitted and provided in this Section 702, this Master Indenture shall be and be deemed to be modified and amended in accordance therewith.

For the purpose of obtaining the foregoing consents, the determination of who is deemed the holder of an Obligation held by a Related Bond Trustee shall be made in the manner provided in Section 512.

**Section 703. Amendments and Supplemental Master Indentures Permitting any Member of the Obligated Group to Affiliate with Another Entity or to Become Members of Another Obligated Group.** (a) The Master Indenture, any Supplemental Master Indenture and any Related Supplement may be amended or supplemented as provided in Sections 701 and 702 of the Master Indenture.

(b) In addition, the Obligated Group Agent, on behalf of and in the name of each Member of the Obligated Group, when authorized by resolution or other action of similar formality by the Governing Body of the Obligated Group Agent, and the Master Trustee may, without the consent of or notice to any of the Holders of Related Bonds, enter into one or more supplements or amendments to the Master Indenture, any Supplemental Master Indenture and any Related Supplement to modify, amend, change or remove any covenant, agreement, term or provision of the Master Indenture, any Supplemental Master Indenture and any Related Supplement (other than a modification of the type described in Section 702 of the Master Indenture as requiring the consent of the holders of all Outstanding Obligations) in order to effect (i) the affiliation of the Obligated Group with another entity or entities or the inclusion of any Members of the Obligated Group in another obligated group, and (ii) the replacement of all or a portion of the Obligated Group's financial and operating covenants and related definitions set forth in the Master Indenture with those of the new obligated group set forth in the new master indenture (such transaction is referred to collectively herein as the "Obligated Group Transaction"). The Obligated Group Transaction shall not be implemented unless the Obligated Group shall have received the prior written consent of each credit enhancer, if any, of the Related Bonds.

(c) The Obligated Group may implement the Obligated Group Transaction, and the Master Trustee, upon the request of the Obligated Group Agent, shall implement the Obligated Group Transaction, if each of the following

shall occur: (i) evidence that the outstanding Related Bonds immediately following the implementation of the Obligated Group Transaction described in this Section 703 will have at least one rating from at least one nationally recognized rating agency at least equivalent to the lowest rating in effect on such Related Bonds immediately prior to the implementation of the Obligated Group Transaction (for purposes of this paragraph (c) instances where the rating category level remains unchanged but the rating modifier (such as “+” or “-”) is decreased as a result of the implementation of the Obligated Group Transaction shall constitute a rating decrease, but a rating decrease shall not include instances where the outlook alone is decreased); provided, however, if any Related Bonds then Outstanding do not have current ratings prior to the implementation of the Obligated Group Transaction, each rating agency rating any Related Bonds then Outstanding subsequent to the implementation of the Obligated Group Transaction shall confirm a rating in the category of at least “Baa”, “BBB” or equivalent rating (without regard to any gradation of such rating category by a numeric or symbolic modifier); (ii) the Obligated Group, upon a person becoming a member of the Obligated Group pursuant to Section 403 hereof, is permitted to incur \$1.00 of Additional Indebtedness pursuant to this Master Indenture; (iii) the Obligated Group shall demonstrate that, upon implementation of the Obligated Group Transaction, the Long-Term Debt Service Coverage Ratio, assuming that the Obligated Group Transaction had been implemented at the beginning of the Historic Test Period, is not less than 1.10 to 1.00; and (iv) the Hospital shall be a member of the new Obligated Group following the implementation of the Obligated Group Transaction.

(d) The modifications, amendments, changes and removals permitted by this Section shall include, but shall not be limited to, those necessary or appropriate to implement the Obligated Group Transaction and to effect (i) the inclusion of the members of the Obligated Group in the new obligated group, or (ii) the replacement of all or a portion of the Obligated Group’s financial and operating covenants and related definitions set forth in the Master Indenture with the new obligated group’s financial and operating covenants and related definitions set forth in the new master indenture. The release or discharge of any collateral (other than any Obligation issued hereunder) securing any Related Bonds is specifically not permitted by this subsection but shall be governed by Article IV of the Master Indenture.

(e) If all amounts due or to become due on any Related Bonds have not been fully paid to the holder thereof, at or prior to the implementation of the Obligated Group Transaction there shall also be delivered to the Master Trustee, the Related Issuer and the Related Bond Trustee, (i) an opinion of bond counsel to the effect that under then existing law the implementation of the Obligated Group Transaction and the execution of the amendments or supplements contemplated in this Section, in and of themselves, would not adversely affect the validity of such Related Bonds or the exclusion from federal income taxation of interest payable on such Related Bonds and, (ii) an opinion of counsel to the new obligated group to the effect that (1) the note or notes of the new obligated group to be delivered

to secure the Related Bonds constitute legal, valid and binding obligations of the members of the new obligated group enforceable in accordance with their terms, except to the extent that the enforceability of such note or notes may be limited by any applicable bankruptcy, insolvency, liquidation, rehabilitation or other similar laws or enactment affecting the enforcement of creditors' rights, and (2) the issuance of the note or notes will not cause the Related Bonds or such note or notes to become subject to the registration requirements pursuant to the Securities Act of 1933, as amended, or, if such registration is required, that all applicable registration provisions of said Act have been complied with as of the effective date of the Obligated Group Transaction.

(f) In addition, upon the implementation of the Obligated Group Transaction, the Obligated Group Agent shall direct each Related Bond Trustee to give written notice thereof, by first-class mail, to each Related Bond Issuer and to all holders of the Related Bonds then Outstanding.

**Section 704. Execution of Supplemental Master Indentures.** The Master Trustee shall not be required to execute any proposed Supplemental Master Indenture pursuant to this Article VII unless it is provided with (i) an opinion of Counsel satisfactory to the Master Trustee to the effect that such proposed Supplemental Master Indenture and its execution by the Master Trustee are permitted or authorized under this Article VII; and (ii) an opinion of nationally recognized bond counsel to the effect that such Supplemental Master Indenture will not adversely affect the exemption of interest on any Related Bonds from income tax under the Code.

## ARTICLE VIII

### SATISFACTION OF THE MASTER INDENTURE

**Section 801. Defeasance.** If the Members shall pay or provide for the payment of the entire indebtedness on all Obligations (including, for the purposes of this Section 801, any Obligations owned by a Member) outstanding in any one or more of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on, and any other amounts due under, all Obligations outstanding, as and when the same become due and payable;

(b) by depositing with the Master Trustee, in trust, at or before maturity, moneys in an amount sufficient to pay or redeem (when redeemable) all Obligations outstanding (including the payment of premium, if any, and interest payable on, and any other amounts due under, such Obligations to the maturity or redemption date thereof), provided that such moneys, if invested, shall be invested at the direction of the Obligated Group Agent in Escrow Securities, in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations outstanding at or before their respective maturity dates; it being understood that the investment income on

such Escrow Securities may be used at the direction of the Obligated Group Agent for any other purpose permitted by law;

(c) by delivering to the Master Trustee, for cancellation by it, all Obligations outstanding; or

(d) by depositing with the Master Trustee, in trust, before maturity, non-callable Escrow Securities in such amount as will, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, be fully sufficient to pay or redeem (when redeemable) and discharge the amounts due on all Obligations outstanding at or before their respective maturity or due dates;

and if the Obligated Group shall also pay or cause to be paid all other sums payable hereunder by the Obligated Group and, if any such Obligations are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given in accordance with the requirements of this Master Indenture or provisions satisfactory to the Master Trustee shall have been made for the giving of such notice, then and in that case (but subject to the provisions of Section 803 hereof) this Master Indenture and the estate and rights granted hereunder shall cease, determine, and become null and void, and thereupon the Master Trustee shall, upon written request of the Obligated Group Agent, and upon receipt by the Master Trustee of an Officer's Certificate and an opinion of Counsel acceptable to the Master Trustee, each stating that in the opinion of the signer all conditions precedent to the satisfaction and discharge of this Master Indenture have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging this Master Indenture and the lien hereof. The satisfaction and discharge of this Master Indenture shall be without prejudice to the rights of the Master Trustee to charge and be reimbursed by the Obligated Group for any expenditures which it may thereafter incur in connection herewith. Thereafter the holders of the Obligations shall be entitled to payment only out of the moneys or Escrow Securities deposited with the Master Trustee as aforesaid.

Any moneys, funds, securities, or other property remaining on deposit under this Master Indenture (other than said Escrow Securities or other moneys deposited in trust as above provided) shall, upon the full satisfaction of this Master Indenture, forthwith be transferred, paid over and distributed to the Obligated Group Agent.

The Obligated Group may at any time surrender to the Master Trustee for cancellation by it any Obligations previously authenticated and delivered which the Obligated Group may have acquired in any manner whatsoever, and such Obligations, upon such surrender and cancellation, shall be deemed to be paid and retired.

**Section 802. Provision for Payment of a Particular Series of Obligations or Portion Thereof.** If the Obligated Group shall pay or provide for the payment of the entire indebtedness on all Obligations of a particular series or a portion of such a series (including, for the purpose of this Section 802, any such Obligations owned by a Member) in one of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on, and any other amounts due under, all Obligations of such series or portion thereof outstanding, as and when the same shall become due and payable;

(b) by depositing with the Master Trustee, in trust, at or before maturity, moneys in an amount sufficient to pay or redeem (when redeemable) all Obligations of such series or portion thereof outstanding (including the payment of premium, if any, and interest payable on, and any other amounts due under, such Obligations to the maturity or redemption date), provided that such moneys, if invested, shall be invested at the direction of the Obligated Group Agent in Escrow Securities in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations of such series or portion thereof outstanding at or before their respective maturity dates; it being understood that the investment income on such Escrow Securities may be used at the direction of the Obligated Group Agent for any other purpose permitted by law;

(c) by delivering to the Master Trustee, for cancellation by it, all Obligations of such series or portion thereof outstanding; or

(d) by depositing with the Master Trustee, in trust, non-callable Escrow Securities in such amount as will, together with the income or increment to accrue thereon without consideration of any reinvestment thereof, be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations of such series or portion thereof at or before their respective maturity dates;

and if the Obligated Group shall also pay or cause to be paid all other sums payable hereunder by the Obligated Group with respect to such series of Obligations or portion thereof, and, if any such Obligations of such series or portion thereof are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given in accordance with the requirements of the Master Indenture or provisions satisfactory to the Master Trustee shall have been made for the giving of such notice, then in that case (but subject to the provisions of Section 803 hereof) such Obligations shall cease to be entitled to any lien, benefit or security under the Master Indenture except for such Liens solely on amounts held by the Master Trustee for the payment or redemption of such Obligations as may then exist.

**Section 803. Satisfaction of Related Bonds.** The provisions of Section 801 and Section 802 of this Master Indenture notwithstanding, any Obligation which secures Related Bonds (i) shall be deemed paid and shall cease to be entitled to the lien, benefit and security under the Master Indenture in the circumstances relating to the satisfaction, repayment or defeasance of such Related Bonds described in the definition of “Outstanding” contained in Article I; and (ii) shall not be deemed paid and shall continue to be entitled to the lien, benefit and security under this Master Indenture unless and until such Related Bond shall cease to be entitled to any lien, benefit or security under the Related Bond Indenture pursuant to the provisions thereof.

## ARTICLE IX

### MANNER OF EVIDENCING OWNERSHIP OF OBLIGATIONS

**Section 901. Proof of Ownership.** Any request, direction, consent or other instrument provided by this Master Indenture to be signed and executed by the Obligation holders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Obligation holders in person or by an agent appointed in writing. Proof of the execution of any such request, consent, direction or other instrument or of the writing appointing any such agent and of the ownership of Obligations, if made in the following manner, shall be sufficient for any of the purposes of this Master Indenture and shall be conclusive in favor of the Master Trustee and the Obligated Group, with regard to any action taken by them, or either of them, under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgements in such jurisdiction, that the person signing such writing acknowledged before him the execution thereof, or by the affidavit of a witness of such execution; and

(b) The ownership of Obligations shall be proved by the registration of such Obligations.

Any action taken or suffered by the Master Trustee pursuant to any provision of this Master Indenture, upon the request or with the assent of any person who at the time is the holder of any Obligation or Obligations, shall be conclusive and binding upon all future holders of the same Obligation or Obligations or any Obligation or Obligations issued in exchange therefor.

## ARTICLE X

### MISCELLANEOUS

**Section 1001. Limitation of Rights.** With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Master Indenture or the Obligations is intended or shall be construed to give to any Person other than the parties hereto, and the holders of the Obligations, any legal or equitable right, remedy or claim under or in respect to this Master Indenture or any covenants, conditions and provisions herein contained; this Master Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the holders of the Obligations as herein provided.

**Section 1002. Unclaimed Moneys.** Any moneys deposited with the Master Trustee by the Obligated Group in accordance with the terms and covenants of this Master Indenture, in order to redeem or pay any Obligation in accordance with the provisions of this Master Indenture, and remaining unclaimed by the owners of the Obligation for six years after the date fixed for redemption or of maturity, as the case may be, shall, if the Obligated Group is not at the time to the knowledge of the Master Trustee in default with respect to any of the terms

and conditions of this Master Indenture, or in the Obligations, be repaid by the Master Trustee to the Obligated Group Agent upon its written request therefor on behalf of the Members; and thereafter the registered owners of the Obligation shall be entitled to look only to the Obligated Group for payment thereof. The Obligated Group hereby covenants and agrees to indemnify and save the Master Trustee harmless from any and all losses, costs, liability and expense suffered or incurred by the Master Trustee by reason of having returned any such moneys to the Members as herein provided. The foregoing indemnification shall survive the termination of this Master Indenture.

**Section 1003. Severability.** If any provision of this Master Indenture shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or Sections in this Master Indenture contained, shall not affect the remaining portions of this Master Indenture, or any part thereof.

**Section 1004. Notices.** It shall be sufficient service of any notice, complaint, demand or other paper on the Obligated Group Agent or any other Member if the same shall be delivered in person, by overnight courier, or duly mailed by registered or certified mail addressed as follows: Concord Hospital, Inc. 250 Pleasant Street, Concord, New Hampshire 03301, Attention: Chief Financial Officer. It shall be sufficient service of any notice, complaint, demand or other paper on the Master Trustee if the same shall be delivered in person, by overnight courier, or duly mailed by registered or certified mail addressed as follows: U.S. Bank National Association, One Federal Street, Boston, Massachusetts 02110. Attention: Global Corporate Trust Services; or to such other address as the Master Trustee may designate by written notice.

**Section 1005. Counterparts.** This Master Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 1006. Applicable Law.** This Master Indenture shall be governed exclusively by the applicable laws of the State of New Hampshire.

**Section 1007. Immunity of Officers, Employees and Members.** No recourse shall be had for the payment of any amounts due under any of the Obligations or for any claim based thereon or upon any obligation, covenant or agreement contained in this Master Indenture against any past, present or future officer, director, trustee, employee, member or agent of any Member, or of any successor corporation or other legal entity, as such, either directly or through any Member or any successor corporation or other legal entity, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all

such liability of any such officers, directors, trustees, employees, members or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of this Master Indenture and the issuance of such Obligations.

**Section 1008. Holidays.** If the date for making any payment or the date for performance of any act or the exercising of any right, as provided in this Master Indenture, is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Master Indenture.

**Section 1009. Electronic Communications.** The Master Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Master Indenture and delivered using Electronic Means; provided, however, that the Obligated Group Agent shall provide to the Master Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Obligated Group Agent whenever a person is to be added or deleted from the listing. If the Obligated Group elects to give the Master Trustee Instructions using Electronic Means and the Master Trustee in its discretion elects to act upon such Instructions, the Master Trustee’s understanding of such Instructions shall be deemed controlling. The Obligated Group understands and agrees that the Master Trustee cannot determine the identity of the actual sender of such Instructions and that the Master Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Master Trustee have been sent by such Authorized Officer. The Obligated Group shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Master Trustee and that the Obligated Group and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Obligated Group. The Master Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Master Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Obligated Group agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Master Trustee, including without limitation the risk of the Master Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Master Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Obligated Group; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Master Trustee immediately upon learning of any compromise or unauthorized use of the security procedures. For purposes of this Section, “Electronic Means” means the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Master Trustee, or another method or system specified by the Master Trustee as available for use in connection with its services hereunder.

**IN WITNESS WHEREOF**, the initial Members of the Obligated Group have caused these presents to be signed in their name and on their behalf by their duly authorized officers, and to evidence its acceptance of the trusts hereby created the Master Trustee has caused these presents to be signed in its name and on its behalf by its duly authorized officer, all as of the day and year first above written.

**CONCORD HOSPITAL, INC.**, on behalf of  
itself and as Obligated Group Agent

By: \_\_\_\_\_  
Name:  
Title: Senior Vice President and Chief  
Financial Officer

**CONCORD HOSPITAL TRUST**

By: \_\_\_\_\_  
Name:  
Title: Senior Vice President and Chief  
Financial Officer

**U.S. BANK NATIONAL ASSOCIATION,  
as Master Trustee**

By: \_\_\_\_\_  
Name: Susan K. Freedman  
Title: Vice President

**EXHIBIT A**

**LIST OF MEMBERS OF  
THE OBLIGATED GROUP**

**AS OF DECEMBER 21, 2017**

CONCORD HOSPITAL, INC.

CONCORD HOSPITAL TRUST

**EXHIBIT B**

**LIST OF DESIGNATED AFFILIATES**

**AS OF DECEMBER 21, 2017**

NONE

**EXHIBIT C**

**PRE-EXISTING LIENS**

**AS OF DECEMBER 21, 2017**

**(THIS PAGE LEFT BLANK INTENTIONALLY)**

**APPENDIX D**  
**FORM OF BOND COUNSEL'S OPINION**

**(THIS PAGE LEFT BLANK INTENTIONALLY)**

7 WORLD TRADE CENTER  
250 GREENWICH STREET  
NEW YORK, NY 10007  
WWW.HAWKINS.COM

Form of Approving Opinion of Hawkins Delafield & Wood LLP

December 21, 2017

New Hampshire Health and Education Facilities Authority  
54 South State Street  
Concord, New Hampshire 03301

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$\_\_\_\_\_ Revenue Bonds, Concord Hospital Issue, Series 2017 (the “Bonds”) of the New Hampshire Health and Education Facilities Authority (the “Authority”), a public body corporate and agency of the State of New Hampshire.

The Bonds are issued under and pursuant to the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated, as amended (the “Act”), and under and pursuant to a bond resolution of the Authority adopted on July 20, 2017 (the “Bond Resolution”) and a Bond Indenture, dated as of December 1, 2017 (the “Bond Indenture”), by and between the Authority and U.S. Bank National Association, as bond trustee (the “Bond Trustee”).

The Bonds are dated their date of issuance and bear interest from their date, payable on each October 1 and April 1, commencing April 1, 2018, at the rates per annum and mature on October 1 in the years and in the principal amounts as follows:

<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
	\$	%		\$	%

The Bonds are subject to redemption prior to maturity upon the terms and conditions provided therein and in the Bond Indenture. The Bonds are in the form of fully-registered bonds in the denomination of \$5,000 and integral multiples thereof and are numbered separately from R-1 upward in order of issuance.

We have also examined an executed copy of the Loan Agreement and Mortgage, between the Authority and Concord Hospital, Inc. (the “Institution”), dated as of December 1, 2017 (the “Agreement”). Pursuant to the Agreement, in order to secure the financing of certain hospital facilities of the Institution, the Institution has agreed, among other things, to make payments to the Authority in amounts and at the times stated therein which will be applied to pay the principal of, redemption premium, if any, and interest on the Bonds when due.

We are of the opinion that:

(1) The Authority is duly created and validly existing under the provisions of the Act and has good right and lawful authority to utilize proceeds of the Bonds to assist the Institution in the financing of the Project (as defined in the Agreement), and to establish and maintain payments, fees or charges in respect thereof and collect revenues therefrom and to perform all obligations of the Authority under the Bond Resolution and the Bond Indenture in those respects.

(2) The Authority has the right and power under the Act to adopt the Bond Resolution, and the Bond Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms, and no other authorization for the Bond Resolution is required. The Bond Indenture creates the valid pledge which it purports to create of the Pledged Revenues (as defined in the Agreement) and all income and receipts earned on funds held or set aside under the Bond Indenture, subject only to the application thereof to the purposes and on the conditions permitted by the Bond Indenture.

(3) The Authority is duly authorized and entitled to issue the Bonds and the same have been duly and validly authorized and issued by the Authority in accordance with the Constitution and statutes of the State of New Hampshire, including the Act, the Bond Resolution and the Bond Indenture, and constitute valid, binding, special obligations of the Authority, enforceable in accordance with their terms and the terms of the Bond Resolution and the Bond Indenture and are entitled to the benefits of the Act, the Bond Resolution and the Bond Indenture.

(4) The Agreement has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the Institution, constitutes a valid and legally binding agreement by and between the parties thereto, enforceable in accordance with its terms.

(5) The Bond Indenture has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the Bond Trustee, constitutes a valid and legally binding agreement by and between the parties thereto, enforceable in accordance with its terms.

(6) Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that, for Federal income tax purposes, interest on the Bonds be not included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of Bond proceeds, restrictions on the investment of Bond proceeds prior to expenditure and the requirement that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to Federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Bonds, the Authority and the Institution will execute a Tax Regulatory Agreement (the "Tax Regulatory Agreement") relating to the Bonds, containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Regulatory Agreement, the Authority and the Institution covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds will, for Federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph 6 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Regulatory Agreement with respect to matters affecting the status of interest paid on the Bonds,

and (ii) compliance by the Institution with the procedures and covenants set forth in the Tax Regulatory Agreement as to such tax matters.

(7) Under existing statutes, the Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, will be exempt from taxes directly imposed thereon by The State of New Hampshire and the municipalities and other political subdivisions of The State of New Hampshire.

Except as stated in paragraphs 6 and 7 above, we express no opinion as to any other Federal, state or local tax consequences arising with respect to the Bonds or the ownership or disposition thereof. In addition, we express no opinion as to any transaction that is not expressly referenced in this opinion or the effect of any such transaction on the exclusion of interest on the Bonds from gross income for Federal income tax purposes. We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, for any facts or circumstances or for any other reason. We express no opinion as to the consequence of any change in law or interpretation thereof, or otherwise, that may hereafter be enacted, arise or occur, and we note that such changes may take place or be proposed from time to time. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

In rendering our opinion, we have relied on the opinion of Wadleigh, Starr & Peters, P.L.L.C., counsel to the Institution and the Obligated Group (as defined in the Master Indenture), regarding, among other matters, the current qualification of the Institution as an organization described in Section 501(c)(3) of the Code. We note that the opinion of counsel to the Institution is subject to a number of qualifications and limitations. The Institution has covenanted that it will not do anything to impair its status as a tax-exempt organization, and that it will comply with the requirements of the Code and any applicable regulations throughout the term of the Bonds. Failure of the Institution to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of the Institution's status as an organization described in Section 501(c)(3) of the Code or to use the assets being financed with the proceeds of the Bonds in activities of the Institution that do not constitute unrelated trades or businesses within the meaning of Section 513 of the Code may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds.

The foregoing opinions are qualified only to the extent that the enforceability of the Bonds, the Bond Resolution, the Bond Indenture, the Tax Regulatory Agreement and the Agreement may be limited by bankruptcy, insolvency, and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We have examined an executed Bond, and in our opinion the form of said Bond and its execution are regular and proper.

Very truly yours,

**(THIS PAGE LEFT BLANK INTENTIONALLY)**

**APPENDIX E**

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

**(THIS PAGE LEFT BLANK INTENTIONALLY)**

## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of December \_\_, 2017 (this “Disclosure Agreement”), is executed and delivered by Concord Hospital, Inc. (the “Institution”) and U.S. Bank National Association, as trustee (the “Trustee”) in connection with the issuance of the \$\_\_\_\_\_ New Hampshire Health and Education Facilities Authority Revenue Bonds, Concord Hospital Issue, Series 2017 (the “Bonds”). The Bonds are being issued pursuant to a Bond Indenture dated as of December 1, 2017 between the New Hampshire Health and Education Facilities Authority (the “Authority”) and the Trustee (the “Indenture”), and the proceeds of the Bonds are being loaned by the Authority to the Institution pursuant to a Loan Agreement and Mortgage dated as of December 1, 2017 between the Authority and the Institution (“Loan Agreement”). The Institution and the Trustee covenant and agree as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Institution and the Trustee for the benefit of the Bondholders and in order to assist the Underwriter (defined below) in complying with the Rule (defined below). The Institution and the Trustee acknowledge that the Authority has undertaken no responsibility with respect to any reports, notices or disclosures, provided or required, under this Disclosure Agreement, and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures. The Trustee, except as provided in Section 3, has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and shall have no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures except for its negligent failure to comply with its obligations under Section 3.

**SECTION 2. Definitions.** In addition to the definitions set forth in the Loan Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Agreement, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Institution pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Bondholder” shall mean the registered owner of a Bond and any beneficial owner thereof, as established to the reasonable satisfaction of the Trustee or Institution.

“Dissemination Agent” shall mean any Dissemination Agent or successor Dissemination Agent designated in writing by the Institution and which has filed with the Institution, the Trustee and the Authority a written acceptance of such designation. The same entity may serve as both Trustee and Dissemination Agent. In the absence of a third-party Dissemination Agent, the Institution shall serve as the Dissemination Agent. Initially, the Trustee shall serve as the Dissemination Agent, and the Institution hereby so designates the Trustee and the Trustee hereby accepts such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB as contemplated by this Disclosure Agreement. Filing information relating to the MSRB is set forth in Exhibit C hereto.

“Quarterly Report” shall mean any Quarterly Report provided by the Institution pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

SECTION 3. Provision of Reports.

(a) The Dissemination Agent, not later than 150 days after the end of each fiscal year, commencing with the fiscal year ending September 30, 2017 (the “Annual Report Filing Deadline”), shall submit to the MSRB the Institution’s Annual Report as provided to the Dissemination Agent by the Institution, which Annual Report the Institution agrees shall be consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) days prior to said date, the Institution (if it is not the Dissemination Agent) shall provide the Annual Report to the Dissemination Agent. If the audited financial statements of the Institution are not available for inclusion in the Institution’s Annual Report as of such fifteenth day prior to the Annual Report Filing Deadline, the Institution may instead provide unaudited financial statements to the Dissemination Agent, who shall in turn submit the Institution’s Annual Report containing the unaudited financial statements; provided, however, that the Institution shall provide the audited financial statements to the Dissemination Agent and the Trustee as soon as practicable after they become available and the Dissemination Agent shall submit the audited financial statements to the MSRB as soon as practicable thereafter. The Institution shall provide a copy of the Annual Report to the Authority and the Trustee.

(b) The Dissemination Agent, not later than 60 days after the end of each fiscal quarter, commencing with the fiscal quarter ending December 31, 2017 (the “Quarterly Report Filing Deadline”) shall submit to the MSRB the Institution’s Quarterly Report as provided to the Dissemination Agent by the Institution, which Quarterly Report the Institution agrees shall be consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) days prior to said date, the Institution (if it is not the Dissemination Agent) shall provide the Quarterly Report to the Dissemination Agent.

(c) In each case, the Annual Report and the Quarterly Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided, in each case, that the Institution shall provide clear written instructions to the Dissemination Agent as to the complete list of documents comprising each Annual Report and Quarterly Report.

(d) The Dissemination Agent shall file a report with the Institution, the Authority and the Trustee (if the Trustee is not then acting as Dissemination Agent) certifying that the Annual Report and Quarterly Report, as applicable, have been provided pursuant to this Disclosure Agreement and stating the date it was provided in substantially the form attached as Exhibit A (the “Compliance Certificate”); such report shall include a certification from the Institution that the Annual Report and Quarterly Report, as applicable, complies with the requirements of this Disclosure Agreement.

(e) If the Trustee has not received a Compliance Certificate by the Annual Report Filing Deadline or the Quarterly Report Filing Deadline, as applicable, the Trustee shall send, and the Institution hereby authorizes and directs the Trustee to submit on its behalf, a notice to the MSRB in substantially the form attached as Exhibit B.

(f) If the Dissemination Agent has not provided the Annual Report or the Quarterly Report to the MSRB by the Annual Report Filing Deadline or the Quarterly Report Filing Deadline, as applicable, the Institution shall send, or cause the Dissemination Agent to send, a notice substantially in the form of Exhibit B irrespective of whether the Trustee submits such written notice.

SECTION 4. Content of Reports.

(a) The Institution's Annual Report shall contain or incorporate by reference audited financial statements for the most recent fiscal year, and financial information and operating data, in the manner as it appears in Appendix A to the Official Statement for the Bonds (including historical data) in the tables under the captions set forth below:

- (1) Utilization; and
- (2) The following sub-captions under Financial Information:
  - (i) Investments – “Concord Hospital and Trust (Obligated Group) Market Value of Cash and Investments”;
  - (ii) Liquidity – “Concord Hospital, Inc. and Subsidiaries Summary Liquidity”;
  - (iii) Outstanding Debt;
  - (iv) Total Debt to Capitalization – “Concord Hospital and Trust (obligated Group) Debt to Capitalization”; and
  - (v) Sources of Revenue – “Gross Hospital Revenue by Payor Source.”

(b) The Institution's Quarterly Report shall contain or incorporate by reference financial information and operating data as it appears in Appendix A to the Official Statement for the Bonds in the tables under the captions set forth below as set forth below:

- (1) Utilization;
- (2) Liquidity – “Concord Hospital, Inc. and Subsidiaries Summary Liquidity”; and
- (3) Changes to the Outstanding Debt table.

The Institution's Quarterly Report shall also contain or incorporate by reference management-prepared quarterly financial statements, including a statement of revenues and expenses (including a comparison to budgeted revenues and expenses) and a statement of cash flows during that period, and a balance sheet as of the end of that period.

The financial statements and information provided pursuant to Sections 3 and 4(a) of this Disclosure Agreement shall be prepared in conformity with generally accepted accounting principles, as in effect from time to time. The Quarterly Report provided pursuant to Section 4(b) of this Disclosure Agreement shall be prepared by the management of the Institution. Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with

respect to which the Institution is an “obligated person” covered by the Rule, which (i) are available to the public on the MSRB Internet website or (ii) have been filed with the Securities and Exchange Commission. The Institution shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of Bondholders, if material;
- (8) Bond calls, if material (the giving of notice of regularly scheduled mandatory sinking fund redemption shall not be deemed material for this purpose);
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Tender offers;
- (13) Bankruptcy, insolvency, receivership or similar event with respect to an obligated person;

Note to clause (13): For the purposes of the event identified in clause (13) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Institution in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Institution, or such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or

governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Institution.

(14) The consummation of a merger, consolidation, acquisition or sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into an agreement to take such an action or termination of an agreement to undertake any such action, other than pursuant to its terms, if material; and

(15) Appointment of a successor or an additional trustee or change in the name of a trustee, if material.

(b) Upon the occurrence of a Listed Event, the Institution shall, in a timely manner not to exceed ten (10) business days, direct the Dissemination Agent to file a notice of such occurrence with the MSRB. The Institution shall provide a copy of each such notice to the Authority and the Trustee. The Dissemination Agent, if other than the Institution, shall have no duty to file a notice of an event described hereunder unless it is directed in writing to do so by the Institution, and shall have no responsibility for verifying any of the information in any such notice or determining the materiality of the event described in such notice.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Institution's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or upon delivery to the Trustee of an opinion of counsel expert in federal securities laws selected by the Institution and acceptable to the Trustee to the effect that compliance with this Disclosure Agreement no longer is required by the Rule. If the Institution's obligations under the Loan Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Institution and the original Institution shall have no further responsibility hereunder.

SECTION 8. Dissemination Agent. The Institution may, from time to time with notice to the Trustee and the Authority, appoint or engage a third-party Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may, with notice to the Trustee and the Authority, discharge any such third-party Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the Institution) may resign upon thirty (30) days written notice to the Institution, the Trustee and the Authority.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Institution and the Trustee may amend this Disclosure Agreement (and, except as provided in the last sentence of this Section 9, the Trustee shall agree to any amendment so requested by the Institution) and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Institution and the Trustee to the effect that such amendment or waiver would not, in and of itself, violate the Rule. Without limiting the foregoing, the Institution and the Trustee may amend this Disclosure Agreement if (a) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Institution or of the type of business conducted by the Institution, (b) this Disclosure Agreement,

as so amended, would have complied with the requirements of the Rule at the time the Bonds were issued, taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (c) such amendment is necessary to conform to this Disclosure Agreement to a supplement or amendment to the Master Indenture or a Supplemental Master Indenture, provided that, in accordance with Section 7.03 of the Master Indenture, such an amendment would become effective without the consent of or notice to the Bondholders; and (d) (i) the Trustee determines, or the Trustee receives an opinion of counsel expert in federal securities laws and acceptable to the Trustee to the effect that, the amendment does not materially impair the interests of the Bondholders or (ii) the amendment is consented to by the Bondholders as though it were an amendment to the Loan Agreement pursuant to Section 7.1 of the Loan Agreement. The annual and quarterly financial information containing the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. Neither the Trustee nor the Dissemination Agent shall be required to accept or acknowledge any amendment of this Disclosure Agreement if the amendment adversely affects its respective rights or immunities or increases its respective duties hereunder.

**SECTION 10. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the Institution from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or Quarterly Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Institution chooses to include any information in any Annual Report or Quarterly Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Institution shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or Quarterly Report or notice of occurrence of a Listed Event.

**SECTION 11. Default.** In the event of a failure of the Institution or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of registered owners representing at least 25% in aggregate principal amount of Outstanding Bonds, shall), take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Institution or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. Without regard to the foregoing, any Bondholder may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Institution or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Loan Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Institution or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

**SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent.** As to the Trustee, Section 8.2 of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent (if other than the Institution) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Institution agrees to indemnify and save the Dissemination Agent (if other than the Institution), its officers, directors, employees and agents, harmless against any loss, expense and liability which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of enforcing the terms of this Disclosure Agreement against the Institution or of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Institution under this Section shall survive resignation or removal of the Dissemination Agent and

payment of the Bonds. The Institution covenants that whenever it is serving as Dissemination Agent, it shall take any action required of the Dissemination Agent under this Disclosure Agreement.

The Trustee shall have no obligation under this Disclosure Agreement to report any information to the MSRB or to any Bondholder. If an officer of the Trustee obtains actual knowledge of the occurrence of an event described in Section 5 hereunder, whether or not such event is material, the Trustee shall timely notify the Institution of such occurrence; provided, however, that any failure by the Trustee to give such notice to the Institution shall not affect the Institution's obligations under this Disclosure Agreement or give rise to any liability by the Trustee for such failure.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Institution, the Trustee, the Dissemination Agent, the Underwriter and the Bondholders, and shall create no rights in any other person or entity.

SECTION 14. Disclaimer. No Annual Report or Quarterly Report or notice of a Listed Event filed by or on behalf of the Institution under this Disclosure Agreement shall obligate the Institution to file any information regarding matters other than those specifically described in Section 4 and Section 5 hereof, nor shall any such filing constitute a representation by the Institution or raise any inference that no other material events have occurred with respect to the Institution or the Bonds or that all material information regarding the Institution or the Bonds has been disclosed. The Institution shall have no obligation under this Disclosure Agreement to update information provided pursuant to this Disclosure Agreement except as specifically stated herein.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date set forth above.

CONCORD HOSPITAL, INC.

By: \_\_\_\_\_  
\_\_\_\_\_, Authorized Officer

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: \_\_\_\_\_  
\_\_\_\_\_, Authorized Officer

**EXHIBIT A**

**FORM OF COMPLIANCE CERTIFICATE**

\_\_\_\_\_, 20\_\_

\$ \_\_\_\_\_

**NEW HAMPSHIRE HEALTH AND EDUCATION FACILITIES AUTHORITY  
REVENUE BONDS  
CONCORD HOSPITAL ISSUE  
SERIES 2017**

Concord Hospital, Inc.  
250 Pleasant Street  
Concord, New Hampshire 03301  
Attention: Chief Financial Officer

New Hampshire Health and Education Facilities Authority  
54 South State Street  
Concord, New Hampshire 03301  
Attention: Secretary

[U.S. Bank National Association  
One Federal Street, 10th Floor  
Boston, Massachusetts 02110  
Attention: Corporate Trust Services]

Re: Compliance Certificate for \_\_\_\_\_ [Annual] [Quarterly] Report

Ladies and Gentlemen:

The undersigned, in its capacity as Dissemination Agent under the Continuing Disclosure Agreement (as defined herein), does hereby certify that Concord Hospital, Inc. (the "Institution") has provided [an Annual Report] [a Quarterly Report] to the Dissemination Agent on \_\_\_\_\_ with respect to the above-named Bonds pursuant to the Continuing Disclosure Agreement dated December \_\_, 2017 between the Institution and U.S. Bank National Association, as trustee (the "Continuing Disclosure Agreement"). Further, the undersigned hereby certifies that the Institution, in connection with the provision of the [Annual] [Quarterly] Report, has provided the compliance certificate attached hereto as Exhibit A.

Dated:

[DISSEMINATION AGENT], as Dissemination Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Exhibit A to Compliance Certificate

\_\_\_\_\_, 20\_\_

\$ \_\_\_\_\_  
NEW HAMPSHIRE HEALTH AND EDUCATION FACILITIES AUTHORITY  
REVENUE BONDS  
CONCORD HOSPITAL ISSUE  
SERIES 2017

[Dissemination Agent]

\_\_\_\_\_

\_\_\_\_\_

Attention: \_\_\_\_\_

Re: Compliance Certificate for \_\_\_\_\_ [Annual] {Quarterly} Report

Ladies and Gentlemen:

Pursuant to that certain Continuing Disclosure Agreement dated December \_\_, 2017, between Concord Hospital, Inc. (the "Institution") and U.S. Bank National Association, as trustee (the "Continuing Disclosure Agreement"), the undersigned in his/her capacity as \_\_\_\_\_ of the Institution, does hereby certify that the enclosed \_\_\_\_\_ [Annual] [Quarterly] Report of the Institution complies with the requirements of the Continuing Disclosure Agreement.

Dated: \_\_\_\_\_

CONCORD HOSPITAL, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT B**

**NOTICE TO THE MSRB OF FAILURE TO FILE  
[ANNUAL] [QUARTERLY] REPORT**

Name of Authority: NEW HAMPSHIRE HEALTH AND EDUCATION FACILITIES  
AUTHORITY

Name of Bond Issue: \$\_\_\_\_\_ NEW HAMPSHIRE HEALTH AND EDUCATION  
FACILITIES AUTHORITY REVENUE BONDS, CONCORD  
HOSPITAL ISSUE, SERIES 2017

Name of Obligated Person: CONCORD HOSPITAL, INC.

Date of Issuance: December \_\_, 2017

NOTICE IS HEREBY GIVEN that Concord Hospital, Inc. (the "Institution") has not provided [an Annual] [a Quarterly] Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated December \_\_, 2017, between the Institution and U.S. Bank National Association, as trustee (the "Trustee").

Dated: \_\_\_\_\_

\_\_\_\_\_  
U.S. BANK NATIONAL ASSOCIATION, as Trustee on  
behalf of CONCORD HOSPITAL, INC.

cc: Concord Hospital, Inc.

**EXHIBIT C**

**FILING INFORMATION FOR THE MSRB**

Filing information relating to the Municipal Securities Rulemaking Board is as follows:

Municipal Securities Rulemaking Board  
<http://emma.msrb.org/>