Please attach this Supplement to the copies of the Offer in your possession and forward copies to the parties to whom you have previously delivered copies of such Offer.

SUPPLEMENT DATED APRIL 19, 2024

TO

OFFER TO PURCHASE BONDS
made by
RWJ BARNABAS HEALTH, INC.

Reference is made to the Offer to Purchase Bonds, dated April 8, 2024 (the "***Offer***"), made by RWJ Barnabas Health, Inc. (the "***Corporation***"). Terms not defined in this Supplement shall have the respective meanings given to them in the Offer.

Audited Financial Statements

On April 16, 2024, KPMG LLP delivered its audit report on the Corporation's consolidated financial statements as of and for the year ended December 31, 2023. The Corporation's unaudited consolidated financial statements as of and for the year ended December 31, 2023 that were appended as part of Appendix A to the Offer are substantially the same as the audited consolidated financial statements attached as Appendix B to the Preliminary Official Statement, dated April 17, 2024 (the "***Preliminary Official Statement***"), describing the proposed issuance by the New Jersey Health Care Facilities Financing Authority of its Revenue and Refunding Bonds, RWJ Barnabas Health Obligated Group Issue, Series 2024A for the benefit of the Corporation and certain of its affiliates. Such Preliminary Official Statement, including Appendix A thereto in which financial results as of and for the year ended December 31, 2023 are no longer characterized as "unaudited," is attached to this Supplement as *Exhibit A*.

This Supplement should be read in conjunction with the Offer.

EXHIBIT A

PRELIMINARY OFFICIAL STATEMENT

(*See attached.*)

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 17, 2024

NEW ISSUE – BOOK-ENTRY ONLY **SEE "RATINGS" HEREIN**

In the opinion of Wilentz, Goldman & Spitzer, P.A., Bond Counsel, under existing statutes, regulations, rulings and court decisions, assuming continuing compliance by the Authority and the Parent with certain covenants described herein, interest on the Series 2024A Bonds is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not treated as a preference item under Section 57 of the Code for purposes of calculating the Federal alternative minimum tax; however, interest on the Series 2024A Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to alternative minimum tax imposed under Section 55 of the Code. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Series 2024A Bonds and any gain realized on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended. See "TAX MATTERS" herein.

$355,000,000*
NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
REVENUE AND REFUNDING BONDS
RWJ BARNABAS HEALTH OBLIGATED GROUP ISSUE
SERIES 2024A

Dated: Date of Delivery **Due: July 1, as shown on the inside cover**

The New Jersey Health Care Facilities Financing Authority 355,000,000* Revenue and Refunding Bonds, RWJ Barnabas Health Obligated Group Issue, Series 2024A (the "Series 2024A Bonds") are issuable only as fully registered bonds without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Series 2024A Bonds. Purchases of the Series 2024A Bonds will be made in book-entry form, in denominations of $5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in Series 2024A Bonds purchased. So long as Cede & Co. is the registered owner, as nominee of DTC, references herein to the registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (hereinafter defined) of the Series 2024A Bonds. See "THE SERIES 2024A BONDS – Book-Entry-Only System" herein. U.S. Bank Trust Company, National Association, Edison, New Jersey, shall act as trustee, paying agent and bond registrar (the "Trustee," "Paying Agent" and "Bond Registrar") for the Series 2024A Bonds.

Principal of, redemption premium, if any, and interest on the Series 2024A Bonds will be paid by the Paying Agent. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2024A Bonds, such payments will be made directly to Cede & Co. Disbursement of such payments to the DTC Participants (defined herein) is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein. Interest on the Series 2024A Bonds will be payable initially on July 1, 2024 and semiannually thereafter on January 1 and July 1 of each year until maturity (each an "Interest Payment Date"), to the registered owner of record as of the close of business on the fifteenth day of the month next preceding such Interest Payment Date. **The Series 2024A Bonds are subject to redemption prior to maturity as more fully described herein. See "THE SERIES 2024A BONDS – Redemption Provisions" herein.**

The Series 2024A Bonds are being issued under and pursuant to the New Jersey Health Care Facilities Financing Authority Law, L. 1972, c. 29, N.J.S.A. 26:2I-1, et seq. as amended (the "Act"), a Bond Resolution adopted by the New Jersey Health Care Facilities Financing Authority (the "Authority") on March 28, 2024 (the "Bond Resolution") and a Series 2024A Trust Agreement dated as of May 1, 2024, by and between the Authority and the Trustee (the "Trust Agreement").

The principal of, redemption premium, if any, and interest on the Series 2024A Bonds are payable solely from payments to be made by RWJ Barnabas Health, Inc. (the "Parent" or the "Combined Group Agent") under a Series 2024A Loan Agreement dated as of May 1, 2024, by and between the Authority and the Parent (the "Loan Agreement"), and from certain funds and the investment income thereon held by the Trustee pursuant to the Trust Agreement. The obligations of the Parent to make payments to the Trustee on behalf of the Authority are evidenced by the Series 2024A Note (in the aggregate principal amount equal to the Series 2024A Bonds) (the "Series 2024A Note") to be issued by the Parent on behalf of itself and the other Members of the Obligated Group (as defined herein) pursuant to a Master Trust Indenture dated as of November 1, 2016 (the "Master Trust Indenture"), by and between the Members of the Obligated Group and The Bank of New York Mellon, as Master Trustee thereunder (the "Master Trustee"), as previously amended and supplemented, and as further amended and supplemented by a Fifteenth Supplemental Indenture dated as of May 1, 2024 (the "Fifteenth Supplemental Indenture;" and, together with the Master Trust Indenture, as previously amended and supplemented, the "Master Indenture"), by and between the Parent, as the Combined Group Agent, and the Master Trustee.

There are certain risks associated with the purchase of the Series 2024A Bonds. See "BONDHOLDERS' RISKS" herein.

THE SERIES 2024A BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE NOT A DEBT OR A LIABILITY OF THE STATE OF NEW JERSEY OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE TRUST AGREEMENT), OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF NEW JERSEY, OR ANY POLITICAL SUBDIVISION THEREOF OR THE AUTHORITY, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS AND REVENUES PLEDGED TO THE PAYMENT THEREOF PURSUANT TO THE TRUST AGREEMENT. THE AUTHORITY HAS NO TAXING POWER.

This cover page contains certain information for quick reference only. It is not intended to be a summary of this issue. For a discussion of certain factors that should be considered, in addition to the other matter set forth on this cover page, in evaluating the investment quality of the Series 2024A Bonds, investors must read the entire Official Statement, including all Appendices, to obtain information essential to making an informed investment decision.

The Series 2024A Bonds are offered when, as and if issued by the Authority, and delivered to and received by the Underwriters, subject to prior sale, or withdrawal or modification of the offer without notice, and subject to the approval of their validity by Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, McCarter & English, LLP, Newark, New Jersey and for the Parent by its counsel, Hawkins Delafield & Wood LLP, Newark, New Jersey. The Series 2024A Bonds are expected to be available for delivery through the facilities of DTC on or about _____, 2024.

Jefferies

Bancroft Capital, LLC **J.P. Morgan**

Baird **Siebert Williams Shank & Co., LLC**

Dated: _____, 2024

* Preliminary, subject to change.

$355,000,000[*]
NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
REVENUE AND REFUNDING BONDS
RWJ BARNABAS HEALTH OBLIGATED GROUP ISSUE
SERIES 2024A

AMOUNTS, MATURITIES, INTEREST RATES, YIELDS AND CUSIPS[†]

$_____ SERIAL BONDS

Year (July 1)	Amount	Interest Rate	Yield	CUSIP[†]
	$	%	%	

$_____TERM BONDS

$_____ ____% Term Bond Due July 1, 20__, Yield of ____%, CUSIP[†]_____

$_____ ____% Term Bond Due July 1, 20__, Yield of ____%, CUSIP[†]_____

[*] Preliminary, subject to change.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. CUSIP data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an organization not affiliated with the Authority and are provided for convenience of reference only. None of the Authority, the Parent, the Underwriters or their agents or counsel assume any responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2024A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS WHICH MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE SERIES 2024A BONDS. SUCH ACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

No dealer, broker, salesman or other person has been authorized by the Authority or by the Parent to give any information or to make representations with respect to the Series 2024A Bonds, 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 Series 2024A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information contained herein has been obtained from the Parent and from other sources, including DTC, which are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of the Authority. The information and expressions of opinion 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 parties referred to above since the date hereof.

THE SERIES 2024A BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE TRUST AGREEMENT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2024A BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE SERIES 2024A BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2024A BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

The following Official Statement (including the Appendices attached hereto) contains a general description of the Series 2024A Note, the Series 2024A Bonds, the Authority and the Parent, and sets forth summaries of certain provisions of the Act, the Trust Agreement, the Loan Agreement and the Master Indenture (as such terms are defined herein). The descriptions and summaries herein do not purport to be complete and are not to be construed to be a representation of the Authority. Persons interested in purchasing the Series 2024A Bonds should carefully review this Official Statement (including the Appendices attached hereto) as well as copies of such documents in their entireties, which are held by the Trustee at its principal corporate trust office.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

Information included under the heading "BONDHOLDERS' RISKS" and other sections in this Official Statement and Appendix A attached hereto includes forward-looking statements about the future

that are necessarily subject to various risks and uncertainties (the "Forward-Looking Statements"). These Forward-Looking Statements are (i) based on the beliefs and assumptions of management of the System (as defined herein) and on information currently available to such management and (ii) generally identifiable by words such as "estimates," "expects," "anticipates," "plans," "believes" and other similar expressions.

Events that could cause future results to differ materially from those expressed in or implied by Forward-Looking Statements or historical experience include the impact or outcome of many factors that are described throughout this Official Statement and Appendix A attached hereto, including, without limitation, the discussion under "BONDHOLDERS' RISKS" in this Official Statement and "HEALTH CARE DELIVERY PLATFORM – Employees," "SERVICE AREA," "UTILIZATION AND OPERATING DATA," "FINANCIAL INFORMATION," including "Management's Discussion and Analysis of RWJBH's Operating Results" in such Appendix A. Although the ultimate impact of such factors is uncertain, they may cause future performance to differ materially from results or outcomes that are currently sought or expected by the Members of the Obligated Group.

The Underwriters listed on the front cover of this Official Statement (the "Underwriters") have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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OFFICIAL STATEMENT

Relating to

**$355,000,000*
NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
REVENUE AND REFUNDING BONDS
RWJ BARNABAS HEALTH OBLIGATED GROUP ISSUE
SERIES 2024A**

INTRODUCTION

This Official Statement, including the cover page and Appendices, sets forth certain information concerning the offering by the New Jersey Health Care Facilities Financing Authority (the "Authority") of its $355,000,000* Revenue and Refunding Bonds, RWJ Barnabas Health Obligated Group Issue, Series 2024A (the "Series 2024A Bonds"). Certain capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings given to such terms in Appendix C hereto. This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to the entire Official Statement of which a full review should be made by potential investors.

The Authority

The Authority is a public body corporate and politic, a political subdivision of the State of New Jersey (the "State" or "New Jersey") and a public instrumentality organized and existing under and by virtue of the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c. 29, N.J.S.A. 26:2I-1, *et seq*, as amended. (the "Act"). See "THE AUTHORITY."

The System

The RWJBarnabas Health system (the "System" or "RWJBH") consists of a group of affiliated health care organizations (each, a "System Affiliate"). RWJ Barnabas Health, Inc., a New Jersey nonprofit corporation (the "Parent" or the "Combined Group Agent") is the sole member atop the System and has controlling interest in the various System Affiliates or has reserve powers necessary to manage the business affairs of the System Affiliates including all of the Members of the Obligated Group. The System forms an integrated network of health care providers throughout the State.

The System is New Jersey's largest academic health care system with a core service area that covers eight counties and more than five million residents, providing treatment and services to more than three million patients each year, and accounting for approximately 20% of all acute care discharges in the State. The System has over 41,000 employees and 9,800 providers. The System's hospitals receive high excellence, quality, and safety scores from top nationally respected organizations, including Leapfrog Group. The System has annual operating revenues in excess of $8.6 billion with 210,000 acute care admissions, over four million outpatient visits (not including over 783,000 Emergency Department visits) and more than 26,000 newborn deliveries. The System is comprised of 12 acute care hospitals (including five teaching hospitals, and an academic medical center), three acute care children's hospitals, a

* Preliminary, subject to change.

nationally renowned pediatric rehabilitation hospital and its network of outpatient centers, a freestanding behavioral health center and New Jersey's largest behavioral health network, a satellite emergency department, trauma centers, ambulatory care centers, comprehensive hospice and home care programs, medical groups with primary and specialty care physician practices, a clinically integrated network, an accountable care organization, and multiple radiology and pharmacy services.

Through its long-standing relationship with Rutgers, The State University ("Rutgers"), including Rutgers' two medical schools, schools of nursing, dentistry, pharmacy, allied health professions, public health and biomedical sciences, the System is able to access the most current medical research and treatment technologies. Through the execution of a Master Affiliation Agreement ("MAA") in 2018, the System and Rutgers aligned their mutual support of the educational, research and clinical missions of an academic health system. The parties consolidated the System's educational and research activities under Rutgers' leadership, in coordination with the System, and consolidated clinical services under the leadership of the System, in coordination with Rutgers. The System works with Rutgers' Robert Wood Johnson Medical School and New Jersey Medical School to train and educate more than 1,600 medical residents, interns and fellows throughout the System's hospitals and other training locations each year.

For a more detailed discussion of the Parent, the System and the System Affiliates, see Appendix A hereto.

Use of Series 2024A Bond Proceeds

The proceeds of the Series 2024A Bonds will be loaned by the Authority to the Parent pursuant to a Series 2024A Loan Agreement dated as of May 1, 2024, by and between the Authority and the Parent (the "Loan Agreement"), and assigned to the Trustee (as defined herein) by the Authority (subject to the reservation of certain rights by the Authority). Such loan is expected to be used to provide funds in an amount sufficient, together with investment earnings and other available funds, to effect:

(i) the reimbursement to the Parent of (A) the costs of planning, design, development, acquisition, construction, equipping, expansion, furnishing and/or renovation of all or a portion of various capital projects of the Parent and its affiliates located at various locations, and all infrastructure improvements, relocations and modifications and all other work, materials, equipment and appurtenances necessary therefor or related thereto and (B) the acquisition and installation of various items of capital equipment at one or more locations for use by affiliates of the Parent and all infrastructure improvements, relocations and modifications and all other work, materials and appurtenances necessary therefor or related thereto; (ii) the legal defeasance and purchase of all of the Authority's outstanding Revenue and Refunding Bonds, RWJ Barnabas Health Obligated Group Issue, Series 2019B-1 (the "Series 2019B-1 Bonds") which are subject to mandatory tender for purchase on July 1, 2024; and (iii) the payment of the costs of issuance of the Series 2024A Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

On or about the date of issuance of the Series 2024A Bonds, the Parent is expected to offer its RWJ Barnabas Health, Taxable Commercial Paper Notes, Series 2024 (the "Series 2024 Taxable Commercial Paper") in an authorized aggregate principal amount not to exceed $200,000,000. The Parent currently expects to make an initial issuance of the Series 2024 Taxable Commercial Paper in the amount of $50,000,000 on or about the date of issuance of the Series 2024A Bonds. No assurance is given as to if and when, and in such amounts, any such Series 2024 Taxable Commercial Paper will be issued. The proceeds of any Series 2024 Taxable Commercial Paper issued are expected to be used by the Parent for general corporate purposes. The Series 2024 Taxable Commercial Paper would be incurred under separate financing documents and offered pursuant to a separate offering document. The issuance of the Series 2024A Bonds is not contingent on the issuance of the Series 2024 Taxable Commercial Paper.

The Parent has further authorized and is currently evaluating an additional bond financing transaction consisting of the issuance of one or more series of bonds (the "Series 2024B Bonds") in the approximate aggregate par amount of $250,000,000, the proceeds of which would be used for (A) the current refunding and redemption of all or a portion of the Authority's (i) Revenue Bonds, Robert Wood Johnson University Hospital Issue, Series 2013A, (ii) Revenue Bonds, Robert Wood Johnson University Hospital Issue, Series 2014A, and (iii) Refunding Bonds, Barnabas Health Obligated Group Issue, Series 2014A; and (B) paying certain costs related to the issuance of the Series 2024B Bonds (the "Refunding Transaction"). No assurance is given that the Refunding Transaction will occur or what form it may take. The Parent continues to evaluate the appropriate size of the Refunding Transaction and the structure of bonds that may be issued. The Series 2024B Bonds, if and when issued, would be issued under separate financing documents and offered pursuant to a separate offering document. The issuance of the Series 2024A Bonds is not contingent on the issuance of the Series 2024B Bonds.

In addition, the Parent is evaluating and considering refundings, refinancings, and defeasances of select series of taxable debt. As of the date of this Official Statement, a determination about which components of the outstanding taxable debt portfolio to address has not yet been made. No assurance is given that any such refunding, refinancings, and defeasances will occur or what form they may take.

On April 8, 2024, the Parent made an Offer to Purchase Bonds (the "Offer to Purchase Bonds") in an aggregate principal amount of up to $330,000,000 relating to select maturities of the Parent's outstanding (i) RWJ Barnabas Health Taxable Revenue Bonds, Series 2016 and (ii) RWJ Barnabas Health Taxable Revenue Bonds, Series 2019, as more specifically identified in the Offer to Purchase Bonds (collectively, the "Target Bonds"). Pursuant to the terms of the Offer to Purchase Bonds, the Parent reserves the absolute right to reject any and all offers, whether or not they comply with the terms of the Offer to Purchase Bonds. The Settlement Date for the Offer to Purchase Bonds (unless extended as provided therein) is May 8, 2024. No assurance is given that any of the Target Bonds will be tendered by the holders thereof in accordance with the terms of the Offer to Purchase Bonds. The issuance of the Series 2024A Bonds is independent of, and not contingent on, the results of the Offer to Purchase Bonds.

The Series 2024A Bonds

The Series 2024A Bonds will be dated their date of delivery, and will bear interest from such date, payable initially on July 1, 2024 and semiannually thereafter on January 1 and July 1 in each year until maturity. The Series 2024A Bonds will bear interest and mature on the dates and in the amounts set forth on the inside front cover page hereof. See "THE SERIES 2024A BONDS" herein.

The Series 2024A Bonds are issuable as fully registered bonds in denominations of $5,000 and integral multiples thereof, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company. See "THE SERIES 2024A BONDS – Book-Entry Only System" herein.

The Series 2024A Bonds are authorized by and issued under, and in accordance with the provisions of, the Act, a Bond Resolution adopted by the Authority on March 28, 2024 (the "Bond Resolution") and a Series 2024A Trust Agreement dated as of May 1, 2024 (the "Trust Agreement"), by and between the Authority and U.S. Bank Trust Company, National Association. U.S. Bank Trust Company, National Association, Edison, New Jersey, is serving as the trustee, paying agent and bond registrar under the Trust Agreement for the Series 2024A Bonds (the "Trustee," "Paying Agent" and "Bond Registrar"). See "THE SERIES 2024A BONDS" herein.

Redemption of the Series 2024A Bonds

The Series 2024A Bonds will be subject to redemption prior to maturity, including optional redemption, mandatory sinking fund redemption and extraordinary redemption at such prices and pursuant to such terms as are described herein. Notice of redemption shall be given by mail not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption to DTC or its nominee for so long as DTC or its nominee is the registered owner of the Series 2024A Bonds. See "THE SERIES 2024A BONDS – Redemption Provisions" herein.

Security for the Series 2024A Bonds

The Series 2024A Bonds are special and limited obligations of the Authority, payable from amounts on deposit in certain funds and the investment income thereon (except the Rebate Fund) held by the Trustee pursuant to the Trust Agreement, and secured by a pledge and assignment to the Trustee of, the Loan Agreement and the rights of the Authority to receive loan payments thereunder (excluding certain fees and expenses and certain indemnity payments), and payments made by the Parent pursuant to the Series 2024A Note (as hereinafter defined) issued under the Master Indenture to evidence and secure its payment obligations under the Loan Agreement. Under the Loan Agreement, the Parent is required to make loan payments in amounts which will be sufficient to pay the principal, redemption premium, if any, and interest on the Series 2024A Bonds and to pay certain administrative costs of the Authority and all other amounts required to be paid by the Parent in accordance with the Trust Agreement. Moneys held by the Trustee under the Trust Agreement are required to be invested as provided therein. The Authority will assign to the Trustee its right, title and interest in the Series 2024A Note and in the Loan Agreement, with the exception of the right to receive payments of certain fees, the right to indemnity and the right to grant certain approvals and to enforce certain remedies. See "SOURCES OF PAYMENT FOR THE SERIES 2024A BONDS" herein for a complete description of the security for the Series 2024A Bonds.

The Obligated Group

The Parent and the other entities set forth below are the current members of an Obligated Group (collectively, the "Obligated Group" or the "Members of the Obligated Group" and each individually, a "Member of the Obligated Group") created pursuant to a Master Trust Indenture dated as of November 1, 2016 (the "Master Trust Indenture"), by and between the Members of the Obligated Group and The Bank of New York Mellon, as Master Trustee thereunder (the "Master Trustee"), as previously amended and supplemented, and as further supplemented by a Fifteenth Supplemental Indenture dated as of May 1, 2024 (the "Fifteenth Supplemental Indenture;" and, together with the Master Trust Indenture, as previously amended and supplemented, the "Master Indenture"), by and between the Parent, as the Combined Group Agent, and the Master Trustee. The Members of the Obligated Group currently consist of the following:

Children's Specialized Hospital ("CSH") CSH is comprehensive pediatric rehabilitation hospital with thirteen locations in New Jersey.

Clara Maass Medical Center ("CMMC") CMMC owns and operates an acute care hospital located in Belleville, New Jersey, with 472 licensed beds.

Community Medical Center, Inc. ("CMC") CMC owns and operates an acute care teaching hospital located in Toms River, New Jersey, with 617 licensed beds.

Cooperman Barnabas Medical Center Inc. f/k/a Saint Barnabas Medical Center ("CBMC") CBMC owns and operates a regional acute care teaching hospital located in Livingston, New Jersey, with 597 licensed beds.

Jersey City Medical Center, Inc. ("JCMC") JCMC owns and operates an acute care teaching hospital located in Jersey City, New Jersey, with 352 licensed beds.

Monmouth Medical Center, Inc. ("MMC") MMC owns and operates (i) a community teaching hospital located in Long Branch, New Jersey, with 514 licensed beds and (ii) an acute care hospital located in Lakewood, New Jersey, with 241 licensed beds known as Monmouth Medical Center Southern Campus ("MMCSC").

Newark Beth Israel Medical Center, Inc. ("NBIMC") NBIMC owns and operates a regional acute care teaching hospital located in Newark, New Jersey, with 653 licensed beds.

RWJ Barnabas Health, Inc. (the "Parent") The Parent is a nonprofit holding company, which is the sole member of each Member of the Obligated Group.

RWJBH Corporate Services, Inc. f/k/a *Barnabas Health, Inc.*("RWJBHCS") RWJBHCS is a New Jersey non-profit company that provides management and back-office services to the various Members of the Obligated Group, as well as other System Affiliates.

Robert Wood Johnson University Hospital, Inc. ("RWJUH") RWJUH owns and operates (i) an academic medical center in New Brunswick, New Jersey with 614 licensed beds, and (ii) an acute care hospital in Somerville, New Jersey with 339 licensed beds.

Robert Wood Johnson University Hospital at Hamilton, Inc. ("RWJ Hamilton") RWJ Hamilton owns and operates an acute care hospital located in Hamilton Township, New Jersey, with 248 licensed beds.

Robert Wood Johnson University Hospital at Rahway ("RWJ Rahway") RWJ Rahway owns and operates an acute care hospital located in Rahway, New Jersey with 241 licensed beds.

For a further description of the hospitals operated by the Members of the Obligated Group, see "RWJBH Barnabas Health – CORPORATE STRUCTURE AND OBLIGATED GROUP - Description of the System by Key Obligated Group Member" in Appendix A to this Official Statement.

In the future, other entities may become Members of the Obligated Group in accordance with the provisions of the Master Indenture as supplemented from time to time, and Members of the Obligated Group may withdraw from the Obligated Group and be released from their respective obligations under the Master Indenture upon compliance with the conditions prescribed therein. See "CERTAIN PROVISIONS RELATING TO THE MASTER INDENTURE" herein, for a discussion of the specific Master Indenture provisions relating to additions to and withdrawals from the Obligated Group.

For a summary of certain provisions of the Master Indenture, see "SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT, THE TRUST AGREEMENT AND THE MASTER INDENTURE – SUMMARY OF THE MASTER INDENTURE" in Appendix C hereto.

The Master Indenture

The obligation of the Parent to make repayments of the loan under the Loan Agreement will be evidenced by a promissory note in the aggregate principal amount of the Series 2024A Bonds (the "Series 2024A Note") issued by the Parent, on behalf of itself and the other Members of the Obligated Group, dated as of the date of issuance of the Series 2024A Bonds, and will contain payment provisions corresponding to those of the Series 2024A Bonds. The Series 2024A Note will be issued under and pursuant to the Master Trust Indenture, as previously amended and supplemented, and as further amended and supplemented by the Fifteenth Supplemental Indenture.

The Series 2024A Note will be secured under the Master Indenture equally and ratably with other Debt Obligations, Hedging Obligations or Ancillary Obligations outstanding thereunder upon the issuance of the Series 2024A Bonds or thereafter pursuant to the Master Indenture, including without limitation, the Debt Obligations to be issued on or about the date of issuance of the Series 2024A Note described herein.

To secure its payment obligations under the Series 2024A Note, each Member of the Obligated Group has granted to the Master Trustee for the equal and ratable benefit of the holders of all Obligations issued and Outstanding under the Master Indenture a first lien on and security interest in the Gross Revenues (as hereinafter defined) of such Member of the Obligated Group. See "SOURCES OF PAYMENT FOR THE SERIES 2024A BONDS" herein.

On or about the date of issuance of the Series 2024A Bonds, the Parent is expected to issue a master note relating to the Series 2024 Taxable Commercial Paper (the "Series 2024 Commercial Paper Note") under the Master Indenture in the aggregate maximum principal amount of the Series 2024 Taxable Commercial Paper in order to secure the obligations thereunder, which Series 2024 Commercial Paper Note will be secured by the lien on Gross Revenues on a parity with the lien securing the Series 2024A Note.

If the Parent proceeds with the Refunding Transaction and the Series 2024B Bonds are issued, the obligation of the Parent to make repayments of the loans from the Authority of the proceeds of such bonds would be evidenced by a promissory note issued under the Master Trust Indenture in the aggregate principal amount of the Series 2024B Bonds issued by the Parent, on behalf of itself and the other Members of the Obligated Group, and would contain payment provisions corresponding to those of the Series 2024B Bonds.

See "THE SYSTEM" herein and "RWJ Barnabas Health – CORPORATE STRUCTURE AND OBLIGATED GROUP – Description of the System by Key Obligated Group Member" in Appendix A hereto for certain information regarding the Members of the Obligated Group. Under the Master Indenture, each Member of the Obligated Group is jointly and severally liable for the performance of all of the obligations of all Members of the Obligated Group under the Master Indenture, including without limitation all payment obligations with respect to all Obligations from time to time outstanding under the Master Indenture. See "SOURCES OF PAYMENT FOR THE SERIES 2024A BONDS" herein.

It should be noted that the Master Indenture contains provisions permitting amendments thereto under certain conditions**.** See "SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN

AGREEMENT, THE TRUST AGREEMENT AND THE MASTER INDENTURE – SUMMARY OF THE MASTER INDENTURE – Supplemental Indentures Not Requiring Consent of Obligation Holders," and " – Supplemental Indentures Requiring Consent of Obligation Holders" in Appendix C hereto.

In accordance with the terms of the Master Indenture, the Fifteenth Supplemental Indenture provides for the consent to amendments to certain provisions of the Master Indenture (the "Springing Covenant Amendments No. 1"), which shall become effective upon the Master Trustee's receipt of the requisite consent of the holders of a majority in aggregate principal amount of all Debt Obligations outstanding under the Master Indenture, calculated at the time at which such majority consent is fully obtained. The process for obtaining majority consent for the Springing Covenant Amendments No. 1 was previously initiated under the terms of a prior Supplemental Indenture (the Fourteenth Supplemental Indenture dated as of September 1, 2021 (the "Fourteenth Supplemental Indenture")). In addition, the Fifteenth Supplemental Indenture contains a second set of amendments to certain provisions of the Master Indenture (the "Springing Covenant Amendments No. 2," and collectively with the Springing Covenant Amendments No. 1, the "Springing Covenant Amendments"), which shall become effective upon the Master Trustee's receipt of the requisite consent of the holders of a majority in aggregate principal amount of all Debt Obligations outstanding under the Master Indenture, calculated at the time at which such majority consent is fully obtained. The Fifteenth Supplemental Indenture provides that the Authority and the Trustee, as a result of their acceptance of the Series 2024A Note, are deemed to have consented to the Springing Covenant Amendments. The requisite consent of the majority percentage of Debt Obligations outstanding under the Master Indenture for each of the respective set of Springing Covenant Amendments may be achieved at some point in the future (i) by obtaining the affirmative consent to the Springing Covenant Amendments of the holders of existing Debt Obligations outstanding under the Master Indenture, (ii) through the issuance of new additional Debt Obligations for which consent to the Springing Covenant Amendments is given upon issuance, (iii) through the prepayment, final maturity or other retirement of existing outstanding Debt Obligations for which consent to the Springing Covenant Amendments has not been received, or (iv) through any combination of one or more of the foregoing. The Springing Covenant Amendments No. 1 and the Springing Covenant Amendments No. 2 are independent of each other and each set of Springing Covenant Amendments must receive majority consent independently in order to become effective. Upon the issuance of the Series 2024A Bonds and the Series 2024A Note, the percentage of holders in aggregate principal amount of Debt Obligations for which consent to (i) the Springing Covenant Amendments No. 1 shall have been received, is anticipated to be approximately 32%, and (ii) the Springing Covenant Amendments No. 2 shall have been received, is anticipated to be approximately 11%. The proposed Series 2024 Taxable Commercial Paper and the Series 2024B Bonds would be secured by notes issued under the Master Indenture, and the Supplemental Indentures authorizing such notes would provide that the holders of such notes securing the Series 2024 Taxable Commercial Paper and the Series 2024B Bonds would be deemed to have consented to the Springing Covenant Amendments and accordingly increasing the percentage of holders in the aggregate principal amount of all Debt Obligations outstanding for which consent to the Springing Covenant Amendments has been received.

At this time, the Parent cannot determine if, or when, such Springing Covenant Amendments may become effective under the terms of the Master Indenture. See 'SOURCES OF PAYMENT FOR THE SERIES 2024A BONDS – Springing Covenant Amendments" herein. See also "SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT, THE TRUST AGREEMENT AND THE MASTER INDENTURE – SUMMARY OF THE MASTER INDENTURE – Days Cash on Hand Requirement," "-Long-Term Debt Service Coverage Ratio," "Permitted Indebtedness," "-Permitted Dispositions," and "-Debt Service on Balloon Indebtedness" and related definitions, including, but not limited to, the definition to be added for the terms "Force Majeure Event" and "Capitalization" and the amendment to the definition of the terms "Transaction Test," "Days Cash on Hand," "Debt Service Requirements" and "Operating Expenses" in Appendix C hereto wherein a detailed summary of the

applicable provisions of the Master Indenture are presented as currently in effect, and as to be amended, if and to the extent the Springing Covenant Amendments become effective at some point in the future.

Additional Bonds and Other Indebtedness

The Trust Agreement does not permit the Authority to issue additional bonds under the Trust Agreement on a parity with the Series 2024A Bonds. The Trust Agreement does not permit any lien or encumbrance upon the Trust Estate other than the lien and encumbrance created by the pledge of the Trust Estate to the payment of the principal and redemption price of and interest on Series 2024A Bonds.

The Members of the Obligated Group may incur additional indebtedness secured by purchase money security interests or by liens, on a parity with, or subordinate to the Obligations under the Master Indenture, upon compliance with the applicable provisions of the Master Indenture. Additional indebtedness may also be issued as Obligations issued under the Master Indenture, for the payment of which the Members of the Obligated Group will be jointly and severally liable. The Master Indenture sets forth the terms and conditions under which other indebtedness may be issued or incurred by a Member of the Obligated Group, and the terms and conditions under which such indebtedness may be secured. See "SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT, THE TRUST AGREEMENT AND THE MASTER INDENTURE – SUMMARY OF THE MASTER INDENTURE – Permitted Indebtedness" in Appendix C hereto. See also "FINANCIAL INFORMATION – Summary of Outstanding Debt" in Appendix A hereto for a summary of existing indebtedness under the Master Indenture that is secured by promissory notes and/or other Debt Obligations issued under and pursuant to the Master Indenture.

Bondholders' Risks

Certain risks associated with the purchase of the Series 2024A Bonds are described in the section entitled "BONDHOLDERS' RISKS" herein. Careful evaluation should be made of the risks described in such section and elsewhere in this Official Statement concerning the factors that may affect the payment of the principal or redemption price of and interest on the Series 2024A Bonds when due.

Limited Obligations of the Authority

THE SERIES 2024A BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE NOT A DEBT OR A LIABILITY OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE TRUST AGREEMENT), OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF OR THE AUTHORITY, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS AND REVENUES PLEDGED TO THE PAYMENT THEREOF PURSUANT TO THE TRUST AGREEMENT. THE AUTHORITY HAS NO TAXING POWER.

Continuing Disclosure

The Parent has covenanted in the Loan Agreement to provide certain disclosure regarding the operations and financial condition of the Obligated Group in addition to the annual continuing disclosure requirements required by Rule 15c2-12 of the Securities Exchange Commission. See "CONTINUING DISCLOSURE" herein.

Miscellaneous

Copies of the Trust Agreement, the Loan Agreement, the Master Indenture and the Series 2024A Note, are available for inspection at the principal corporate trust office of the Trustee. All inquiries should be directed to the Corporate Trust Department in Edison, New Jersey.

THE AUTHORITY

The Authority is a public body corporate and politic, a political subdivision of the State and a public instrumentality organized and existing under and by virtue of the Act. The purpose of the Act is to ensure that all health care organizations have access to financial resources to improve the health and welfare of the citizens of the State.

Authority Membership

The Act provides that the Authority shall consist of seven members: the State Commissioner of the Department of Health, who shall be Chairperson; the State Commissioner of Banking and Insurance; the State Commissioner of Human Services; and four public members who are citizens of the State appointed for terms of four years by the Governor with the advice and consent of the State Senate. Each member holds office for the term of his or her appointment and until his or her successor is appointed and qualified. All Authority members serve without compensation but may be reimbursed for their necessary expenses incurred in their official duties. On or about April 30 of each year, the Authority shall elect from its members a Vice Chairman and may appoint other officers. The members of the Authority are as follows:

DR. KAITLAN BASTON, MD, MSC, DFASAM (Chairperson, serves during her term as Commissioner of the Department of Health).

Dr. Kaitlan Baston, MD, MSc, DFASAM, was nominated by Governor Philip D. Murphy to begin serving as Commissioner of Health on July 25, 2023 and was confirmed on March 18, 2024.

Before becoming New Jersey's Acting Health Commissioner, Dr. Kaitlan Baston built and led the Cooper Center for Healing, an integrated pain, addiction, and behavioral health center, and was an Associate Professor of Medicine at Cooper Medical School of Rowan University.

Dr. Baston began her career as a full-spectrum family physician focused on underserved populations. Prior to arriving in New Jersey, her work ranged from public health projects in Rwanda to public maternity and trauma hospitals in the Dominican Republic, to providing full spectrum family planning services, and working in a bilingual community health center in Seattle, Washington.

Her experiences in primary care highlighted that both patients and medical professionals suffer from the lack of addiction medicine training and integration into healthcare. Following her addiction medicine fellowship, she came to Camden in 2015, driven to improve community-centered health care

delivery, population health, and behavioral health. In the following seven years, she built an inpatient addiction consult service, multiple interdisciplinary outpatient clinics, a wrap-around perinatal substance use disorder program, a harm reduction-based low-barrier walk-in clinic, and the first program for emergency medicine services (EMS) field initiation of medication for addiction treatment. She led undergraduate and graduate addiction medical education and started a new addiction medicine fellowship. Her research team was responsible for bringing in and overseeing several million dollars in state and federal grant funding to support innovation and community-based care and to address social determinants of health.

This work expanded to state and federal-level health policy, and Dr. Baston became the Medical Director of Government Relations at Cooper University Health Care in 2019. She is nationally recognized for her work in perinatal substance use disorders and EMS delivery of addiction treatment.

She has spoken to Congress and the American Bar Association and is a national educator for Zero to Three. She has served on national-level committees, including the Infant Toddler Court Program Expert Advisory Group, the American Academy of Pediatrics Head Start National Expert Workgroup, the College of Healthcare Information Management Executives Opioid Task Force, and the American College of Obstetricians and Gynecologists Alliance for Innovation on Maternal Health Opioid Collaborative Workgroup. She has also served on the New Jersey DMHAS State Epidemiological Outcomes Workgroup, the New Jersey ATLAS State Advisory Committee, the Camden County Addiction Awareness Task Force, and the Camden County Opioid Settlement Funds Board.

In 2011, she was awarded the Savacool Prize in Medical Ethics. She has been recognized as a New Jersey Top Doctor or Top Female Doctor every year from 2017 to 2023. She won the Golden Apple Teaching Award in 2021, the New Jersey Healthcare Innovation Hero Award in 2022, and the New Jersey Hospital Association Healthy New Jersey Award in 2023.

Currently, Dr. Baston is focused on decreasing health disparities, improving maternal-child health outcomes, and enhancing integrated care for behavioral health and substance use disorders.

As Health Commissioner, she strives to ensure everyone has access to resources that can keep them healthy and compassionate, evidence-based medical care when needed. Dr. Baston is proud to work with an interdisciplinary team of like-minded, driven individuals at the Department of Health who are dedicated to improving the equity and health of New Jersey.

Dr. Baston is dual boarded in Family Medicine and Addiction Medicine, obtained a master's degree in Neuroscience from Kings College, London, and graduated from Jefferson Medical College in Philadelphia, PA.

SARAH ADELMAN, Member (serves during her tenure as Commissioner of the Department of Human Services).

Sarah Adelman was named Acting Commissioner for the Department of Human Services as of January 16, 2021 and was confirmed by the State Senate in March 2022. Ms. Adelman previously served as the Deputy Commissioner at the New Jersey Department of Human Services, overseeing the Division of Developmental Disabilities, Division of Aging Services, and the Division of Medical Assistance and Health Services, which operates the Medicaid/NJ FamilyCare program. Ms. Adelman also serves as the Commissioner's designee on the Board of the New Jersey Housing and Mortgage Finance Agency.

Ms. Adelman has worked in Medicaid and health policy for more than a decade, previously serving as Vice President at the New Jersey Association of Health Plans and Chief of Staff at the New

Jersey Health Care Quality Institute. Ms. Adelman also previously served on the Board of Trustees for Samaritan Healthcare and Hospice, the Board of Directors for a statewide child abuse and neglect prevention program, and the Commerce and Industry Association of New Jersey's Healthcare Steering Committee. Ms. Adelman was named among "New Jersey's Top 10 Healthcare Policy Analysts and Experts" by NJ Spotlight. Ms. Adelman received her Bachelor of Arts summa cum laude from Rowan University, a certificate in Advanced Healthcare Leadership from Seton Hall University, and was a fellow in the inaugural class of the New Jersey Healthcare Executives Leadership Academy.

JUSTIN ZIMMERMAN, Member (serves during his tenure as Acting Commissioner of the Department of Banking and Insurance).

Justin Zimmerman was appointed to lead the New Jersey Department of Banking and Insurance by Governor Philip D. Murphy in June 2023.

As Acting Commissioner, Zimmerman serves as the chief regulator of New Jersey's insurance industry, one of the nation's largest. Zimmerman oversees all state-chartered banks, credit unions, and consumer finance licensees and leads Get Covered New Jersey, the state's official health insurance marketplace.

Zimmerman joined the department in January 2018, serving as chief of staff, overseeing the executive management team, and managing all aspects of the department's policy implementation under the commissioner's direction. During his tenure as chief of staff, the department developed and implemented numerous consumer protections and programs impacting countless New Jerseyans, including New Jersey's out-of-network law, student loan protections, mortgage servicers licensing, expanding access to reproductive health care, and Get Covered New Jersey.

Since its inception in 2020, Get Covered New Jersey has transformed New Jersey's health insurance landscape for consumers in the individual market, ensuring that more New Jerseyans have greater access to quality, affordable health insurance. New Jersey was the first in the nation to open its marketplace with enhanced state subsidies that lower premiums for most enrollees.

Zimmerman also coordinated the department's COVID-19 response, working with regulated entities across all sectors to provide relief to New Jersey's residents during the pandemic, from insurance premium relief and mortgage forbearance to student loan relief and expanding telemedicine without cost sharing.

Acting Commissioner Zimmerman built an extensive career in public service. Before joining Governor Murphy's administration, Zimmerman served as chief of policy and legislation to the New Jersey State Senate president pro tempore, where he focused on expanding access to quality and affordable healthcare for New Jerseyans and expanding voting rights and civil rights.

Mr. Zimmerman began his service to the public as a briefing aide to Governor Jon Corzine. Then, he became director of legislative and intergovernmental affairs for the New Jersey Department of State.

Before joining government service, he was an organizer in Morris County, New Jersey, and Harrisburg, Pennsylvania.

Zimmerman was born and raised in New Jersey and spent most of his childhood in Essex and Union Counties. He received his Bachelor of Arts from Mary Washington College. He resides in Verona with his wife, Laura, and their two children.

Public Members

DAVID G. BROWN II, Vice Chair (term expires April 30, 2024)

David G. Brown II was confirmed by the New Jersey State Senate as a member of the New Jersey Health Care Facilities Financing Authority on October 29, 2020. He was nominated by Governor Murphy on August 8, 2020.

Mr. Brown is currently the manager of Ocean Township, New Jersey. He previously served as the borough administrator for Bradley Beach, Executive Director of the Linden-Roselle Sewerage Authority and as the Administrator of the Borough of Roselle. Prior to that, Mr. Brown held several municipal leadership positions, including Director of Newark's Urban Enterprise Zone and Director of Public Works and Urban Development for Plainfield, New Jersey.

A native of Long Branch, Mr. Brown served in the New Jersey National Guard and has both a Bachelor of Arts degree and a Master's in Public Administration from Kean University.

THOMAS J. SULLIVAN, JR., Secretary, (term of office expires April 30, 2025)

Thomas J. Sullivan, Jr. was approved by the New Jersey Senate on March 25, 2021. He is a lifelong Bergen County resident. Mr. Sullivan has served on the Bergen County Board of County Commissioners since January of 2015. As a Commissioner, he has served on the Board's committees for: Social Services, Shared Services, Labor and Personnel, Law and Public Safety, Transportation, Public Works, Community Development, and Planning and Economic Development. He was elected to serve as Vice-Chairman of the Board in 2017 and as Chairman of the Board in 2018.

Mr. Sullivan has had a long professional career in Local 164 of the International Brotherhood of Electrical Workers (IBEW). Starting out as an Apprentice Electrician, Mr. Sullivan learned the value of hard work and the opportunities it brings. Through many years of innovation and commitment to his career, he became a Journeyman Electrician, and was subsequently elected Vice President of Local 164 in 2010, and President in 2013, a position he currently holds today.

Mr. Sullivan's previously served on Bergenfield's Borough Council from 1998 until 2002, and Montvale's Borough Council from 2005 until 2008. He also has an impressive history of community volunteerism.

Mr. Sullivan and his family currently reside in Montvale.

BRIDGET DEVANE, MSW (term of office expires April 30, 2025)

Bridget Devane, MSW received the advice and consent of the State Senate on June 20, 2022. She was nominated by Governor Murphy to fill the term of former Authority Member Suzette Rodriguez. Ms. Devane's first meeting as an Issuer Member was on July 28, 2022.

Ms. Devane is the Public Policy Director for Health Professionals and Allied Employees ("HPAE"), the State's largest health care union representing registered nurses and health care professionals in acute-care, long term care, psychiatric, blood bank and medical laboratory facilities.

Since 2004, Ms. Devane's work at HPAE has focused primarily on improving working conditions for healthcare professionals across the State, while advocating for patient safety measures to ensure better patient outcomes. She oversees a department of staff who monitor the ongoing consolidation of healthcare

providers, assess the financial state of healthcare operations in facilities across the State, and advocate for legislative and regulatory reforms to set standards for quality patient care and improve access to health care services.

Prior to her work at HPAE, Ms. Devane worked at New Jersey Citizen Action, a statewide consumer advocacy organization, working with patients and advocates to protect the financial interests of health care consumers. She received her Bachelors of Social Work from Ramapo College of New Jersey and a Masters of Social Work from Hunter College.

SAM MADDALI (term expired on April 30, 2023; Mr. Maddali will continue to serve until reappointed or replaced).

Mr. Maddali of Benardsville, New Jersey, was nominated by Governor Murphy to replace former Authority Member Dr. Munr Kazmir. He was confirmed by the Senate on March 20, 2023.

Mr. Maddali is the Chairman and founder of United Pharmacy Network, a group purchasing organization for independent pharmacies. He has served on various boards including the Bouvé Strategic Advisory Council at Northeastern University, the Foundation for Morristown Medical Center and the Governor's Council on Mental Health Stigma. Mr. Maddali was also awarded the NJ Pharmacist of the Year award by Senator Vin Gopal for his advocacy for the rights of independent, community pharmacies.

Mr. Maddali is passionate about giving back, and has been an active member of Rotary International for nearly three decades. He serves on the board of directors for the Eye Foundation of America, a not-for-profit organization dedicated to eliminating avoidable blindness in underserved countries of the world, and is a trustee for Gift of Life, providing life-saving heart surgeries to children worldwide.

Mr. Maddali received his Bachelor of Pharmacy degree from Long Island University. Although a pharmacist by trade, Mr. Maddali's business interests have expanded to include business development, entrepreneurism, and he is also a real estate professional.

The Act provides that the Authority may appoint such officers, agents and employees as it may require.

Frank Troy has been with the Authority for almost ten years and was appointed Executive Director in May 2023. Prior to joining the Authority, Frank held financial management positions in New Jersey and Pennsylvania hospitals and life plan communities. Frank was also Vice President, Planning and Finance at New Life Management & Development, Inc. in Mt. Laurel, New Jersey and was a manager in the health care advisory practice at KPMG, LLP.

He received a Bachelor of Science degree in Accounting from The University of Scranton and a Master of Business Administration – Finance Major degree from Fairleigh Dickinson University. Frank has been licensed as a certified public accountant by the Commonwealth of Pennsylvania for forty years and is a member of the Pennsylvania Institute of Certified Public Accountants.

Powers of the Authority

Under the terms of the Act, as amended, the powers of the Authority are vested in its members. The Authority has, among others, the following powers: to issue bonds as provided in the Act for the several purposes therein specified, including refunding bonds of the Authority already outstanding; to acquire, lease as lessee or lessor, hold and dispose of real and personal property or any interest therein in

the exercise of its powers and the performance of its duties under the Act, by contracts with and for health care organizations (organizations located in the State authorized or permitted by law, whether directly or indirectly through a holding company, partnership or other entity, to provide health care related services or entities affiliated with health care organizations or a group of legally affiliated health care organizations), and pursuant to public bidding requirements of the Act as applicable, to construct, acquire, reconstruct, rehabilitate and improve, and furnish and equip health care organization projects; to enter into contracts for the management and operation of projects in the event of default as described in the Act using, however, its best efforts to conclude its position as an operator as soon as practicable; generally to fix and revise from time to time and to charge and collect rates, rents, fees and other charges for the use of and for the services furnished or to be furnished by a project or any portion thereof and to contract with holders of its bonds and with any other person, partnership, association, corporation or other body, public or private, in respect thereof, to make loans to health care organizations for the construction or acquisition of projects in accordance with loan agreements (such loans may not exceed the total cost of the project); to make loans to health care organizations to refund existing bonds, mortgages or advances given or made by the health care organizations for the construction of projects to the extent that this will enable the health care organization to offer greater security for loans for new project construction; to enter into agreements, credit agreements or contracts, execute any and all instruments, and do and perform any and all acts or things necessary, convenient or desirable for the purposes of the Authority or to carry out any power expressly given to the Authority in the Act; and to invest any moneys held in reserve or sinking funds, or any moneys not required for immediate use for disbursement, at the discretion of the Authority, in such obligations as are authorized by bond resolutions of the Authority.

The Act defines a "project" or "health care organization project" as the acquisition, construction, improvement, renovation or rehabilitation of lands, buildings, fixtures, equipment and articles of personal property, or other tangible or intangible assets that are necessary or useful in the development, establishment or operation of a health care organization pursuant to the Act. "Projects" or "health care organization projects" may include the financing, refinancing or consolidation of secured or unsecured debt, borrowings or obligations; the provision of financing for any other expense incurred in the ordinary course of business, all of which lands, buildings, fixtures, equipment and articles of personal property are to be used or occupied by any person in the health care organization; the acquisition of an entity interest, including capital stock, in a corporation; or any combination thereof; and may include any combination of the foregoing undertaken jointly by any health care organization with one or more other health care organizations. Nothing in the Act is to be construed to provide the Authority with greater authority to finance a project for a for-profit health care organization than the New Jersey Economic Development Authority has under its enabling legislation (P.L. 1974, c. 80, as amended).

Outstanding Bonds and Notes of the Authority

The Authority has previously authorized the issuance of its bonds and notes in negotiated public offerings, competitive bid offerings and in private placements. Based on unaudited financials, as of December 31, 2023, the Authority had $5,226,565,000 principal amount of its revenue bonds outstanding that were sold in public offerings; $42,940,000 principal amount of its revenue bonds outstanding that were sold in limited public offerings; $860,452,860 principal amount of its revenue bonds outstanding that were sold in private placements; and $0 in master leases outstanding.

Except for certain issues for the same health care organization which may be on parity with one another, each of the Authority's issues of bonds and notes is payable out of revenues derived from separate health care organizations, is secured by its own series resolution, note resolution or trust agreement and is separate and distinct as to source of payment and security from the Series 2024A Bonds.

The Authority has entered into and intends to enter into additional agreements with other health care institutions in the State for the purpose of financing projects for such institutions and to issue other series of bonds and notes for the purpose of financing such projects. Each such series of bonds or notes will be issued pursuant to a series, bond or note resolution or trust agreement separate and apart from the Trust Agreement.

The Authority adopted the Bond Resolution authorizing the issuance of the Series 2024A Bonds. The responsibility for the operation of the facilities of the Parent and its affiliates will rest entirely with the Parent and its affiliates and not the Authority.

The Authority is not in any event liable for the payment of the principal or premium, if any, or interest on the Series 2024A Bonds or for the performance of any pledge, mortgage, obligation or agreement of any kind whatsoever undertaken by the Authority, and neither the Series 2024A Bonds nor any of the Authority's agreements or obligations are to be construed to constitute an indebtedness of the Authority or the State within the meaning of any constitutional or statutory provision whatsoever.

The Authority acts as a conduit issuer and also issues obligations for its own purposes. Each bond issue or note issue the Authority issues as a conduit issuer is an independent and separate obligation of the Authority secured solely by the amounts pledged under the related bond or note resolution or trust agreement.

THE OBLIGATIONS OF THE AUTHORITY WITH RESPECT TO THE SERIES 2024A BONDS ARE NOT GENERAL OBLIGATIONS OF THE AUTHORITY BUT ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE BY THE AUTHORITY SOLELY FROM THE FUNDS AND REVENUES PLEDGED TO THE PAYMENT THEREOF PURSUANT TO THE TRUST AGREEMENT. NOTHING CONTAINED IN THE SERIES 2024A BONDS OR IN THE TRUST AGREEMENT SHALL BE CONSIDERED AS ASSIGNING OR PLEDGING ANY FUNDS OR ASSETS OF THE AUTHORITY OTHER THAN THE FUNDS AND REVENUES PLEDGED TO THE PAYMENT OF THE SERIES 2024A BONDS PURSUANT TO THE TRUST AGREEMENT. THE SERIES 2024A BONDS ARE NOT A DEBT OF THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY PROVISION OF THE CONSTITUTION OR LAWS OF THE STATE. NO FAILURE OF THE AUTHORITY TO COMPLY WITH ANY TERM, CONDITION, COVENANT OR AGREEMENT IN THE TRUST AGREEMENT OR IN ANY DOCUMENT EXECUTED BY THE AUTHORITY IN CONNECTION WITH THE PROJECT, OR THE ISSUANCE, SALE AND DELIVERY OF THE SERIES 2024A BONDS SHALL SUBJECT THE AUTHORITY TO LIABILITY FOR ANY CLAIM FOR DAMAGES, COSTS OR OTHER CHARGES EXCEPT TO THE EXTENT THAT THE SAME CAN BE PAID OR RECOVERED FROM THE FUNDS AND REVENUES PLEDGED TO THE PAYMENT OF THE SERIES 2024A BONDS PURSUANT TO THE TRUST AGREEMENT. THE AUTHORITY SHALL NOT BE REQUIRED TO ADVANCE ANY MONEYS DERIVED FROM ANY SOURCE OTHER THAN THE FUNDS AND REVENUES PLEDGED TO THE PAYMENT OF THE SERIES 2024A BONDS PURSUANT TO THE TRUST AGREEMENT FOR ANY OF THE PURPOSES OF THE TRUST AGREEMENT OR THE LOAN AGREEMENT, WHETHER FOR THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE SERIES 2024A BONDS, THE PAYMENT OF ANY FEES OR ADMINISTRATIVE EXPENSES OR OTHERWISE. THE AUTHORITY HAS NO TAXING POWER.

No agreement or obligation contained in the Trust Agreement shall be deemed to be an agreement or obligation of any director, officer, employee, servant or agent of the Authority in his or her individual capacity, and neither the directors of the Authority nor any officer thereof executing any Series 2024A Bond shall be liable personally on such Series 2024A Bond or be subject to any personal liability or

accountability by reason of the issuance thereof. No member, officer, employee, commissioner, servant or agent of the Authority shall incur any personal liability with respect to any other action taken by him or her pursuant to the Trust Agreement.

EXCEPT FOR INFORMATION CONCERNING THE AUTHORITY IN THIS SECTION AND "LITIGATION – THE AUTHORITY," NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY THE AUTHORITY, AND THE AUTHORITY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE SYSTEM

The System consists of a group of affiliated health care organizations. The Parent is the sole member atop the System and has controlling interest in the various System Affiliates or has reserve powers necessary to manage the business affairs of the System Affiliates including all of the Members of the Obligated Group. The System forms an integrated network of health care providers throughout the State.

The System is New Jersey's largest academic health care system with a core service area that covers eight counties and more than five million residents, providing treatment and services to more than three million patients each year, and accounting for approximately 20% of all acute care discharges in the State. The System has over 41,000 employees and 9,800 providers. The System's hospitals receive high excellence, quality, and safety scores from top nationally respected organizations, including Leapfrog Group. The System has annual operating revenues in excess of $8.6 billion and with 210,000 acute care admissions, over four million outpatient visits (not including over 783,000 Emergency Department visits) and more than 26,000 newborn deliveries. The System is comprised of 12 acute care hospitals (including five teaching hospitals, and an academic medical center), three acute care children's hospitals, a nationally renowned pediatric rehabilitation hospital and its network of outpatient centers, a freestanding behavioral health center and New Jersey's largest behavioral health network, a satellite emergency department, trauma centers, ambulatory care centers, comprehensive hospice and home care programs, medical groups with primary and specialty care physician practices, a clinically integrated network, an accountable care organization, and multiple radiology and pharmacy services.

Through its long-standing relationship with Rutgers, including Rutgers' two medical schools, schools of nursing, dentistry, pharmacy, allied health professions, public health and biomedical sciences, the System is able to access the most current medical research and treatment technologies. Through the execution of the MAA in 2018, the System and Rutgers aligned their mutual support of the educational, research and clinical missions of an academic health system. The parties consolidated the System's educational and research activities under Rutgers' leadership, in coordination with the System, and consolidated clinical services under the leadership of the System, in coordination with Rutgers. The System works with Rutgers' Robert Wood Johnson Medical School and New Jersey Medical School to train and educate more than 1,600 medical residents, interns and fellows throughout the System's hospitals and other training locations each year.

For a more detailed description of the System, see Appendix A hereto. For the consolidated financial statements of RWJ Barnabas Health, Inc., see Appendix B hereto. Such financial statements contain consolidated financial statements of Members of the Obligated Group and other System Affiliates that are not Members of the Obligated Group. As of and for the year ended December 31, 2023, the Obligated Group accounted for approximately 87% of the consolidated assets of the System and approximately 81% of the consolidated operating revenues of the System. The financial information

included in Appendix A hereto is presented on a consolidated basis; however, certain calculations of the select financial indicators included in Appendix A are calculated, where indicated therein, in accordance with the relevant requirements of the Master Indenture.

PLAN OF FINANCE

The proceeds of the Series 2024A Bonds will be loaned by the Authority to the Parent pursuant to the Loan Agreement. Such loan is expected to be used to provide funds in an amount sufficient, together with investment earnings and other available funds, to effect: (i) the reimbursement to the Parent or applicable affiliates for the costs of the planning, design, development, acquisition, construction, equipping, expansion, furnishing and/or renovation of one or more capital projects of the Parent and its affiliates located at one or more of the following locations: the Cooperman Barnabas Medical Center in Livingston; the Community Medical Center in Toms River, New Jersey; the Monmouth Medical Center – Vogel Medical Campus at Tinton Falls (Fort Monmouth) in Tinton Falls, New Jersey; Newark Beth Israel Medical Center in Newark, New Jersey; the Robert Wood Johnson University Hospital in New Brunswick, New Jersey; and the Robert Wood Johnson University Hospital Somerset in Somerville, New Jersey; and the Rutgers Cancer Institute of New Jersey, in New Brunswick, New Jersey, and the acquisition and installation of various items of capital equipment at one or more locations for use by affiliates of the Parent and all infrastructure improvements, relocations and modifications and all other work, materials and appurtenances necessary therefor or related thereto; (ii) the legal defeasance and purchase of the Series 2019B-1 Bonds, which are subject to mandatory tender for purchase on July 1, 2024; and (iii) the payment of the costs of issuance of the Series 2024A Bonds. Upon their purchase on July 1, 2024, the Series 2019B-1 Bonds will be canceled and extinguished by the trustee for the Series 2019B-1 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

On or about the date of issuance of the Series 2024A Bonds, the Parent is expected to offer its Series 2024 Taxable Commercial Paper in an authorized aggregate principal amount not to exceed $200,000,000. The Parent currently expects to make an initial issuance of the Series 2024 Taxable Commercial Paper in the amount of $50,000,000 on or about the date of issuance of the Series 2024A Bonds. No assurance is given as to if and when, and in such amounts, any such Series 2024 Taxable Commercial Paper will be issued. The proceeds of any Series 2024 Taxable Commercial Paper issued are expected to be used by the Parent for general corporate purposes. The Series 2024 Taxable Commercial Paper would be incurred under separate financing documents and offered pursuant to a separate offering document. The issuance of the Series 2024A Bonds is not contingent on the issuance of the Series 2024 Taxable Commercial Paper.

The Parent has further authorized and is currently evaluating an additional bond financing transaction consisting of the issuance of one or more series of Series 2024B Bonds in the approximate aggregate par amount of $250,000,000, the proceeds of which would be used to complete the Refunding Transaction. No assurance is given that the Refunding Transaction will occur or what form it may take. The Parent continues to evaluate the appropriate size of the Refunding Transaction and the structure of the bonds that may be issued. The Series 2024B Bonds, if and when issued, would be issued under separate financing documents and offered pursuant to a separate offering document. The issuance of the Series 2024A Bonds is not contingent on the issuance of the Series 2024B Bonds.

In addition, the Parent is evaluating and considering refundings, refinancings, and defeasances of select series of taxable debt. As of the date of this Official Statement, a determination about which components of the outstanding taxable debt portfolio to address has not yet been made. No assurance is given that any such refunding, refinancings, and defeasances will occur or what form they may take.

On April 8, 2024, the Parent made an Offer to Purchase Bonds in an aggregate principal amount up to $330,000,000 relating to the Target Bonds. Pursuant to the terms of the Offer to Purchase Bonds, the Parent reserves the absolute right to reject any and all offers, whether or not they comply with the terms of the Offer to Purchase Bonds. The Settlement Date for the Offer to Purchase Bonds (unless extended as provided therein) is May 8, 2024. No assurance is given that any of the Target Bonds will be tendered by the holders thereof in accordance with the terms of the Offer to Purchase Bonds. The issuance of the Series 2024A Bonds is independent of, and not contingent on, the results of the Offer to Purchase Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2024A Bonds are expected to be used as follows:

	Series 2024A Bonds
Sources of Funds	
Par Amount	$
[Plus/Minus][Net] Original Issue [Premium/Discount]	
[Funds Released Upon Defeasance of the Series 2019B-1 Bonds]	
Total Sources of Funds	**$**
Uses of Funds	
New Money Project Costs	$
Purchase of the Series 2019B-1 Bonds	
Costs of Issuance[(1)]	
Total Uses of Funds	**$**

(1) Includes amounts for Underwriters' discount, legal, consulting and printing fees, and associated bond issuance costs related to the Series 2024A Bonds.

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for each ensuing fiscal year, the gross amounts required to be made available for the payment of debt service on the existing Obligations and the Series 2024A Bonds. The principal amounts and any sinking fund requirements of the Series 2024A Bonds will be payable on July 1, and interest will be payable thereon on January 1 and July 1, commencing on July 1, 2024.

Year Ending December 31	Series 2024A Bonds		Existing Debt Service[1][2]	Total Debt Service	Aggregate Debt Service under Master Indenture[3]
	Principal	Interest			
2024	$	$	$	$	$
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
2045					
2046					
2047					
2048					
2049					
TOTAL					

(1) Debt Service after issuance of the Series 2024A Bonds and provision for the payment of the Series 2019B-1 Bonds. Debt Service includes capital leases.

(2) With respect to the Series 2019B Bonds, assumes original pricing yield as interest rate after mandatory tender dates.

(3) Debt Service calculated in accordance with the provisions of the Master Indenture for amortizing balloon maturities. Debt service on any relevant balloon maturities may change based on Master Indenture provisions for amortizing balloon maturities and market conditions.

THE SERIES 2024A BONDS

Description of the Series 2024A Bonds

The Series 2024A Bonds are being issued by the Authority under the Act and pursuant to the Bond Resolution and the Trust Agreement, will be dated their date of delivery and will bear interest from such date, payable initially on July 1, 2024 and semiannually thereafter on January 1 and July 1 in each year until maturity (each an "Interest Payment Date"). The Series 2024A Bonds will bear interest and mature on the dates and in the amounts set forth on the inside front cover page hereof, and will be subject to the redemption provisions set forth below.

The Series 2024A Bonds are issuable as fully registered bonds in the denomination of $5,000 and integral multiples thereof and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). DTC will act as a securities depository for the Series 2024A Bonds. Purchases of the Series 2024A Bonds will be made in book-entry form. See "THE SERIES 2024A BONDS – Book–Entry Only System" herein.

As long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2024A Bonds, payments of principal, redemption price of and interest on the Series 2024A Bonds will be made directly to Cede & Co. Interest on the Series 2024A Bonds which is payable and is punctually paid or provided for on any Interest Payment Date will be paid to the registered owner at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding each Interest Payment Date (a "Record Date"). Interest on each Interest Payment Date is payable by check mailed by the Trustee in its capacity as Paying Agent for the Series 2024A Bonds to the registered holder thereof at its registered address.

For every transfer and exchange of the Series 2024A Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

Redemption Provisions*

The Series 2024A Bonds are subject to optional redemption, mandatory sinking fund redemption and extraordinary redemption, all as described below.

Optional Redemption. The Series 2024A Bonds shall be subject to redemption prior to maturity at the option of an Authorized Officer of the Authority, which option shall be exercised upon written request of the Parent given to the Trustee and the Authority as provided in the Loan Agreement, in whole or in part at any time on or after July 1, 20__, at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Series 2024A Bonds to be redeemed, plus accrued interest (if any) to the redemption date.

Purchase in Lieu of Redemption. An Authorized Officer of the Authority (at the direction of the Parent) shall have the option to purchase any Series 2024A Bonds called for optional redemption (the "Callable Series 2024A Bonds") in lieu of optional redemption of those Series 2024A Bonds. Such option may only be exercised by an Authorized Officer of the Authority (at the direction of the Parent)

* Preliminary, subject to change.

upon delivery to the Trustee of (i) written notice from the Authority at least two (2) Business Days prior to the date set for dissemination of the notice of redemption for the Callable Series 2024A Bonds preceding the proposed optional redemption date for the Callable Series 2024A Bonds specifying that the Callable Series 2024A Bonds shall not be redeemed, but instead shall be purchased pursuant the Trust Agreement, and (ii) a Favorable Opinion of Bond Counsel (as defined in the Trust Agreement) with respect to the purchase of the Callable Series 2024A Bonds in lieu of optional redemption pursuant to the Trust Agreement. Upon delivery of such notice from the Authority and the Favorable Opinion of Bond Counsel, the Callable Series 2024A Bonds shall not be redeemed, but shall instead be subject to mandatory tender on the date that would have been the optional redemption date at a purchase price equal to the redemption price that would have been payable with respect to such Callable Series 2024A Bonds. The Authority's option (at the direction of the Parent) to purchase the Callable Series 2024A Bonds shall be effective and contained in the notice of optional redemption/tender sent to the Bondholders of the Series 2024A Bonds indicating that the Authority has exercised, or intends to exercise, such option. No further or additional notice to the Bondholders of the Series 2024A Bonds shall be required in connection with the purchase of the Callable Series 2024A Bonds in lieu of optional redemption. The Callable Series 2024A Bonds purchased shall (i) not be cancelled or retired, but shall continue to be Outstanding under the Trust Agreement, (ii) be registered in the name of, or as directed by, the Parent, and (iii) continue to bear interest at the rate provided for in the Trust Agreement. Notwithstanding any provision of the Trust Agreement to the contrary, if at any time the consent of the Bondholders of a particular percentage of the Series 2024A Bonds then Outstanding is required pursuant to the provisions of the Trust Agreement, any Series 2024A Bonds that have been purchased by the Authority and are registered in the name of the Parent or any of its affiliates in accordance with the provisions of the Trust Agreement shall be deemed not to be Outstanding under the Trust Agreement for purposes of obtaining such consent.

Mandatory Sinking Fund Redemption. The Series 2024A Bonds maturing on July 1, 20__ and July 1, 20__ are subject to redemption from mandatory Sinking Fund Installments prior to maturity in accordance with the Trust Agreement, at a Redemption Price of 100% of the principal amount to be redeemed, plus accrued interest thereon to the date of redemption, on July 1 in each of the years and in the amounts set forth below. The Series 2024A Bonds or portions thereof of each such maturity to be redeemed shall be selected by the Trustee by lot or in any other customary manner determined by the Trustee.

$_____ Series 2024A Term Bond Maturing on July 1, 20__

Year	Amount
	$
*	

*Maturity.

$_____ Series 2024A Term Bond Maturing on July 1, 20__

Year	Amount $
*	

*Maturity.

Extraordinary Redemption. The Series 2024A Bonds are also subject to extraordinary redemption prior to maturity, at the option of an Authorized Officer of the Authority, which option shall be exercised upon written request of the Parent given to the Authority and the Trustee as provided in the Loan Agreement, as a whole at any time or in part from time to time on any Interest Payment Date, to the extent of any insurance proceeds or condemnation awards which are received in respect of any damage to or destruction or taking under the power of eminent domain of all or any part of the property of the Parent and which insurance proceeds or condemnation awards are not applied toward the replacement, restoration or repair of such property. Any such redemption shall be made after the giving of requisite notice at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date. The Series 2024A Bonds or portions thereof to be redeemed shall be selected by lot or in any other customary manner determined by the Trustee; provided, however, that the principal amount of any Series 2024A Bonds redeemed pursuant to this extraordinary redemption provision shall satisfy and be credited against the unsatisfied balance of the Sinking Fund Installments in inverse order of scheduled payment date.

Selection of Series 2024A Bonds for Redemption

Series 2024A Bonds shall be redeemed only in Authorized Denominations. Whenever provision is made in the Trust Agreement for the redemption of less than all of the Series 2024A Bonds, the specific maturity or maturities of the Series 2024A Bonds to be redeemed shall be selected by an Authorized Officer of the Authority, at the written direction of the Borrower, and then within any such maturity selected to be redeemed, the Trustee shall select the Series 2024A Bonds to be redeemed from all Series 2024A Bonds of such maturity subject to redemption or such given portion thereof not previously called for redemption, by lot or in any other customary manner determined by the Trustee. In connection with a partial redemption of Series 2024A Bonds when Series 2024A Bonds in denominations greater than the minimum Authorized Denomination are then Outstanding, each portion of the principal amount of such Series 2024A Bonds equal to the minimum Authorized Denomination shall be treated as if it were a separate Series 2024A Bond in the minimum Authorized Denomination.

Notice of Redemption

So long as DTC (hereinafter defined) or its nominee is the registered owner of the Series 2024A Bonds, the Trustee, the Bond Registrar and the Paying Agent will recognize DTC or its nominee as the Bondholder for all purposes, including notices and voting. Conveyance of notices and other communications by DTC to DTC Participants (hereinafter defined), by DTC Participants to Indirect Participants (hereinafter defined), and by DTC Participants and Indirect Participants to Beneficial Owners (hereinafter defined) will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time.

The Trustee shall give notice of redemption of the Series 2024A Bonds to the Bondholders by mail, postage prepaid, mailed, or given by Electronic Means, not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption. If at the time of the giving of any notice of any optional or extraordinary redemption of the Series 2024A Bonds the Authority has not deposited with the Trustee moneys sufficient to redeem all Series 2024A Bonds then to be called for redemption, such notice must state that it is conditional and is subject to the deposit with the Trustee of moneys sufficient to effect such redemption by no later than the opening of business on the redemption date. Such notice of redemption will be of no effect unless the moneys described in the preceding sentence are so deposited.

So long as DTC or its nominee is the Bondholder, any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner so affected, shall not affect the validity of the redemption.

So long as DTC or its nominee is the Bondholder, if less than all of the Series 2024A Bonds of any one maturity shall be called for redemption, the particular Series 2024A Bonds or portions of Series 2024A Bonds of such maturity to be redeemed shall be selected by lot by DTC and the DTC Participants in such manner as DTC and the DTC Participants may determine.

Payment of Redeemed Bonds

Notice having been given in the manner provided above, Series 2024A Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender thereof at the office specified in such notice, such Series 2024A Bonds, or portions thereof, shall be paid at the Redemption Price, plus interest accrued and unpaid to the redemption date, provided that interest shall be payable to the Bondholder in whose name such Series 2024A Bond is registered as of the applicable Record Date. If, on the redemption date, moneys for the redemption together with interest to the redemption date, shall be held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been mailed as aforesaid, then, from and after the redemption date, the Series 2024A Bonds so called for redemption shall cease to bear interest and such Series 2024A Bonds shall no longer be considered to be Outstanding under the Trust Agreement. If said moneys shall not be so available on the redemption date, the principal of such Series 2024A Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

For a description of certain other provisions relating to the Series 2024A Bonds, see "SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT, THE TRUST AGREEMENT AND THE MASTER INDENTURE – SUMMARY OF THE TRUST AGREEMENT" in Appendix C hereto.

Book-Entry Only System

THE INFORMATION IN THIS SECTION HAS BEEN PROVIDED BY DTC AND IS NOT DEEMED TO BE A REPRESENTATION OF THE AUTHORITY OR THE OBLIGATED GROUP.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2024A Bonds. The Series 2024A Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2024A Bond will be issued for each maturity as set forth on the inside front cover hereof 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 bonds certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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.

Purchases of Series 2024A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2024A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2024A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2024A 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 Series 2024A Bonds, except in the event that use of the book-entry system for the Series 2024A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2024A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2024A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2024A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2024A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2024A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2024A 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 or Paying Agent 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 Series 2024A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2024A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Series 2024A Bonds 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, Paying Agent, or the Authority, 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 Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as bond depository with respect to the Series 2024A Bonds at any time by giving reasonable notice to the Authority or the Parent. Under such circumstances, in the event that a successor bond depository is not obtained, the Series 2024A Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor bond depository). In that event, the Series 2024A Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

THE AUTHORITY, THE PARENT, THE PAYING AGENT AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2024A BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST AND REDEMPTION PREMIUM, IF ANY, ON THE SERIES 2024A BONDS, (2) CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN THE SERIES 2024A BONDS, OR (3) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNERS OF THE SERIES 2024A

BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DTC PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE AUTHORITY, THE BOND REGISTRAR, THE TRUSTEE, NOR THE PAYING AGENT SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE BOND REGISTRAR AS BEING A BONDHOLDER WITH RESPECT TO (1) THE SERIES 2024A BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2024A BONDS; (4) THE DELIVERY BY DTC OR ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE TRUST AGREEMENT TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2024A BONDS, OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS A BONDHOLDER.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2024A BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE SERIES 2024A BOND OWNERS OR REGISTERED OWNERS OF THE SERIES 2024A BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2024A BONDS.

SOURCES OF PAYMENT FOR THE SERIES 2024A BONDS

General

THE SERIES 2024A BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE REVENUES PLEDGED TO THE PAYMENT THEREOF AND THE FUNDS AND ACCOUNTS HELD UNDER THE TRUST AGREEMENT (EXCEPT THE REBATE FUND), AND ARE NOT A DEBT OR LIABILITY OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE AUTHORITY (TO THE EXTENT SET FORTH IN THE TRUST AGREEMENT), OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE, ANY POLITICAL SUBDIVISION THEREOF OR THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

Pledge by Authority under Trust Agreement of Trust Estate for Series 2024A Bonds

The Series 2024A Bonds are special and limited obligations of the Authority, payable from amounts on deposit in certain funds (and the investment income thereon) held by the Trustee pursuant to the Trust Agreement, and secured by a pledge and assignment to the Trustee of, the Loan Agreement and the rights of the Authority to receive loan payments thereunder (excluding certain fees and expenses and certain indemnity payments), and payments made by the Parent and the other Members of the Obligated Group pursuant to the Series 2024A Note issued under the Master Indenture to evidence and secure the

payment obligations of the Parent and the other Members of the Obligated Group under the Loan Agreement. Under the Loan Agreement, the Parent is required to make loan payments in amounts that will be sufficient to pay the principal, redemption premium, if any, and interest on the Series 2024A Bonds and to pay certain administrative costs of the Authority and all other amounts required to be paid by the Parent in accordance with the Trust Agreement. The loan payments under the Loan Agreement will be a general obligation of the Parent. Moneys held by the Trustee under the Trust Agreement are required to be invested as provided therein. See "SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT, THE TRUST AGREEMENT AND THE MASTER INDENTURE – SUMMARY OF THE TRUST AGREEMENT" in Appendix C hereto.

Pledge by Obligated Group under Master Indenture of Gross Revenues

The Parent, as Combined Group Agent, will execute and upon authentication thereof by the Master Trustee, deliver to the Trustee, as the assignee of the Authority, the Series 2024A Note, to evidence and secure the payment obligations of the Parent under the Loan Agreement. The Series 2024A Note will be issued in a principal amount equal to the aggregate principal amount of the Series 2024A Bonds. Under the terms of the Master Indenture, the Series 2024A Note will be a joint and several general obligation of the Members of the Obligated Group and any other future Members of the Obligated Group. Payments under the Series 2024A Note are scheduled to be made at the times and in the amounts required to pay debt service on the Series 2024A Bonds and will be credited against the loan payment requirements of the Parent under the Loan Agreement. Payment of the Series 2024A Note is required to be in an amount sufficient to enable the Authority to meet all of its obligations under the Series 2024A Bonds and the Trust Agreement and certain costs and expenses described in the Loan Agreement.

Under the Master Indenture, the Obligated Group has granted to the Master Trustee for the equal and ratable benefit of the holders of all Obligations issued under the Master Indenture (including the Series 2024A Note) a first lien on and security interest in the Gross Revenues of each Member of the Obligated Group. Inasmuch as payments on Obligations issued under the Master Indenture may (unless certain Events of Default exist under the Master Indenture) be made directly to the holders of such Obligations, there may not be any amounts deposited in the Gross Revenues Account under the Master Indenture. Gross Revenues is defined in the Master Indenture as all Revenues (as defined in the Master Indenture), rents, profits, receipts, benefits, royalties, and income of any Member of the Obligated Group arising from goods or services provided by Members of the Obligated Group 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 of the Obligated Group; (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 of the Obligated Group 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 the Master Indenture or on any Obligations or Indebtedness.

Limitation on Liens under Master Indenture

Except for Permitted Encumbrances under the Master Indenture, the Members of the Obligated Group covenant that they will not pledge, suffer to exist or grant any mortgage or pledge of, security interest in, lien on, hypothecation of, or any other encumbrance, priority or preference, on the Gross Revenues or on any Property of a Material Obligated Group Member. A Material Obligated Group Member under the Master Indenture is any Member of the Obligated Group 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. See "SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT, THE TRUST AGREEMENT AND THE MASTER INDENTURE – SUMMARY OF THE MASTER INDENTURE – Permitted Encumbrances" and the related definitions in Appendix C hereto.

Other Indebtedness of the Obligated Group

The Members of the Obligated Group may incur additional indebtedness secured by purchase money security interests or by liens, on a parity with, or subordinate to, the Obligations, upon compliance with the applicable provisions of the Master Indenture. The additional indebtedness may be issued as Obligations issued under the Master Indenture, for the payment of which the Members of the Obligated Group together with any future Members of the Obligated Group will be jointly and severally liable. See "SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT, THE TRUST AGREEMENT AND THE MASTER INDENTURE – SUMMARY OF THE MASTER INDENTURE – Permitted Indebtedness" in Appendix C hereto.

See also "FINANCIAL INFORMATION – Summary of Outstanding Debt" in Appendix A hereto for a description of the currently outstanding indebtedness of Members of the Obligated Group that is secured by promissory notes and/or other Debt Obligations issued under and pursuant to the Master Indenture. The Series 2024A Note and all such other Debt Obligations will be on parity with each other and will be equally and ratable secured under the Master Indenture.

Financial Covenants of the Combined Group

The Combined Group. The Members of the Combined Group consist of the Members of the Obligated Group and any Designated Affiliate under the Master Indenture. See "INTRODUCTION – The Obligated Group" herein, and Appendix A hereto. As of the date of issuance and delivery of the Series 2024A Bonds, there will be no Designated Affiliates under the Master Indenture.

Long-Term Debt Service Coverage Ratio. The Parent, as the Combined Group Agent, shall calculate the Income Available for Debt Service of the Combined Group or, at the option of the Combined Group Agent, the System (if permitted by the Master Indenture), for each Fiscal Year as of the end of such Fiscal Year and the Long-Term Debt Service Coverage Ratio of the Combined Group or the System, as the case may be, for such Fiscal Year as of the end of such Fiscal Year.

If in any Fiscal Year the Long-Term Debt Service Coverage Ratio of the Combined Group or the System, as the case may be, is less than 1.10 to 1, the Combined Group Agent shall at the expense of the Combined Group retain a Consultant, in a timely manner but in no event later than ninety (90) days after the date on which the Combined 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 Combined Group or the System, as the case may be, and the methods of operation of the Combined Group or the System, as the case may be, 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 Combined Group has retained a Consultant and has followed the report and recommendations of the Consultant to the extent permitted by applicable laws, the Combined Group shall not be deemed to have violated the applicable provisions of the Master Indenture.

A copy of the Consultant's report and recommendations, if any, shall be filed with the Combined Group Agent and the Master Trustee. Each Member of the Obligated Group 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 of the Obligated Group shall take such steps as they consider feasible to cause System Affiliates that are not Members of the Obligated Group or Designated Affiliates to follow each recommendation of the Consultant applicable to such System Affiliate.

The foregoing provisions notwithstanding, if in any Fiscal Year the Long-Term Debt Service Coverage Ratio of the Combined Group or the System, as the case may be, is less than 1.10 to 1, the Combined 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 that contains an opinion of such Consultant to the effect that applicable laws or regulations have prevented the Combined Group or the System, 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 Combined Group or the System, 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 Combined Group, as the case may be, are such that, in the opinion of the Consultant, the System Affiliates or the Members of the Combined 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 Combined Group or the System, as the case may be, was at least 1.00 to 1 for such Fiscal Year. The Combined 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 Combined Group Agent provides to the Master Trustee an Officer's Certificate or an opinion of Counsel to the effect that the applicable laws and regulations underlying the Consultant's report delivered in respect of the previous Fiscal Year have not changed in any material way.

Notwithstanding anything else in the Master Indenture to the contrary, it shall be an Event of Default under the Master Indenture if as of the end of any Fiscal Year the Long-Term Debt Service Coverage Ratio of the Combined Group is less than 1.00 to 1. See "SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT, THE TRUST AGREEMENT AND THE MASTER INDENTURE – SUMMARY OF THE MASTER INDENTURE – Long-Term Debt Service Coverage Ratio" in Appendix C hereto.

Pursuant to the provisions of the Fourteenth Supplemental Indenture and the Fifteenth Supplemental Indenture, certain amendments and modifications to the above described provisions currently contained in the Master Indenture relating to the Long-Term Debt Service Coverage Ratio may become effective in the future. See "SOURCES OF PAYMENT FOR THE SERIES 2024A BONDS – Springing Covenant Amendments" herein.

Days Cash On Hand Requirement. Each Member of the Combined Group covenants and agrees that the Combined Group or, at the option of the Combined Group Agent, the System (if permitted by the Master Trust Indenture), shall be in compliance with the Days Cash on Hand Requirement of at least 75 Days Cash on Hand at the conclusion of each Fiscal Year. The Parent, as the Combined Group Agent, shall determine the compliance of the Combined Group or the System, as applicable, with the Days Cash on Hand Requirement after the conclusion of each Fiscal Year based upon the audited consolidated financial statements of the Combined Group or the System, as applicable, for such Fiscal Year, and shall deliver an Officer's Certificate evidencing such compliance to the Master Trustee within five (5) Business Days after the audited consolidated financial statements of the Combined Group or the System, as applicable, for such Fiscal Year are delivered to the Master Trustee pursuant to the Master Indenture.

If the Combined Group or the System, as the case may be, is not in compliance with the Days Cash on Hand Requirement as determined in the preceding paragraph, the Combined Group Agent shall, at the expense of the Combined Group, retain a Consultant, in a timely manner but in no event later than ninety (90) days after the date on which the Combined Group Agent determines that the Days Cash on Hand Requirement has not been complied with, to prepare a report setting forth in detail the reasons for such noncompliance and making recommendations with respect to the operation and management of any and all Members of the Combined Group or the System, as the case may be, which in the Consultant's judgment, will enable the Combined Group or the System, as the case may be, to comply with the Days Cash on Hand Requirement at the earliest possible time. Any Consultant so retained shall be required to submit such report and recommendations within sixty (60) days after being retained. So long as the Combined Group has retained a Consultant and has followed the report and recommendations of the Consultant to the extent permitted by applicable laws, the Combined Group shall not be deemed to have violated the Days Cash On Hand Requirement.

A copy of the Consultant's report and recommendations, if any, shall be filed with the Combined Group Agent and the Master Trustee. Each Member of the Obligated Group 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 of the Obligated Group shall take such steps as they consider feasible to cause System Affiliates that are not Members of the Obligated Group or Designated Affiliates to follow each recommendation of the Consultant applicable to such System Affiliate.

Notwithstanding anything else in the Master Indenture to the contrary, it shall be an Event of Default under the Master Indenture if at the conclusion of any Fiscal Year the Combined Group or the System, as the case may be, shall fail to maintain at least sixty (60) Days Cash on Hand. See "SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT, THE TRUST AGREEMENT AND THE MASTER INDENTURE – SUMMARY OF THE MASTER INDENTURE – Days Cash on Hand Requirement" in Appendix C hereto.

Pursuant to the provisions of the Fourteenth Supplemental Indenture, the above described provisions currently contained in the Master Indenture relating to the Days Cash on Hand Requirement may be eliminated from the Master Trust Indenture in the future and no longer be in force or effect. See "SOURCES OF PAYMENT FOR THE SERIES 2024A BONDS – Springing Covenant Amendments" herein.

Springing Covenant Amendments

In accordance with the terms of the Master Indenture, the Fifteenth Supplemental Indenture provides for the consent to the Springing Covenant Amendments No. 1, which shall become effective upon the Master Trustee's receipt of the requisite consent of the holders of a majority in aggregate principal amount of all Debt Obligations outstanding under the Master Indenture, calculated at the time at which such majority consent is fully obtained. The process for attaining majority consent for the Springing Covenant Amendments No. 1 was previously initiated under the terms of the Fourteenth Supplemental Indenture. In addition, the Fifteenth Supplemental Indenture contains the Springing Covenant Amendments No. 2, which shall become effective upon the Master Trustee's receipt of the requisite consent of the holders of a majority in aggregate principal amount of all Debt Obligations outstanding under the Master Indenture, calculated at the time at which such majority consent is fully obtained. The Fifteenth Supplemental Indenture provides that the Authority and the Bond Trustee, as a result of their acceptance of the Series 2024A Note, are deemed to have consented to the Springing Covenant Amendments. The requisite consent of the majority percentage of Debt Obligations outstanding under the Master Indenture for each of the respective set of Springing Covenant Amendments may be achieved at some point in the future (i) by obtaining the affirmative consent to the Springing Covenant Amendments of the holders of existing Debt Obligations outstanding under the Master Indenture, (ii) through the issuance of new additional Debt Obligations for which consent to the Springing Covenant Amendments is given upon issuance, (iii) through the prepayment, final maturity or other retirement of existing outstanding Debt Obligations for which consent to the Springing Covenant Amendments has not been received, or (iv) through any combination of one or more of the foregoing. The Springing Covenant Amendments No. 1 and the Springing Covenant Amendments No. 2 are independent of each other and each set of Springing Covenant Amendments must receive majority consent independently in order to become effective. Upon the issuance of the Series 2024A Bonds and the Series 2024A Note, the percentage of holders in aggregate principal amount of Debt Obligations for which consent to (i) the Springing Covenant Amendments No. 1 shall have been received, is anticipated to be approximately 32%, and (ii) the Springing Covenant Amendments No. 2 shall have been received, is anticipated to be approximately 11%. The proposed Series 2024 Taxable Commercial Paper and the Series 2024B Bonds would be secured by notes issued under the Master Indenture, and the Supplemental Indentures authorizing such notes would provide that the holders of such notes securing the Series 2024 Taxable Commercial Paper and the Series 2024B Bonds would be deemed to have consented to the Springing Covenant Amendments and accordingly increasing the percentage of holders in the aggregate principal amount of all Debt Obligations outstanding for which consent to the Springing Covenant Amendments has been received.

The Springing Covenant Amendments No. 1 include amendments to the Long Term Debt Service Coverage Ratio covenant and the Days Cash on Hand Requirement covenant set forth above, as well as amendments to the provisions of certain financial tests to be satisfied in connection with the incurrence of indebtedness and certain actions requiring satisfaction of the Transaction Test under the Master Indenture, as follows:

(A) *Long Term Debt Service Coverage Ratio*: (i) The retention of a Consultant shall no longer be required for failure to maintain a Long-Term Debt Service Coverage Ratio of at least 1.10 to 1, if such failure is direct or indirect result of the occurrence of a Force Majeure Event (as such defined term is to be added to the Master Indenture) in the sole discretion of the Combined Group Agent; and (ii) an Event of Default shall occur upon the failure to maintain a Long-Term Debt Service Coverage Ratio of at least 1.00 to 1 as of the end of any two consecutive Fiscal Years (as opposed to the end of any single Fiscal Year as provided under current covenant terms).

(B) *Days Cash on Hand Requirement*: No longer to be required.

(C) *Permitted Indebtedness*: In lieu of demonstrating satisfaction of the Transaction Test as currently comprised, the Combined Group Agent will be required to demonstrate that (a) no Event of Default has occurred under the Master Indenture and then exists or would result from the incurrence of such Indebtedness, and (b) that either (i) the Income Available for Debt Service of the Combined Group or, at the option of the Combined Group Agent, the System (if permitted by the Master Trust Indenture), following the incurrence of such Indebtedness would not be less than 150% of the Maximum Annual Debt Service of the Combined Group or, at the option of the Combined Group Agent, the System (if permitted by the Master Trust Indenture), such pro forma calculation to be based on the most recent audited financial statements of the Combined Group or the System, as the case may be, or (ii) based upon the average of the Income Available for Debt Service of the Combined Group or, at the option of the Combined Group Agent, the System (if permitted by the Master Trust Indenture) in the two most recent Fiscal Years for which audited financial statements of the Combined Group or the System, as the case may be, are available, following the incurrence of such Indebtedness such average Income Available for Debt Service would not be less than 125% of the Maximum Annual Debt Service of the Combined Group or, at the option of the Combined Group Agent, the System (if permitted by the Master Trust Indenture).

(D) *Transaction Test*: The ratio level of Income Available for Debt Service of the Combined Group or, at the option of the Combined Group Agent, the System (if permitted by the Master Indenture), following the proposed transaction would not be less than 120% (as opposed to 150% required under current covenant terms) of the Maximum Annual Debt Service of the Combined Group or, at the option of the Combined Group Agent, the System (if permitted by the Master Indenture), based on the most recent audited financial statements of the Combined Group or the System, as the case may be.

The Springing Covenant Amendments No. 2 include further amendments to the Long Term Debt Service Coverage Ratio covenant set forth above, as well as amendments to the provisions of certain financial tests to be satisfied in connection with the disposition of assets and certain provisions governing the calculation of debt service for all Long-Term Indebtedness under the Master Indenture, as follows:

(A) *Long Term Debt Service Coverage Ratio*: (i) The retention of a Consultant shall no longer be required for failure to maintain a Long-Term Debt Service Coverage Ratio of at least 1.10 to 1, if such failure is direct or indirect result of the occurrence of a Force Majeure Event (as such defined term is to be added to the Master Indenture) in the sole discretion of the Combined Group Agent; and (ii) an Event of Default shall occur upon (a) the failure to maintain a Long-Term Debt Service Coverage Ratio of at least 1.00 to 1 as of the end of any two consecutive Fiscal Years (as opposed to the end of any single Fiscal Year as provided under current covenant terms or as otherwise modified as provided above), (b) the Combined Group or, at the option of the Combined Group Agent, the System, as the case may be, had less than 150 Days Cash on Hand at the conclusion of such second Fiscal Year, and (c) the principal amount of all Outstanding Long-Term Indebtedness of the Combined Group or the System, as the case may be, at the conclusion of such second Fiscal Year exceeded 66.66% of the Capitalization of the Obligated Group (the foregoing provisions of (ii)(b) and (c) being added by such amendment).

(B) *Debt Service Requirements*: For purposes of the calculation of the Debt Service Requirements on Long-Term Indebtedness, at the election of the Combined Group Agent, all Long-Term Indebtedness shall be deemed to be Indebtedness that is payable over (a) thirty (30) years from the date of such calculation at a rate of interest equal to (i) the actual rate of interest on such Indebtedness, or (ii) that derived from the Bond Index, as determined by an Officer's Certificate, and in each case with level

annual debt service on such Indebtedness, or (b) such other amortization period that does not extend beyond the remaining term to maturity of such Indebtedness, at a rate of interest equal to (i) the actual rate of interest on such Indebtedness, or (ii) that derived from the Bond Index, as determined by an Officer's Certificate, and in each case with level annual debt service on such Indebtedness. (as opposed to 30-year level annual debt service smooth out limited to Balloon Indebtedness only).

(C) *Permitted Dispositions*: Notwithstanding anything else in the Master Indenture to the contrary, the ability of Members of the Obligated Group to sell, lease, remove, release from the lien of the Master Indenture, transfer, assign, convey or otherwise dispose of any Property of the members of the Obligated Group for any purpose is not limited or restricted.

At this time, the Parent cannot determine if, or when, the Springing Covenant Amendments may become effective under the terms of the Master Indenture. See "SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT, THE TRUST AGREEMENT AND THE MASTER INDENTURE – SUMMARY OF THE MASTER INDENTURE – Days Cash on Hand Requirement," "-Long-Term Debt Service Coverage Ratio," "Permitted Indebtedness," "-Permitted Dispositions" and "-Debt Service on Balloon Indebtedness" and related definitions, including, but not limited to, the definition to be added for the terms "Force Majeure Event" and "Capitalization" and the amendment to the definition of the terms "Transaction Test," "Days Cash on Hand," "Debt Service Requirements" and "Operating Expenses" in Appendix C hereto wherein a detailed summary of the applicable provisions of the Master Indenture are presented as currently in effect, and as to be amended, if and to the extent the Springing Covenant Amendments become effective at some point in the future.

CERTAIN PROVISIONS RELATING TO THE MASTER INDENTURE

The Members of the Obligated Group have covenanted in the Master Indenture (a) not to withdraw from or permit other entities to join the Obligated Group, except as permitted under the Master Indenture, (b) not merge into, or consolidate with, one or more corporations or other legal entities, allow one or more of such corporations or other legal entities to merge into it, or sell or convey all or substantially all of its Property, unless certain conditions of the Master Indenture are met, and (c) not to sell, lease, remove, release from the lien of the Master Indenture, transfer, assign, convey or otherwise dispose of any Property of the Members of the Obligated Group unless certain conditions of the Master Indenture are met.

See "SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT, THE TRUST AGREEMENT AND THE MASTER INDENTURE – SUMMARY OF THE MASTER INDENTURE – Entrance into the Obligated Group," "– Cessation of Status as a Member of the Obligated Group," " – Permitted Reorganizations," and "– Permitted Dispositions" in Appendix C hereto.

Pursuant to the provisions of the Fifteenth Supplemental Indenture, the above described provisions currently contained in the Master Indenture relating to the restrictions on the ability of the Members of the Obligated Group to sell, lease, remove, release from the lien of the Master Indenture, transfer, assign, convey or otherwise dispose of any Property may be eliminated from the Master Trust Indenture in the future and no longer be in force or effect. See "SOURCES OF PAYMENT FOR THE SERIES 2024A BONDS – Springing Covenant Amendments" herein.

BONDHOLDERS' RISKS

The discussion herein of risks to the registered owners of the Series 2024A Bonds is not intended as dispositive, comprehensive or definitive, but rather is to summarize certain matters that could affect payment on the Series 2024A Bonds. Other sections of this Official Statement, as cited herein, should be referred to for a more detailed description of risks described in this section, which descriptions are qualified by reference to any documents discussed therein. Copies of all such documents are available for inspection at the principal office of the Trustee.

General; Factors That Could Affect the Future Financial Condition of the Members of the Obligated Group

The Series 2024A Bonds are not a debt or liability of the State or any political subdivision thereof other than the Authority to the limited extent set forth herein, or a pledge of the faith and credit of the State or any such political subdivision or the Authority, but are special and limited obligations of the Authority, payable solely from (i) the revenues received by the Authority from the Parent in accordance with the Loan Agreement and the Members of the Obligated Group pursuant to the Series 2024A Note that evidence and secure the obligations of the Parent pursuant to the Loan Agreement, (ii) the funds and accounts held pursuant to the Trust Agreement (except the Rebate Fund) and (iii) certain investment income thereon. The Authority has no taxing power.

Risk of Redemption or Acceleration

The Series 2024A Bonds are subject to redemption or acceleration prior to maturity in certain circumstances, including but not limited to the failure of the Parent to make timely payments under the Loan Agreement. Bondholders may not realize their anticipated yield on investment to maturity because the Series 2024A Bonds may be redeemed or accelerated prior to maturity at par or at a redemption price that results in the realization of less than anticipated yield to maturity.

Adequacy of Revenues

Except to the extent otherwise noted herein, the Series 2024A Bonds are payable solely from the payments required to be made by the Parent to the Authority under the Loan Agreement, as evidenced by the Series 2024A Note. The Series 2024A Note are each an Obligation issued under the Master Indenture and is therefore an Obligation of the Obligated Group. To the extent the Obligated Group makes payments on the Series 2024A Note, there will be a credit given for the Parent's obligation to make loan payments under the Loan Agreement. Therefore, Holders of the Series 2024A Bonds are dependent upon the creditworthiness of the Members of the Obligated Group. No representation or assurance can be made that revenues will be realized by the Obligated Group in amounts sufficient to pay maturing principal of, redemption premium, if any, and interest on the Series 2024A Bonds. The ability of the Parent to make payments under the Loan Agreement and the ability of the Authority to make payments on the Series 2024A Bonds under the Trust Agreement depends, among other things, upon the capabilities of management of the Members of the Obligated Group and the ability of the Members of the Obligated Group to maximize revenues under various third party reimbursement programs and to minimize costs and to obtain sufficient revenues from their operations to meet such obligations. Revenues and costs are affected by and subject to conditions that may change in the future to an extent and with effects that cannot be determined at this time. The risk factors discussed below should be considered in evaluating the ability of (i) the Parent to make payments in amounts sufficient to meet its obligations under the Loan Agreement, and (ii) the ability of the Members of the Obligated Group to make payments in amounts

sufficient to meet their obligations under the Master Indenture and the Series 2024A Note. This discussion is not, and is not intended to be, exhaustive.

The ability of the Members of the Obligated Group, if any, to make required payments on the Series 2024A Note is subject to, among other things, the capabilities of the management of the Members of the Obligated Group and future economic and other conditions, which are unpredictable and which may affect revenues and costs and, in turn, the payment of principal of, premium, if any, and interest on the Series 2024A Note and the Series 2024A Bonds. Future revenues and expenses of the Obligated Group will be affected by events and conditions relating generally to, among other things, demand for the Obligated Group's services, its ability to provide the services required by patients, physicians' relationships with the Obligated Group, management capabilities, the design and success of the Obligated Group's strategic plans, economic developments in the service area, the Obligated Group's ability to control expenses, maintenance by the Members of the Obligated Group of relationships with HMOs and PPOs (as defined herein) and other third-party payor programs, competition, rates, costs, third-party reimbursement, the Obligated Group's ability to transition from a fee-for-service to value-based payment models, the Obligated Group's investment in information technology infrastructure and human resources to meet federal quality data reporting requirements, future federal and State funding of health care reimbursement programs and potential future modifications of said programs, legislation, governmental regulation, general economic conditions and other conditions that are impossible to predict. Federal and state funding statutes and regulations are the subject of intense legislative debate and 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. The Authority has not made any independent investigation of the extent to which any such factors may have an adverse impact on the financial condition of the Members of the Obligated Group. THERE CAN BE NO ASSURANCE THAT THE REVENUES OF THE MEMBERS OF THE OBLIGATED GROUP OR UTILIZATION OF THEIR FACILITIES WILL BE SUFFICIENT TO ENABLE THE MEMBERS OF THE OBLIGATED GROUP TO MAKE SUCH PAYMENTS.

No representation or assurance can be given that the Parent or the Members of the Obligated Group will generate revenues sufficient to allow payment of debt service on the Series 2024A Bonds when due.

None of the provisions, covenants, terms and conditions of the Loan Agreement, the Master Indenture and the Series 2024A Note issued pursuant thereto will afford any assurance that the principal and interest owing under the Loan Agreement and the Series 2024A Note (which, except for money held under the Trust Agreement, constitute the sole source of funds for the payment of the Series 2024A Bonds) will be paid as and when due, if the financial condition of the Obligated Group deteriorates to a point where the Members of the Obligated Group are unable to pay their debts as they come due, or otherwise become insolvent.

COVID-19 and Pandemic Risks

General. The COVID-19 pandemic and its spread has had and may continue to have significant medical, economic, and social impacts on the United States and the world, including New Jersey. In order to address the COVID-19 pandemic, national, state and local governments took substantial actions including the passage of laws and regulations that affected the healthcare industry. Further measures may continue to be taken in the future, depending on new surges of COVID-19 or pandemics arising from other pathogens. COVID-19 has had, and it and other pandemics or epidemics may in the future have, an extraordinary impact on both the international and U.S. domestic economy, and it is unclear how long the ramifications of the COVID-19 pandemic will continue to be felt or if new surges in COVID-19 will

continue to affect the economy. Overall, the COVID-19 pandemic has caused, and any future pandemic or epidemic could cause, great financial strain on the healthcare industry.

Operational Disruption. The COVID-19 pandemic has affected the Members of the Obligated Group's ability to conduct normal business operations and, as a result, the Obligated Group's operations, financial condition and financial performance have been, and may continue to be, adversely affected in significant ways. In order to reduce the spread of the virus, federal, state and local governments previously issued general "stay at home" or "shelter in place" orders that mandated social distancing, suspended elective surgeries and other non-emergency medical services, and closed school systems and closed or limited non-essential business activities in an effort to slow the spread of COVID-19. Although such restrictions, were gradually lifted, the restrictions adversely affected the revenues of health care providers. It cannot be predicted whether COVID-19 or another outbreak of a different disease will require similar or new restrictions to be implemented in the future.

President Biden announced a COVID-19 Action Plan in fall of 2021 (the "2021 Action Plan"). One of the components of the 2021 Action Plan was a COVID-19 vaccination requirement for federal workers and contractors, as well as healthcare workers in hospitals, nursing facilities and other institutions that receive Medicare and Medicaid reimbursement (the "CMS Vaccine Rule"). Compliance with the CMS Vaccine Rule may have increased operating costs or affected the System's ability to recruit and retain employees. While the COVID-19 vaccination requirement for healthcare workers has been withdrawn, management of the System cannot predict at this time the potential viability or impact of any future vaccine requirements on the Members of the Obligated Group's facilities.

In the future, continued treatment of COVID-19 and its related variants or another highly contagious disease at the Members of the Obligated Group's facilities may adversely affect the Obligated Group's operations and financial performance in various ways, including but not limited to (1) an overburdening of facilities, (2) a quarantine, temporary shutdown or diversion of patients, (3) a disruption in the production or supply of pharmaceuticals, medical supplies and protective equipment and increases in the costs of such products, (4) professional or non-professional staff shortages or illnesses, (5) an increase in overhead costs due to additional costs incurred related to adjustments to the use of various facilities and to staffing during the outbreak, including overtime wages, mandated sick pay, and the use of more expensive contract staff to provide care, (6) significantly delayed payments from third-party payors, (7) increased numbers of professional liability lawsuits, (8) a larger number of uninsured patients due to increased unemployment rates, and (9) reduced patient volumes and operating revenues due to unaffected individuals deferring elective procedures or otherwise avoiding medical treatment.

Governmental Relief. A variety of federal efforts were initiated in response to the COVID-19 pandemic. On March 13, 2020 then President Trump declared a "national emergency" under both the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1988, which allowed access to disaster relief funds to address the COVID-19 pandemic and related economic dislocation, and the National Emergencies Act, which allowed the U.S. Department of Health and Human Services ("DHHS") to waive certain guidelines related to federal health care programs, including Medicare and Medicaid, to address the COVID-19 pandemic. The U.S. Congress followed by passing a series of federal relief packages to address the COVID-19 crisis, including (1) the Coronavirus Preparedness and Response Supplemental Appropriations Act of 2020 ("CPRSAA"), (2) the Families First Coronavirus Response Act ("FFA"), (3) the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), (4) the Paycheck Protection Program and Health Care Enhancement Act ("Enhancement Act"), (5) the COVID-19 response and relief portions of the Consolidated Appropriations Act, 2021 ("2021 Appropriations Act"), and (6) the American Rescue Plan Act ("American Rescue Plan" and, collectively with the CPRSAA, FFA, CARES Act, Enhancement Act and 2021 Appropriations Act, the "COVID-19 Relief Acts"). COVID-19 Relief

Act measures that helped alleviate some of the financial strain on hospitals and other health care providers included, among others: (1) a $178 billion "Public Health and Social Services Emergency Fund" to reimburse eligible health care providers for "health care related expenses or lost revenues that are attributable to coronavirus" ("Provider Relief Fund"), (2) an increase in the Federal Medicaid Assistance Percentage for state Medicaid programs, and (3) various other Medicare and Medicaid policy changes that temporarily boosted Medicare and Medicaid reimbursement or provided for additional flexibility in patient care during the COVID-19 emergency period. The ultimate effects of the COVID-19 Relief Acts, or other federal or state stimulus relief programs on the Obligated Group, or the economy generally, are still being realized. The acceptance of funds from certain COVID-19 stimulus programs, including the Provider Relief Fund, was conditioned on eligibility and the acceptance of terms and conditions, and may be subject to other guidelines or requirements that may change from time to time. Failure to comply with such guidelines or requirements could result in recoupment, False Claims Act liability, or other penalty or sanction.

Recognition of Provider Relief Funds. All Provider Relief Fund recipients attested to the Provider Relief Fund "Terms and Conditions," which among other things, require the submission and maintenance of documentation to substantiate that relief funds were used for increased healthcare related expenses or lost revenue attributable to coronavirus. Payments in excess of healthcare related expenses or lost revenue attributable to coronavirus must be repaid. DHHS reserves the right to audit Provider Relief Fund recipients to ensure that this requirement is met and collect any Provider Relief Fund amounts that were made in error or exceed lost revenue or increased expenses due to COVID-19. Failure to comply with the Terms and Conditions may be grounds for recoupment or other penalties or sanctions.

DHHS has issued reporting requirements regarding the use of Provider Relief Fund distributions ("PRF Reporting Instructions"). The PRF Reporting Instructions have been revised or superseded several times and DHHS may release revised or additional Provider Relief Fund requirements or guidance in the future. Management of the System will continue to monitor compliance with the Terms and Conditions of the Provider Relief Fund. While not anticipated, if unable to attest to or comply with current or future Terms and Conditions, the ability of the Members of the Obligated Group to retain some or all of the distributions received may be impacted.

By directive of President Biden, the public health emergency ended on May 11, 2023, resulting in the conclusion of many of the regulatory flexibilities and waivers granted by the federal government under public health emergency authority. Most states have ended their state-level emergency declarations. The Consolidated Appropriations Act of 2023 authorized states to resume redeterminations for Medicaid and terminate coverage for ineligible enrollees starting on April 1, 2023, irrespective of the status of the public health emergency. Consequently, Medicaid enrollment, which continued to benefit from the pause on membership redeterminations through March 31, 2023, is then expected to decline as states resume normal enrollment and renewal operations on April 1, 2023. Although the Federal government may consider future COVID-19 emergency response and relief legislation, the content and passage of any such legislation is uncertain. It is not yet clear what impact the withdrawal of any regulatory flexibilities will have, and there can be no assurance that it will not have a material negative financial effect on the Obligated Group.

Health Care Industry Factors Affecting the Obligated Group

The health care industry is highly dependent on a number of factors that may limit the ability of the Parent to meet its obligations under the Loan Agreement and the Members of the Obligated Group to meet their obligations under the Master Indenture, many of which are beyond their control. Among other things, participants in the health care industry are subject to significant regulatory requirements of federal,

state and local governmental agencies and independent professional organizations and accrediting bodies, technological advances and changes in treatment modes, various competitive factors and changes in third-party reimbursement programs. Discussed below are certain of these factors, which could have a significant impact on the future operations and financial condition of the Members of the Obligated Group.

The Obligated Group's ability to pay their obligations under the Loan Agreement or the Master Indenture, as the case may be, could be adversely affected by legislation, regulatory actions, economic conditions, increased competition from other health care providers, changes in the demand for health care services, government and third-party payor reimbursement changes, demographic changes, and malpractice claims and other litigation. None of the Underwriters or the Authority has made any independent investigation of the extent to which any such factors may have an adverse impact on the financial condition of the Members of the Obligated Group.

Patient Protection and Affordable Care Act and Healthcare Reform Initiatives

On March 23, 2010, former President Obama signed the Patient Protection and Affordable Care Act and on March 30, 2010, former President Obama signed the Health Care and Education Reconciliation Act of 2010, which included amendments to the earlier law (collectively, the laws are referred to as the "ACA" or "Health Care Reform").

The ACA has significantly changed, and continues to change, how health care services are covered, delivered, and financed in the United States. The primary goal of the ACA – extending health coverage to millions of uninsured legal U.S. residents – has taken place through a combination of private sector health insurance reforms and Medicaid program expansion (discussed below). To fund Medicaid expansion, the ACA includes a broad array of quality improvement programs, cost efficiency incentives, and enhanced fraud and abuse enforcement measures, each designed to generate savings within the Medicare and Medicaid programs. Additionally, the ACA created health insurance exchanges – competitive markets for individuals and small employers to purchase health insurance – and financial programs designed to encourage insurance companies to offer plans on the health insurance exchanges.

The ACA and its implementation have been, and remain, politically controversial. The ACA has continually faced, and continues to face, legal and legislative challenges, including repeal efforts. Republican leaders of Congress have repeatedly cited health care reform, and particularly repeal and replacement of the ACA, as a key goal. To that end, Congressional leaders have introduced various ACA repeal bills. While no bills wholly repealing the ACA have passed both chambers of Congress, the Tax Cuts and Jobs Act (discussed below) effectively eliminated a key provision of the ACA – a tax penalty associated with failing to maintain health coverage (the "Individual Mandate Tax Penalty") by reducing the penalty to zero dollars effective January 1, 2019. Additionally, in December 2018, a Texas Federal District Court judge, in the case of Texas v. Azar declared the ACA unconstitutional, reasoning that the Individual Mandate Tax Penalty was essential to and not severable from the remainder of the ACA. In a letter dated March 25, 2019, the U.S. Department of Justice stated that it "has determined that the district court's judgment should be affirmed." On December 18, 2019, the U.S. Court of Appeals for the Fifth Circuit affirmed the District Court's decision that the Individual Mandate Tax Penalty is unconstitutional but remanded the case to the District Court to further examine whether the Individual Mandate Tax Penalty is severable from the remainder of the ACA and to provide additional analysis of the provisions of the ACA as they currently exist. On March 3, 2020, the Supreme Court announced it would consider the severability issue during the Court's 2020-2021 term. Oral argument took place before the Supreme Court on November 10, 2020. On June 17, 2021, the Supreme Court reversed the Fifth Circuit's judgment, vacated the judgment, and remanded the case with instructions to dismiss. Management of the

Institution or Members of the Obligated Group cannot predict the likelihood of any future ACA repeal bills or other health care reform bills becoming law, or the subsequent effects of any such laws or legal decisions, though such effects could materially impact the Obligated Group's business or financial condition. In particular, any legal, legislative or executive action that (1) reduces federal health care program spending, (2) increases the number of individuals without health insurance, (3) reduces the number of people seeking health care, or (4) otherwise significantly alters the health care delivery system or insurance markets, could have a material adverse impact on the financial condition or operations of the Members of the Obligated Group.

Executive branch actions can also have a significant impact on the viability of the ACA. Trump-era executive actions have been largely revoked by President Biden in Executive Orders issued on January 28, 2021, which state that the "policy" of the Biden Administration is "to protect and strengthen Medicaid and the ACA and to make high-quality healthcare accessible and affordable for every American." Through executive action, President Biden directed the Secretary of Health and Human Services to establish a special enrollment period for the ACA from February 15, 2021 through May 15, 2021. State-based exchanges have established similar special enrollment periods. These special enrollment periods have the potential to increase exchange enrollment, with the Centers for Medicare & Medicaid Services ("CMS") reporting a record increase in enrollment in 2024 as compared to previous years.

In November 2019, CMS published a final rule under the Outpatient Prospective Payment System ("OPPS") requiring that each hospital location publish a yearly list of the hospital's standard charges for items and services provided by the hospital. Under the rule, hospitals must make public discounted cash prices, payor-specific negotiated charges, and de-identified minimum and maximum negotiated charges for at least 300 shoppable services, 70 of which will be specified by CMS and the remaining 230 selected by the hospital. Hospitals must display the required information prominently, in a consumer-friendly manner, and clearly identify the hospital location with which the standard charge information is associated on a publicly available website. Failure to comply with the above requirements may result in daily monetary penalties to the hospital, and CMS increased these penalties effective January 1, 2022. The deadline for compliance with the final rule was January 1, 2021. In April 2023 CMS announced some updates to its enforcement of the requirements, and on November 2, 2023, CMS finalized changes to the hospital price transparency regulations, including updates to its enforcement provisions, which generally were effective January 1, 2024. It is too soon to determine the impact of these changes on the Members of the Obligated Group. Publication of hospital standard charges as required may result in changes to consumer choice in a manner that may negatively impact the Obligated Group. Accordingly, there can be no assurances that compliance with these requirements would not have a material adverse financial or operational impact on the Obligated Group.

The majority of the ACA remains law. Certain key provisions of the law are briefly described below:

1. ***Private Health Insurance Coverage Expansion/Insurance Market Reforms***. One key provision of the ACA was the Individual Mandate Tax Penalty (discussed above), which required most individuals to maintain "minimum essential" health coverage or pay a tax penalty to the federal government. Individuals who were not deemed exempt from the Individual Mandate Tax Penalty and otherwise did not obtain health coverage through an employer or government program were expected to satisfy the mandate by purchasing insurance from a private company or through a "health insurance exchange." The health insurance exchanges are government established organizations that provide competitive markets for buying health insurance by offering individuals and small employers a choice of different health plans, certifying plans that participate, and providing information to help consumers

better understand their options. The Tax Cuts and Jobs Act effectively eliminated the Individual Mandate Tax Penalty by reducing the penalty to zero dollars effective January 1, 2019. While the effect of the elimination of the Individual Mandate Tax Penalty remains uncertain, it has been predicted that it will result in fewer healthy individuals purchasing insurance (through the exchanges or otherwise) and increase the number of uninsured individuals.

The health insurance exchanges may have a positive impact for health care facilities to the extent they increase the number of individuals with health insurance. Conversely, health insurance exchanges may have a negative financial impact on health care providers to the extent (1) insurance plans purchased on the exchanges reimburse providers at lower rates or (2) high deductible plans offered on the exchanges become more prevalent and lead to lower inpatient volumes as patients choose to forgo medical treatment.

The ACA also includes an "employer mandate." The "employer mandate" provisions require the imposition of penalties on employers having 50 or more employees that do not offer qualifying health insurance coverage to those working 30 or more hours per week. The ACA also established a number of other health insurance market reforms, including bans on lifetime limits and preexisting condition exclusions, new benefit mandates, and increased dependent coverage (until the age of 26).

Management of the Members of the Obligated Group cannot predict the future of the health insurance markets or the effects of current and future health reform efforts on such markets, though such effects may materially affect the Obligated Group Member's business or financial condition.

2. ***Medicaid Expansion***. Another key provision of the ACA is the expansion of Medicaid coverage. Prior to the passage of the ACA, the Medicaid program offered federal funding to states to assist limited categories of low income individuals (including children, pregnant women, the blind and the disabled) in obtaining medical care. The ACA permits states to expand Medicaid program eligibility to virtually all individuals under 65 years old with incomes up to 138% of the federal poverty level, and provides enhanced federal funding to states that opt to expand. There is no deadline for a state to undertake expansion and qualify for the enhanced federal funding available under the ACA. For states that choose not to participate in the federally funded Medicaid expansion, the net positive effect of ACA reforms has been significantly reduced. Only ten states have not adopted Medicaid expansion: Alabama, Florida, Georgia, Kansas, Mississippi, South Carolina, Tennessee, Texas, Wisconsin and Wyoming.

3. ***Spending Reductions***. The ACA contains a number of provisions designed to significantly reduce Medicare and Medicaid program spending, including: (1) negative adjustments to the "market basket" updates for Medicare's inpatient, outpatient, long term acute and inpatient rehabilitation prospective payment systems, and (2) reductions to Medicare and Medicaid disproportionate share hospital ("DSH") payments. Any reductions to reimbursement under the Medicare and Medicaid programs could have a material adverse impact on the Obligated Group's business or financial condition to the extent such reductions are not offset by increased revenues from providing care to previously uninsured individuals or from other sources.

4. ***Quality Improvement and Clinical Integration Initiatives***. The ACA mandated the creation of a number of payment reform measures designed to incentivize or penalize hospitals based on quality, efficiency and clinical integration measures created and authorizes the Center for Medicare & Medicaid Innovation within CMS to develop and test new payment methodologies designed to improve quality of care and lower costs. Current programs include (1) the "Readmission Reduction Program," which reduces Medicare payments by specified percentages to hospitals with excess or preventable hospital admissions based on historical discharge data, (2) the "Hospital Value-Based Purchasing Program," which imposes an across-the-board reduction in inpatient reimbursement and then reallocates

and redistributes those funds to hospitals based on quality and patient experience measures, and (3) the "Hospital-Acquired Condition Reduction Program," which negatively adjusts payments to applicable hospitals that rank in the worst-performing quartile for risk-adjusted hospital-acquired condition measures. Management of the Members of the Obligated Group are not currently aware of any situation in which an ACA quality, efficiency, or clinical integration program is materially adversely affecting the business or financial condition of the Obligated Group. However, the Obligated Group's business or financial condition may be adversely affected by such programs in the future.

5. ***Fraud and Abuse Enforcement Enhancements***. In an attempt to reduce unnecessary health care spending, the ACA includes a number of provisions aimed at combating fraud and abuse within the Medicare and Medicaid programs. Such provisions provide increased federal funding to fight health care fraud and abuse, provide government agencies with additional enforcement tools and investigation flexibility, facilitate cooperation between agencies by establishing mechanisms for information sharing, and enhance criminal and administrative penalties for non-compliance with the federal fraud and abuse laws (e.g., the Anti-Kickback Law, the Stark Law and the FCA, each as defined and discussed below). Management of the Members of the Obligated Group are not currently aware of any pending recovery audit that, if determined adversely to the Obligated Group, would materially adversely affect the business or financial condition of the Obligated Group.

To the extent the ACA remains law, it is difficult to predict the full impact of the ACA on the future revenues and operations of the System due to uncertainty regarding a number of material factors, including: (1) the number of uninsured individuals to ultimately obtain and retain insurance coverage as a result of the ACA, (2) the percentage of any newly insured patients covered by Medicaid versus a commercial plan, (3) the pace at which insurance coverage expands, (4) future changes in the reimbursement rates and methods, (5) the percentage of individuals in the exchanges who select the high deductible plans, (6) the extent to which the enhanced program integrity and fraud and abuse provisions lead to a greater number of civil or criminal actions, (7) the extent to which the ACA tightens health insurers' profits, causing the plans to reduce reimbursement rates, (8) the extent of lost revenues, if any, resulting from ACA quality initiatives, and (9) the success of any clinical integration efforts or programs in which the Members of the Obligated Group participate.

The System is continually analyzing the ACA and in order to assess its effects on current and projected operations, financial performance and financial condition. However, management of the System cannot predict with any reasonable degree of certainty or reliability any interim or ultimate effects of the legislation and associated regulatory, judicial and other governmental activity.

Other Legislation

The American Recovery and Reinvestment Act of 2009 ("ARRA"), also known as the "Stimulus Bill," contained a number of provisions that impacted hospital institutions. For example, the ARRA provided approximately $19 billion for Medicare and Medicaid health information technology incentives. The incentives are provided through the Medicare Electronic Health Record Incentive Program, renamed the Promoting Interoperability Program in April of 2018 (the "EHR Program") and encouraged physicians and hospitals to adopt and use certified electronic health records in a meaningful way (as defined by the Secretary and may include reporting quality measures) before 2015. Providers who had not already adopted and used certified electronic health records in a meaningful way were subject to financial penalties. Additional financial penalties and incentives were imposed on physicians and hospitals who failed to satisfy heightened standards for meaningful use of electronic health records during a 2015 through 2017 reporting period under the Modified Stage 2 program. Reporting requirements and financial penalties and incentives, subject to certain hardship exceptions, will continue under Stage 3.

The Medicare Access and CHIP Reauthorization Act of 2015 ("MACRA"), was signed into law on April 16, 2015. MACRA and its implementing regulations created numerous changes to Medicare reimbursement and created new quality reporting programs, as discussed further below. (see "Medicare Reimbursement and Related Federal Legislation").

Due to this increased oversight, Members of the Obligated Group could become subject to a variety of state health care laws and regulations affecting health care providers. In addition, Members of the Obligated Group could be subject to other state laws and regulations.

General Health Care Industry Factors

Members of the Obligated Group and the health care industry in general are subject to regulation by a number of governmental agencies, including agencies that administer the Medicare and Medicaid programs, federal, state and local agencies responsible for administration of health planning programs and the licensure of health care providers and payors, and other federal, state and local governmental agencies. The health care industry is also affected by federal, state and local policies developed to regulate the manner in which health care is provided, administered and paid for nationally and locally. As a result, the health care industry is sensitive to legislative and regulatory changes in such programs and is affected by reductions and limitations in governmental spending for such programs as well as changing health care policies. In addition, Congress and other governmental agencies have focused on the provision of care to indigent and uninsured patients, the prevention of "dumping" such patients on other hospitals in order to avoid provision of unreimbursed care, the tax-exempt status of not-for-profit corporations that engage in joint ventures and activities unrelated to their exempt purposes and other issues. The Members of the Obligated Group receive a significant portion of their revenues from government programs, and it is unlikely that the Members of the Obligated Group could ever attract sufficient numbers of private-pay patients to become self-sufficient without reimbursements from governmental programs. The enactment of new legislation or the adoption of new regulations in these areas could have an adverse effect on the results of operations of the Members of the Obligated Group. Some of the legislation and regulations affecting the health care industry are discussed in this section.

Increased Competition. The Members of the Obligated Group may likely face increased competition in the future. Increased competition could be caused by: (i) the development of alternative health care delivery systems (e.g., health maintenance organizations ("HMOs"), preferred provider organizations ("PPOs"), Accountable Care Organizations ("ACOs"), clinically integrated networks ("CINs") and patient-centered medical homes) in the service areas of the Members of the Obligated Group; (ii) competition with other hospitals to provide health care services; (iii) competition for patients with delivery systems of HMOs, PPOs and large, multi-disciplinary physician groups providing services at their own or other facilities; (iv) competition for enrollees between traditional insurers, whose patients generally have a free choice of hospitals, and HMOs and PPOs, which may own their own hospitals or substantially restrict the hospitals and physicians from which their enrollees may receive services or provide more favorable in-network status to certain hospital and physicians, including through the development of tiered networks such as the Horizon Omnia plan launched by New Jersey's largest health insurance company; (v) competition for patients between physicians, who generally use hospitals, and non-physician practitioners such as nurse-midwives, advance practice nurses, chiropractors, physical and occupational therapists and others, who may not generally use hospitals; (vi) competition from nursing homes, home health agencies, hospice programs, ambulatory care facilities, ambulatory surgical centers, rehabilitation and therapy centers, physician group practices, urgent care centers, and other non-hospital providers that provide services for which patients currently rely on hospitals as health care moves from inpatient to outpatient and becomes less hospital-centric; (vii) competition with other hospitals and licensed health facilities for qualified nursing and para-professional personnel; and (viii) competition with

other hospitals, large physician groups and HMOs, all of which are seeking different forms of alignment transactions with physicians in the communities serviced by the Members of the Obligated Group. Based on recent changes in federal and state laws, the scope of practice of certain non-physician practitioners in New Jersey and elsewhere has been expanded, thereby creating even more competition for patients between physicians, who generally use hospitals, and non-physician practitioners, who may not generally use hospitals.

The effects of such increased competition on the Obligated Group's revenue, including pressures for increased discounts in contracts with alternate delivery systems, cannot be predicted.

Joint Operating Agreements and Joint Ventures. Members of the Obligated Group and affiliated entities may enter into joint operating agreements or joint ventures with previously unrelated, tax-exempt health systems or corporations to develop regionally-based health care delivery systems or networks. These joint operating agreements and joint ventures provide for corporations to operate hospitals and other related health care assets, subject to reserve powers vested in the corporate or sponsoring organizations. The parties to these joint operating agreements and joint ventures remain separate corporations and retain title to their assets. Each joint operating agreement and joint venture may provide for the annual sharing of net income and may impose certain operating and organizational restrictions and conditions upon the parties thereto.

Members of the Obligated Group and any affiliated entities may also be participants in ancillary joint ventures with tax-exempt or for-profit entities. Participation in joint ventures, particularly joint ventures with for-profit entities that do not meet the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), potentially may (i) result in a finding of private benefit, which could result in a loss of tax-exempt status, (ii) result in a finding of an excess benefit transaction, which could result in the imposition of an excise tax on the insider involved in the transaction or on Obligated Group management that knowingly approved the transaction, or both, or (iii) result in a finding that the activity is unrelated to the exempt purpose of a Member of the Obligated Group and a determination that certain income received by the tax-exempt organization from the joint venture with the for-profit entity is taxable. Management of the Members of the Obligated Group do not believe that participation by any Members of the Obligated Group or an affiliated entity in any such presently existing ancillary joint venture will have a material adverse effect on a Member of the Obligated Group's tax-exempt status or financial condition.

Inadequate Payments and Uncompensated Care. Each Member of the Obligated Group is also at risk for the provision of hospital services on an uncompensated basis. Consistent with its status as a tax-exempt 501(c)(3) organization, the Members of the Obligated Group generally pursue policies of providing care to the poor and indigent without regard to ability to pay. Governmental agencies may also compel the provision of uncompensated care. For example, State law imposes significant fines on a hospital that denies appropriate care on the basis of the patient's ability to pay or the source of payment. Moreover, Congress has previously considered (and may again in the future) legislation that would require a hospital to perform a certain amount of charity care to maintain its 501(c)(3) status. Also, pursuant to ACA, 501(c)(3) tax-exempt hospitals must develop and report on their financial assistance policies. As a result, each Member of the Obligated Group may be required to provide services for which it receives payment below cost, or for which it may receive no payment, from the patient or third party payors. While each Member of the Obligated Group attempts to provide care to the poor and indigent in a prudent manner, the continuation or expansion of such policy, or the inability to properly document its indigent care, could have an adverse financial effect on the respective Members of the Obligated Group.

While ACA is designed to reduce uncompensated care by expanding health care coverage to a larger portion of the population, improvements to coverage and access will take time. In addition, one

method of reducing uncompensated care under ACA is through expansion of the Medicaid program in some states, including New Jersey. However, the Medicaid program, which plays an essential role in ensuring the coverage of the American population, is dependent on the continued availability of federal and state funding, which could be curtailed in the future in response to growing budget deficits at all governmental levels. The continued availability, comprehensiveness of coverage and adequacy of reimbursement for care for the indigent and disabled cannot be assured in the future.

State legislation enacted in 1992 established a Health Care Subsidy Fund ("HCSF") to provide a mechanism and a funding source to provide subsidies to certain hospitals for charity care and other forms of uncompensated care. Budgetary pressures are likely to result in efforts to reduce or limit the amount of funding for uncompensated care from general revenues of the State. Of note, the FY 2024 New Jersey State budget enacted on June 30, 2023 provided for HCSF payments in the amount of approximately $38 million. There can be no assurances that HCSF funding available to the Members of the Obligated Group will remain at its current level and there is a risk that it may decline in the future.

Financial Distress of Private Health Plans. The Members of the Obligated Group also may be affected by the financial instability of the HMOs, PPOs and other third-party payors with which the Members of the Obligated Group contracts and/or from which it receives reimbursement for furnished health care services. For example, if the regulators place a financially-troubled third-party payor into rehabilitation under State law, or if a third-party payor files for protection under the federal bankruptcy laws, it is unlikely that health care providers will be reimbursed in full for services furnished to enrollees of the third-party payor. Also, health care providers may be required by law or court order to continue furnishing health care services to the enrollees of an insolvent third-party payor, even though the providers may not be reimbursed in full for such services.

Managed Care and Integrated Delivery Systems

General. As a response to the increase in competition in the health care industry and to the increasing shift of patients to managed care companies, many hospitals and health systems are pursuing strategies with physicians in order to offer an integrated package of health care services, including physician and hospital services, to patients, health care insurers, and managed care providers. These integration strategies take many forms. Further, many of these integration strategies are capital intensive and may create certain business and legal liabilities for health care providers such as the Members of the Obligated Group.

Even when these activities are conducted by affiliates, the start-up costs for implementation of such strategies, as well as operational deficits, are sometimes derived from the hospitals rather than from the affiliates. Depending on the size and organizational characteristics of a particular strategy, these funding requirements may be substantial. In some cases, the hospital may be asked to provide a financial guaranty for the debt of a related entity that is carrying out an integrated delivery strategy or the hospital may have an ongoing financial commitment to support operating deficits, which may be substantial on an annual or aggregate basis.

Further, Members of the Obligated Group have entered into contractual arrangements with PPOs, HMOs, and other managed care organizations ("MCOs"), pursuant to which the Members of the Obligated Group agree to provide or arrange to provide certain health care services for these organizations' eligible enrollees. There can, however, be no assurance that revenues received under such contracts will be sufficient to cover all costs of services provided, which may have a material adverse effect on the operations or financial condition of the Members of the Obligated Group.

State and Federal Laws. The Members of the Obligated Group could be subject to a variety of laws and regulations, affecting both MCOs and health care providers, including laws and regulations prohibiting, restricting, or otherwise governing PPOs, third party administrators, physician-hospital organizations, independent practice associations or other intermediaries; fee-splitting; the "corporate practice of medicine;" selective contracting ("any willing provider" laws and "freedom of choice" laws); coinsurance and deductible amounts; insurance agencies and brokerages; quality assurance and improvement, utilization review, and credentialing activities; provider and patient grievances; mandated benefits; rate increases; payment of claims by electronic means; medical information privacy laws; and many other areas. Integrated delivery systems also create risks under federal law and regulations, including the Medicare Anti-Kickback Statute, the Stark Law and antitrust laws (as described below under "Regulation of Health Care Industry"), and the rules applicable to tax-exempt organizations and their relationships with for-profit entities.

Such requirements may impose operational, financial and legal burdens, costs and risks on the Members of the Obligated Group.

Contracted Managed Care Health Plans and Commercial Insurers.

Some MCOs contract with hospitals on an "exclusive" or a "preferred" provider basis. Under such plans, there may be financial incentives for subscribers to use only those hospitals that contract with the plans. Under an exclusive provider plan, private payors may limit coverage to those services provided by selected hospitals that have agreed to accept certain typically discounted, reimbursement levels for such services. With this contracting authority, MCOs may effectively create narrow networks and direct patients to their participating health care providers and away from others. The ability of the Members of the Obligated Group to secure and maintain contracts with MCOs, and with HMOs and other plans participating under the Medicare Advantage and Medicaid programs will be critical to the financial performance of the Members of the Obligated Group. There can be no assurance that the Members of the Obligated Group will be successful in their ability to secure and maintain these contracts or that the contracts will be profitable.

As a result of these developments, the volume of business of health care providers is increasingly dependent upon the providers' ability to attract and retain contracts with Managed Care Plans. The necessity for obtaining such contracts also increases competition among health care providers on the basis of price as well as quality. Also, there is increasing competition in contracting with Managed Care Plans for "population health" or "population management" contracts, which provide bonuses to hospitals and other providers for meeting quality metrics, cost savings or both. Termination, or expiration without renewal, of such contracts could have a material adverse effect on the financial condition of the Obligated Group. There can be no assurances that such contracts will be renewed upon expiration or that such contracts will not be terminated prior to expiration. Conversely, renewal of such contracts may maintain or increase business volume, but may result in reduced payments and lower net income to the Obligated Group.

MCOs that contract on a discounted fee-for-service or discounted fixed rate-per-day basis also exert strong controls over the utilization of health care resources. Utilization management by MCOs has led to reduction in both the number of hospitalizations and the length of hospital stays, both of which may reduce patient service revenue to hospitals. Furthermore, shortened hospital lengths of stay have not necessarily been accompanied by a reduced demand for services while a patient is hospitalized and in fact may lead to more intensive hospital visits and correspondingly increased costs to hospital providers.

Per diem rates, per discharge rates and other risk-based payment systems and discounts pose major challenges to hospital providers. In order to enter into such contracts, hospitals are required not only to anticipate the cost of rendering specific services to patients, but also to estimate the likelihood and severity of illness or injury within the population which the hospital serves. If payment under a MCO contract is insufficient to meet the hospital's costs of caring for the needs of the population it serves, the financial condition of the hospital may erode rapidly and significantly. Often, MCO contracts are enforceable for the stated term, regardless of provider losses. Furthermore, MCO contracts and insurance laws may require that a hospital continue to provide care for enrollees for a certain period of time irrespective of whether the MCO has funds to make payment to the hospital.

Increasingly, physician practice groups, independent practice associations and other physician management companies have become a part of the process of negotiating payment rates to hospitals by MCOs. This involvement has taken many forms but typically increases the competition for limited payment resources from MCOs. For example, it is increasingly common for MCOs to enter into contracts with physicians that may give physicians incentives in patient care decisions, which may result in reduced hospital admissions and procedures.

Horizon Blue Cross Blue Shield of New Jersey, a commercial insurer with the largest market share in the State of New Jersey, began offering a new insurance product in the Fall of 2015. This product is a two-tiered insurance plan, which classifies each participating hospital as either a "tier 1" or a "tier 2" provider. Members of an Omnia plan have lower premiums, and members who choose Tier 1 providers have lower copays and deductibles. Tier 2 hospitals receive lower reimbursement from the insurer with a corresponding increase in cost sharing to patient consumers in the form of higher co-payments, co-insurance and deductibles, with a resulting shift in patient volume toward tier 1 providers. Lawmakers have introduced bills that would impose tougher regulations on tiered health plans. While the hospital Members of the Obliged Group are currently classified as tier 1 providers in the Omnia plans, there is no guarantee that the Members will remain tier 1 providers, or that they will be tier 1 providers under similar plans that will be available in the future, which could impact reimbursement.

ACA includes insurance market reforms that, among other things, require individual and group health insurance plans to offer coverage (including renewability) on a guaranteed basis. ACA prohibits pre-existing conditions limitations, certain coverage limitations, lifetime and annual dollar limits for essential health benefits, and requires coverage of certain preventive health benefits. Although ACA's individual mandate has been repealed, under New Jersey law, individuals are required to enroll in a health plan through an employer, a federal government health program such as Medicare, Medicaid or Tricare, or to purchase insurance through a health insurance exchange established by each state, or the federal government. Subject to various compliance exceptions, individuals who do not enroll for coverage, and, under ACA's employer mandate, large employers who do not offer affordable and adequate coverage, will be subject to tax penalties. Survey results from the National Center for Health Statistics indicate that the uninsured rate for American adults steadily decreased from 22.3% in 2010, the year in which ACA was enacted, to a record low of 7.7% in first three months of 2023 according to the National Health Interview Survey.

ACA establishes the criteria for new Qualified Health Plans ("QHPs") that may participate in the state run exchanges. A QHP must meet certain minimum essential coverage requirements. Minimum essential coverage requirements may be offered at one of five levels of coverage: bronze, silver, gold, platinum, or catastrophic. Each QHP must agree to offer at least one plan at the silver and gold level. ACA sets forth the minimum coverage offered under each plan level and limits the variations in premiums that may be charged for exchange coverage on the basis of age and tobacco use. A QHP must

also be certified by each exchange through which the plan is offered, must be licensed in each state where it offers insurance, and the QHP must limit cost sharing with the insured.

Under ACA, individuals with family income under 400% of the Federal Poverty Level ("FPL") are eligible for subsidized premiums, deductibles and co-pays for exchange plan coverage. Starting in 2014, individuals and small employers became able to access coverage through the exchanges. In 2017, large employers also became able to use the exchanges to provide employer-based coverage to their employees if their state so elects. Although existing health insurance plans may continue to offer coverage as grandfathered plans in the individual and group markets, enrollment in such plans will be limited to those who were currently enrolled, their families, or new employees and their families in the case of grandfathered employer-sponsored coverage. In February 2013, CMS published a final rule outlining the exchange and issuer standards related to essential benefits and actuarial value. The rule also finalized a timeline for QHPs to be accredited in federally facilitated exchanges. In May 2014, CMS published a final rule that covers policies regarding consumer notices, quality reporting and satisfaction surveys, the small business health options program, standards for navigators and other matters. In August 2018, CMS published a final rule extending the permitted duration of exempt short-term limited duration insurance from 3 months to an initial term of 12 months and an aggregate duration taking into account renewals and extensions of 36 months. It is expected that CMS will continue to publish rules regarding matters related to the exchanges over the next couple of years. At this time, it is not possible to project what long term impact the exchanges and future regulations will have on competition in the insurance markets, the cost of coverage for employers, reimbursement rates for hospitals and physicians or the number of uninsured patients that the Members of the Obligated Group will still need to treat.

Termination of Managed Care Contracts. HMO and PPO contracts (other than Medicare Advantage and other Medicare and Medicaid HMO and PPO contracts) accounted for approximately 42.4% of patient service revenue of the System for the year ended December 31, 2023. Contracts with MCOs can be terminated by the third-party payor at any time without the necessity of showing cause upon approximately six months' prior written notice. Termination of contracts between Members of the Obligated Group and MCOs could have an adverse effect on the financial performance of the Members of the Obligated Group.

Physician Contracting and Relations. Members of the Obligated Group may wish to contract with physician organizations (*e.g.*, independent physician associations, physician-hospital organizations, etc.) ("POs") to arrange for the provision of physician and ancillary services. Because POs are separate legal entities with their own goals, obligations to shareholders, financial status, and personnel, there are risks involved in contracting with the POs.

The success of the Members of the Obligated Group will be partially dependent upon their ability to attract physicians to join the POs and to attract POs to participate in the network, and upon the physicians', including the employed physicians', abilities to perform their obligations and deliver high quality patient care in a cost-effective manner. There can be no assurance that the Members of the Obligated Group will be able to attract and retain the requisite number of physicians, or that such physicians will deliver high quality health care services. Without impaneling a sufficient number and type of providers in the System's network, Members of the Obligated Group could fail to be competitive, could fail to keep or attract payor contracts, or could be prohibited from operating until its panel provided adequate access to patients. Such occurrences could have a material adverse effect on the business or operations of the Members of the Obligated Group.

Medicare Reimbursement and Related Federal Legislation

Background. Congress is frequently engaged in debates over federal budget commitments, and, in particular, the extent of the government's financial commitment to the Medicare program. Any prospective changes in Medicare payments to hospitals, including the potential reduction of funding levels and the transition of Medicare enrollees into Medicare managed care plans, could have an adverse effect on the revenues of the Obligated Group.

Medicare and Medicaid Programs. Medicare and Medicaid are the commonly used names for health care reimbursement or payment programs governed by certain provisions of the federal Social Security Act Amendments of 1965. The federal government uses reimbursement as a key tool to implement health care policies, to allocate health care resources and to control utilization, facility and provider development and expansion, and technology use and development. These programs reflect the national policy that persons who are aged and persons who are poor should be entitled to receive medical care regardless of ability to pay. Medicare provides certain health care benefits to beneficiaries who are 65 years of age or older, disabled or qualify for the End Stage Renal Disease Program. Medicare Part A covers inpatient hospital, certain skilled nursing facility care and certain other services, including home health care services in limited circumstances. Medicare Part B covers outpatient hospital services, certain physician services, medical supplies and durable medical equipment. Medicare Part C, the Medicare Advantage program (formerly known as the Medicare+Choice Program), enables Medicare beneficiaries who are entitled to Part A and are enrolled in Part B to choose to obtain their benefits through a variety of private, managed care, risk-based plans. For the year ended December 31, 2023, approximately 51.3% of the System's patient service revenue was derived from Medicare and Medicaid programs (inclusive of revenues from Medicare Advantage and other Medicare and Medicaid HMO and PPO contracts).

Medicare is administered by CMS, which delegates to the states and approved national accreditation organizations the process for certifying those organizations to which CMS will make payment. The rule-making authority of the United States Department of Health and Human Services ("HHS") is substantial and the rules are extensive and complex. Substantial deference is given by courts to rules promulgated by HHS.

Medicare claims are processed by non-governmental organizations or agencies that contract to serve as the fiscal agent between providers and the federal government to locally process Medicare's Part A and Part B claims. These claims processors are known as "Medicare Administrative Contractors." They apply the Medicare coverage rules to determine the appropriateness of claims. CMS selects organizations (generally insurance companies) to act as intermediaries and carriers in various states or regions, and enters into a "prime contract" with each. Most Medicare hospital services are provided through a fixed rate per case program under the reimbursement methods described below. Some Medicare recipients, however, enroll in Medicare Advantage managed care plans, which may reimburse providers on a capitated basis. Health care providers that participate in the Medicare program must agree to be bound by the terms and conditions of the program such as meeting the quality standards for rendering covered services and adopting and enforcing policies to protect patients from certain discriminatory practices. In December 2003, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 ("MMA") was signed into law. This law provides for a new Medicare Part D, under which outpatient prescription drug benefits became available to Medicare beneficiaries as of January 1, 2006 through a voluntary enrollment program. On January 1, 2005, the MMA established a new Medicare Advantage program under Part C. The Medicare Advantage program is designed to expand the number and types of private regional plans available to beneficiaries as an alternative to traditional Parts A and B Medicare coverage.

Hospital Inpatient Services/Operating Expenditures. Medicare payments for operating expenses incurred in the delivery of certain inpatient hospital services are based on a prospective payment system ("PPS") that essentially pays hospitals a fixed amount for each Medicare inpatient discharge based upon patient diagnosis and certain other factors used to classify each patient into a Diagnosis Related Group ("DRG").

CMS periodically promulgates regulations, such as its annual inpatient PPS rules, to adjust the rates paid to hospitals based on its continuing experience with hospital operating and capital costs, and to implement various quality improvement, patient safety and fraud and abuse programs. ACA expands programs to improve the quality of care, with reductions in reimbursements for excessive readmissions, medical errors and preventable conditions such as hospital acquired infections. Many hospitals in New Jersey have experienced penalties for excessive readmissions and hospital acquired conditions. Depending on the mix of future services delivered, the overall result of these changes to the inpatient PPS reimbursement rules may be to reduce Medicare reimbursement to the Members of the Obligated Group.

Changes to the reimbursement schedules may negatively impact the revenue received by Members of the Obligated Group for the cost of providing inpatient services.

Hospital Outpatient Services.

Hospitals are generally paid for outpatient services provided to Medicare beneficiaries based on established categories of treatments or conditions known as ambulatory payment classifications ("APC"). The actual cost of care, including capital costs, may be more or less than the reimbursements. There is no guarantee that APC rates, as they change from time to time, will cover actual costs of providing hospital outpatient services to Medicare patients.

In addition, new payment methodologies, including "site neutral" payments for non-emergency services performed at a certain off-campus hospital outpatient department ("HOPD") may result in lower payments to hospitals than in previous years for providing the same services, if the services are provided in a HOPD opened or acquired on or after November 2, 2015. A HOPD is considered "off campus" if it is located more than 250 yards from either a main provider hospital or a remote location of a hospital.

In September 2019, a federal district court ruled that CMS had overstepped its statutory authority when it reduced OPPS reimbursement for grandfathered HOPDs. In December 2019, a federal district court declined to extend its earlier decision to strike the 2020 OPPS rule, stating that it did not have jurisdiction to review the agency decision until the hospitals exhausted all administrative remedies. However, in July 2020, the federal appeals court overturned the district court's decision and ruled that CMS could apply the site-neutral payment policy to the grandfathered HOPDs. The American Hospital Association's petition for certiorari to the U.S. Supreme Court was denied without comment, thus removing a possible impediment to CMS's implementation of such site-neutral payment policy. Any implementation of a site-neutral payment policy for grandfathered HOPDs is likely to have a significant financial impact on hospitals in the form of reduced OPPS payments.

Hospital Capital Expenditures. Medicare payments for capital costs are based upon a PPS system similar to that applicable to operating costs. Prospective payment for capital costs based on the federal rate was transitioned in over a ten-year period. Under PPS, payments for capital costs are calculated by multiplying the federal rate by the DRG weight for each discharge and by a geographical adjustment factor. The payments are subject to further adjustment by a disproportionate share hospital factor that contemplates the increased capital costs associated with providing care to low income patients,

and an indirect medical education factor that contemplates the increased capital costs associated with medical education programs.

There can be no assurance that payments under the PPS inpatient capital regulations will be sufficient to fully reimburse the Members of the Obligated Group for their capital expenditures.

Medical Education Costs. Medicare currently pays for a portion of the costs of medical education at hospitals that have teaching programs. These payments are vulnerable to reduction or elimination. The direct and indirect medical education reimbursement programs have repeatedly emerged as targets in the legislative efforts to reduce the federal budget deficit.

The formulae used to determine Medicare payments to teaching hospitals for medical education do not necessarily reflect the actual costs of such education, and the federal government will continue to evaluate its policy on graduate medical education and teaching hospital payments. There can be no assurance that payments to the Members of the Obligated Group under the Medicare program will be adequate to cover its direct and indirect costs of providing medical education to interns, residents, fellows and allied health professionals.

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 MACRA, the SGR System was repealed. Beginning in July 2015 and continuing through 2019, the Medicare Physician's Fee Schedule ("PFS") increased 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) ended and were 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. Data reported during each reporting year is used to determine payment adjustments for the second year thereafter. The MIPS creates four performance categories used to calculate the payment adjustment. These categories, which will be weighted as indicated below for the 2024 reporting period, are as follows:

1 – Quality (which will be 40% of the total adjustment);

2 – Cost and Resource Use (which will be 20% of the total adjustment);

3 – Clinical Improvement (which will be 25% of the total adjustment); and

4 – Promoting Interoperability (which will be 25% of the total adjustment).

The program is designed to be budget neutral, meaning the total negative adjustments will equal total positive adjustments across all providers. In order to achieve budget neutrality, the positive adjustment may be increased or decreased. In addition, CMS has adopted and Extreme and Uncontrollable Circumstances Exception that allow clinicians to apply to reweight performance categories that have been affected by extreme and uncontrollable circumstances. In 2024, high performers are eligible to share in an additional pool of bonus funds.

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.

From 2019 through 2024, providers qualifying for APMs will receive an annual lump sum bonus of 5% of PFS payments. To qualify for APM participation, providers must meet a certain threshold for the percentage of revenue received through qualifying APMs, which will increase over time. Providers are also required to report quality measures and use electronic health records. Providers who have not reached these thresholds, but whose revenue is close to the required threshold may be exempt from adjustments.

The specific parameters of these programs are still being developed by CMS. The new quality reporting programs may negatively impact the reimbursement amounts received by Members of the Obligated Group for the cost of providing physician services.

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

Outlier Payments. As noted above, hospitals are eligible to receive additional payments under the inpatient PPS for individual cases incurring extraordinarily high costs. Historically, the amount of an outlier payment was based, in part, on the hospital charges for a particular case as compared to that hospital's cost-to-charge ratio. As the hospital specific cost-to-charge ratio was calculated based on the most recently settled cost report, it was typically many months or years old and out of date.

Following an audit of aggressive pricing strategies at one of the nation's largest hospital chains, and a determination that some hospitals might be manipulating current hospital charge data to maximize reimbursement from Medicare under the outlier payment provisions, the Office of the Inspector General of HHS ("OIG") began investigating past outlier billing practices, and CMS amended the regulations on how outlier payments were to be calculated in the future. The methodology for calculating outlier payments is designed to prevent hospitals from manipulating the outlier formula to maximize reimbursement and allows for recovery of overpayments in certain cases.

The OIG continues to scrutinize outlier payments in an effort to determine whether outlier payments to the hospitals were paid in accordance with Medicare regulations or whether such payments were the result of potentially abusive billing practices. While the Members of the Obligated Group believe that they have calculated their outlier payments appropriately, there can be no assurance that a Member of the Obligated Group will not become the subject of an investigation or audit with respect to its past outlier payments, or that such an audit would not have a material adverse impact on such Member of

the Obligated Group. Moreover, there can be no assurance that any future revisions to the formula for calculating outlier payments will not reduce the payments to the Members of the Obligated Group, or that any such reduction will not have a material adverse impact on the Members of the Obligated Group.

Medicare Managed Care Program. Individuals entitled to Medicare Part A benefits, and who are enrolled in Medicare Part B, with the exception of individuals who suffer from end stage renal disease, may elect coverage under either the traditional Medicare fee for service program (Parts A and B) or a Medicare managed care (Part C) program.

The shift of Medicare eligible beneficiaries from traditional Part A and Part B coverage to Part C Medicare Advantage programs is intended to increase competitive pressure to improve benefits, reduce premiums and reduce costs. These changes may result in reduced utilization of health care services and have a material negative impact upon the Obligated Group's revenue.

Audits, Exclusions, Fines and Enforcement Actions. Hospitals participating in Medicare are subject to audits and retroactive audit adjustments under the Medicare program. Based on an audit, a Medicare contractor may conclude, among other things, that a charge was improper for many reasons, such as (for example): that a patient discharge has been claimed under an incorrect MS-DRG, that services may not have been provided under the direct supervision of a physician (to the extent so required), that a patient should not have been characterized as an inpatient, that certain services provided prior to admission as an inpatient should not have been billed as outpatient services, or that certain required procedures or processes were not satisfied or that the services were not properly documented or did not satisfy Medicare rules regarding the provision of the service (such as medical necessity). As a consequence, payments may be disallowed retroactively. Under certain circumstances, payments made may be determined to have been made as a consequence of improper claims subject to the federal False Claims Act or other federal statutes, subjecting the hospital to civil or criminal sanctions.

Members of the Obligated Group are also subject to Recovery Audit Contractor ("RAC") audits under a program originally established under section 306 of the Medicare Prescription Drug, Improvement and Modernization Act of 2003. RACs are private companies that contract with CMS on a contingency fee basis to conduct audits of claims and to identify and correct Medicare overpayments. 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 every 45 days. 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 would a Medicare contractor 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.

New Models for Care Under Health Care Reform. Among various other programs, ACA directed HHS to establish and implement various ACO programs, including the Medicare Shared Savings Program that promotes accountability for the care of Medicare beneficiaries and encourages coordination of care and other efficiencies through ACOs. Under the Shared Savings Program, Medicare providers are offered a financial incentive to band together in an ACO with the shared goals of improving the quality of care provided to Medicare beneficiaries and coordinating care to achieve cost savings. If an ACO realizes savings in Medicare expenditures as compared to an expenditure benchmark established by CMS for the ACO's assigned patients, and meets or exceeds quality performance standards established by CMS, it will be paid a share of Medicare's savings.

Several hospitals and physician groups in New Jersey have formed ACOs that have been approved to participate in the Medicare Shared Savings Program, including RWJBH Accountable Care, LLC. It is unclear what effect current or future participation in the Medicare Shared Savings Program by any Members of the Obligated Group or other hospitals and physicians throughout New Jersey will have on the Members of the Obligated Group and their revenues.

Medicaid Reimbursement

Medicaid and Other State Health Care Programs. Unlike Medicare, which is an exclusively federal program, Medicaid is a cooperative federal-state program of medical care for the poor and other Medicaid-eligible groups (*e.g.*, Supplemental Security Income recipients). States obtain federal matching funds for their Medicaid programs by obtaining the approval of CMS of a "state plan" that conforms to Title XIX of the Social Security Act and its implementing regulations. Within broad national guidelines that the Federal government provides, each of the states establishes its own eligibility standards, determines the type, amount, duration, and scope of services, sets the rate of payment for services, and administers its own program. Thus, the Medicaid program varies considerably from state to state, as well as within each state over time. After its state plan is approved and provided the state plan provides certain basic and/or optional services, a state is entitled to federal matching funds for Medicaid expenditures.

Medicaid is designed to pay providers for care given to the indigent and other persons who qualify based on certain conditions. Medicaid is funded by federal and state appropriations and is administered by an agency of the applicable state. Under ACA, eligibility for Medicaid has been expanded in some states, including New Jersey, to cover individuals with income at or below 133% of the FPL. (See "ACA and Medicaid") Current Medicaid eligibility is based on a combination of both income and the categorical classification of the individuals seeking benefits (i.e., families with children, pregnant women, etc.).

Medicaid Payments to Health Care Providers. Medicaid operates as a vendor payment program. Subject to federally-imposed upper limits and specific restrictions, states may either pay providers directly or may pay for Medicaid services through various prepayment arrangements (see "Medicaid Managed Care" below). Providers participating in Medicaid must accept Medicaid payment rates as payment in full. States must make additional payments to qualified hospitals that provide services to a disproportionately large number of Medicaid, low income and/or uninsured patients. These payments are referred to as a DSH adjustment. Often DSH payments are insufficient to cover a hospital's costs in providing care to such patients, and there can be no assurance that any future DSH payments will cover the Obligated Group's costs.

Under ACA, there will be incremental decreases to the Medicare and Medicaid payments for disproportionate share hospitals totaling $36 billion over the period of fiscal years 2014 to 2024, based on an assumption that the law's new coverage and access provisions will substantially reduce

uncompensated care provided by hospitals. Under ACA, annual Medicaid DSH payment reductions were scheduled to start in 2014, but the start date was delayed under MACRA until fiscal year 2018. Under the Bipartisan Budget Act of 2018, reductions were eliminated for 2018 and 2019 but increased for 2021 through 2023. Reductions are scheduled to occur through 2025.

States may impose nominal deductibles, coinsurance, or co-payments on some Medicaid recipients for certain services. Emergency services, family planning services, pregnancy-related services and preventative services for children are exempt from such co-payments. Certain Medicaid recipients must be excluded from this cost sharing including but not limited to: pregnant women (states may choose to exempt all services provided to pregnant women), children under age 18 (or 19, 20 or 21 at the state's option), hospital or nursing home patients who are expected to contribute most of their income to institutional care, hospice patients and categorically needy HMO enrollees.

Medicaid Managed Care. In New Jersey, the Medicaid managed care program is administered by the State's Department of Human Services ("DHS"). Under this program, DHS contracts with managed care companies to arrange for the provision of health care services to most of the Medicaid recipients in the State. The managed care companies are paid a fixed amount per enrollee per month by the State. These companies in turn negotiate rates for services with hospitals and other health care providers. There can be no assurance that the negotiated rates will cover expenses incurred in providing care to the Medicaid patients.

For Supplemental Security Income ("SSI") recipients and other Medicaid-eligible groups not enrolled in a managed care program, hospitals are reimbursed for inpatient services using DRG rates. These rates are based on the average cost of hospital care for Medicaid patients at New Jersey hospitals. Because hospitals are reimbursed the median rate per case, there can be no assurance that Medicaid revenues will cover expenses for Medicaid patients. Further reduction in Medicaid payments and/or the conversion of Medicaid recipients to managed care Medicaid coverage would reduce the amount of reimbursement that the Members of the Obligated Group receive for providing services to Medicaid beneficiaries. There can be no assurances that the Members of the Obligated Group can reduce the costs associated with treating Medicaid patients to offset these potential reimbursement reductions.

ACA and Medicaid. Some of ACA's major modifications to the Medicaid program include the following changes. Subsequent to litigation in 2012, states have the option under ACA to expand Medicaid program eligibility to cover individuals with household income at or below 133% of the FPL, plus a 5% income disregard. Over half of the states, including New Jersey, have elected to expand coverage. The federal government is responsible for the cost of this coverage expansion in the initial three years. Thereafter, each state that participates in the Medicaid expansion will share in the financial burden of the expanded coverage. Finally, as previously discussed, ACA, as modified by subsequent legislation, mandates that Medicaid DSH payments be reduced annually beginning fiscal year 2020, which may have an adverse effect upon the revenue of the Obligated Group.

Medicaid DSH Verification and Reporting Requirements

CMS Regulations at 42 CFR 455.301 and 455.304(d) require states to verify Medicaid DSH payments. New Jersey's Medicaid DSH verification is executed under an independent accountant's report and includes an examination of the hospital's payment and cost related to inpatient and outpatient Medicaid fee-for-service, Medicaid managed care, the uninsured and the underinsured. Federal law limits Federal Financial Participation ("FFP") for DSH payments through the hospital-specific DSH limit. Under the hospital-specific DSH limit, FFP is not available for DSH payments that are more than the hospital's cost. It should be noted that significant costs, such as hospital-subsidized physician costs for treating Medicaid and uninsured patients are not recognized in the Medicaid DSH cost, as well as the treatment of reducing Medicaid DSH costs by certain grants, results in the cost of treating this population to be understated.

Future Federal Legislation

Future legislation, regulation, or other actions by the federal government are expected to continue the trend toward more restrictive limitations on reimbursement for health care services. Legislation has been introduced in Congress, and is now pending, which would dramatically change the way in which healthcare services are insured and paid for throughout the United States. If enacted, such legislation would very likely result in limitations on health care revenues, reimbursement and costs or charges. At present, no determination can be made concerning whether, or in what form, such legislation will be enacted into law. Similarly, the impact of future cost control programs and future regulations upon the Obligated Group's forecasted financial performance cannot be determined at this time.

Any future changes to the Medicare and Medicaid programs could result in substantial reductions in the amounts of Medicare and Medicaid payments to health care providers in the future, which could substantially reduce the revenues available to the Members of the Obligated Group, and any reduction in the levels of payment in these government payment programs could substantially adversely affect the Obligated Group's financial condition and ability to fulfill its obligations securing the Series 2024A Bonds.

From time to time, Congress considers the issue of organizations whose income is exempt from federal income taxation, such as the Members of the Obligated Group. Such studies may result in additional requirements that the Members of the Obligated Group must meet in order to maintain their tax-exempt status. One proposal that has been made concerns reporting requirements to the Internal Revenue Service ("IRS") by tax-exempt hospitals about their provision of charity care. Congress can at any time impose additional requirements on tax-exempt organizations. Should Congress impose any new requirements on tax-exempt organizations, such as the Members of the Obligated Group, including any requirements relating to charity care, it is not certain that (i) the Members of the Obligated Group would be able to meet such requirements, or (ii) if they should meet such requirements, they would not suffer adverse economic consequences in so doing.

Regulation of Health Care Industry

General. The Members of the Obligated Group, and the health care industry in general, are subject to regulation by a number of governmental agencies, including those that administer the Medicare and Medicaid programs, federal, state and local agencies responsible for administration of health care planning programs, and other federal, state and local governmental agencies. As a result, the health care industry is sensitive to legislative and regulatory changes in such programs, and is affected by reductions and limitations in government spending for such programs as well as changing health care policies. Over

the past several years, Congress has consistently attempted to curb the growth of federal spending on health care programs. In addition, Congress and governmental agencies have focused on the provision of care to indigent and uninsured patients, the prevention of the transfer of such patients to other hospitals in order to avoid the provision of uncompensated care, activities of tax-exempt institutions that are unrelated to their exempt purposes and other issues. Some of the legislation and regulations affecting the health care industry are discussed below.

Additionally, laws, regulations and accreditation standards require that hospitals meet various detailed standards relating to the adequacy of medical care, equipment, personnel, operating policies and procedures, maintenance of adequate records, utilization, rate setting, compliance with building codes and environmental protection laws, and numerous other matters. Failure to comply with applicable regulations can jeopardize a hospital's licenses, ability to participate in the Medicare and Medicaid programs and ability to operate as a hospital. These laws and regulations, as well as similar laws and regulations now in effect, and the adoption of additional laws, regulations and accreditation standards in these and other areas could have an adverse effect on the Obligated Group's ability to generate revenues in sufficient amounts to timely pay the Series 2024A Bonds.

Federal "Fraud and Abuse" Laws and Regulations. 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 damages sustained by the government as a result of the illegal remuneration, as well as exclusion from the federal health care programs. Under ACA, a violation of the Anti-Kickback Law is deemed to be a violation of the federal False Claims Act. A December 7, 2016 regulation amending the OIG's Civil Monetary Penalty rules 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 Members of the Obligated Group 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 Obligated Group, or the status of the applicable Members of the Obligated Group, as organizations described in Section 501(c)(3) of the Code.

Restrictions on Referrals. 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 money 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 ACA, 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. CMS released this protocol on September 23, 2010.

The Stark Law and its accompanying regulations do not specifically refer to Medicaid, however the United States Department of Justice ("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 (including New Jersey) 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.

Federal False Claims Acts and Civil Money 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, ACA 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. ACA 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 ACA'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. The preamble to the final rule states that "reasonable diligence" is demonstrated through timely, good faith investigation of credible information, which should not take more than six months from receipt of credible information except in extraordinary circumstances. Rule-making has not been initiated to implement the ACA provision as it relates to provider obligations under traditional Medicaid. In addition, a final rule adopted on May 19, 2014 implementing the ACA provision as it relates to Medicare Part C and D was held invalid by the US District Court for the District of Columbia on September 7, 2018. However, the ACA 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.

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 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.

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 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 Money Penalties Law under the Social Security Act ("CMP Law") provides for the imposition of civil money 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. In addition, the OIG may 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.

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.

Expanded Enforcement Activity. Congress enacted The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") in August 1996 as part of a broad health care reform effort. Among other things, HIPAA established a program administered jointly by the Secretary of HHS and the United States Attorney General designed to coordinate federal, state and local law enforcement programs to control fraud and abuse in connection with the federal health care programs.

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 for HIPAA violations.

The Department of Health and Human Services' Office for Civil Rights is currently conducting Phase 2 of its HIPAA compliance audit program. It includes desk audits of select HIPAA privacy and security rule provisions, followed by on-site audits as their resources allow. Auditors will be looking for compliance with updated protocols pursuant to the Omnibus Rule and specifically focusing on arrangements with business associates (as defined under the Omnibus Rule).

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

In addition, in HIPAA, Congress greatly increased funding for health care fraud enforcement activity, enabling the OIG to substantially expand its investigative staff and the Federal Bureau of Investigation to plan to quadruple the number of agents assigned to health care fraud. The result has been a dramatic increase in the number of civil, criminal and administrative prosecutions for alleged violations of the laws relating to payment under the federal health care programs, including the Anti-Kickback Law and the False Claims Act. This expanded enforcement activity, together with the whistleblower provisions of the False Claims Act, have significantly increased the likelihood that all health care

providers, including the Members of the Obligated Group, could face inquiries or investigations concerning compliance with the many laws governing claims for payment and cost reporting under the federal health care programs.

Exclusions from Medicare or Medicaid Participation. The term "exclusion" means that no Medicare or state health care program payment (including Medicaid and the Maternal and Child Health programs) will be made for any services rendered by the excluded party or for any services rendered on the order or under the supervision of an excluded physician. The Secretary of HHS is required to exclude from program participation for not less than five years any individual or entity who has been convicted of (1) a program related crime, (2) patient neglect or abuse, (3) health care fraud against any federal, state or locally financed health care program, or (4) an offense relating to the illegal manufacture, distribution, prescription, or dispensing of a controlled substance.

The Secretary of HHS 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. The excluded person/entity and the entity that enters into a contract with the excluded person/entity are subject to a civil money penalty of up to $10,000 for each item or service furnished by the excluded individual, and the responsible party is required to pay three times the amount claimed for each item or service. Any action to exclude Members of the Obligated Group from participation in the Medicare program or any state health care program could have a material adverse impact on the Obligated Group.

CMS published a final rule with comment period on September 10, 2019 expanding the agency's authority to exclude new providers and revoke the enrollment of existing providers. These new measures include requirements that, upon a CMS request, initially enrolling or revalidating providers or suppliers must disclose current or prior affiliations within the past five years that the provider or any owner or managing employees or organizations has or had with a current or former Medicare provider who was subject to a "disclosable event." "Disclosable event" is broadly defined to include, among other things, uncollected debt to CMS, current or prior suspension or exclusion from a federal health care program, or prior denial, revocation or termination of Medicare, Medicaid or CHIP billing privileges. The rule permits the Secretary of HHS to deny enrollment based on an affiliation subject to such disclosure if the Secretary determines that it poses an undue risk of fraud, waste or abuse.

HIPAA's Administrative Simplification Provisions. In addition to the expanded enforcement activity noted above, the "Administrative Simplification" provisions of HIPAA mandate the use of uniform standard electronic formats for certain administrative and financial health care transactions, the adoption of minimum security standards for individually identifiable health information maintained or transmitted electronically, and compliance with privacy standards adopted to protect the confidentiality of personal health information. The Administrative Simplification provisions apply to health care providers, health plans, and healthcare clearinghouses (collectively "Covered Entities").

Various requirements of HIPAA apply to virtually all healthcare organizations, and significant civil and criminal penalties may result from a failure to comply with the Administrative Simplification regulations. Compliance required changes in information technology platforms, major operational and procedural changes in the handling of data, and vigilance in the monitoring of ongoing compliance with the various regulations. The financial costs of compliance with the Administrative Simplification regulations are substantial.

The Members of the Obligated Group are actively engaged in maintaining compliance with the HIPAA regulations. However, in light of the complexity of the regulations, and the lack of guidance from HHS with respect to numerous provisions of the regulations, it is impossible to accurately assess the financial and operational impact HIPAA will have on the Obligated Group.

The HITECH Act. 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.

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

Cybersecurity Concerns. The Obligated Group relies on Information Technology ("IT") systems to operate its facilities and processes, transmit and store sensitive and confidential data, including personally identifiable information of its patients and employees, and proprietary and confidential business performance data. Despite the implementation of network security measures by the Members of the Obligated Group, information technology systems may be vulnerable to breaches, hacker attacks, computer viruses, physical or electronic break–ins and other similar events or issues. Cyber-attacks specifically targeted at health systems have been occurring more frequently, and in some recent cases, have resulted in the disruption or temporary cessation of facility operations. On October 28, 2020, HHS, the Federal Bureau of Investigation, and the Cybersecurity and Infrastructure Agency issued an alert warning of imminent cybercrime threat to U.S. hospitals and health care providers that could result in data theft and disruption of health care services. 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 electronic health records and a higher financial payout for medical records in the black market and health care systems have recently been subject to such attacks. Any breach or cyber-attack that limits health facilities' ability to access its IT systems or otherwise compromises patient data could result in the disruption or cessation of facility operations, patient safety issues, the loss of patient records, the payment of significant ransoms, negative press, and/or the imposition of substantial fines or penalties.

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. Any breach or cyber–attack that compromises patient data could result in negative press and substantial fines or penalties for violation of HIPAA or similar state privacy laws, any of which may adversely affect the health facility's business or financial condition. Although Management of the Members of the Obligated Group are not currently aware of having experienced a material security breach, the Obligated Group's IT security measures may not be sufficient to prevent cyber-attacks in the future. As cybersecurity threats continue to modify and strengthen security measures, investigate and remediate any vulnerabilities, or invest in new technology designed to mitigate security risks. Additionally, the Obligated Group's IT systems routinely interface with and rely on third-party systems that are also subject to the risks outlined above and may not have or use appropriate controls to protect confidential information. A breach or attack affecting a third-party service provider could harm the Obligated Group's business or financial condition. Although the Obligated Group has insurance against some cyber risks and attacks, it may not be sufficient to offset the impact of a material loss event.

Emergency Medical Treatment and Labor Act. The Emergency Medical Treatment and Labor Act ("EMTALA"), is a federal civil statute that requires Medicare-participating hospitals with an emergency department to conduct a medical screening examination to determine the presence or absence of an emergency medical condition and to provide treatment sufficient to stabilize such emergency medical condition before discharging or transferring the patient. A hospital that violates EMTALA is subject to civil penalties of up to $106,965 per offense and termination of its Medicare provider agreement. EMTALA also provides for a limited private right of action against hospitals, and as a result a hospital could be subject to claims for personal injury where an individual suffers harm as result of an EMTALA violation.

Over the last few years, the federal government has increased its enforcement of EMTALA. Failure to comply with the law can result in exclusion from the Medicare and/or Medicaid programs, as well as civil and criminal penalties. In addition, a hospital may be held liable to a patient who suffered injuries as a result of a violation of EMTALA and may be liable to the receiving hospital for financial losses suffered as a result of a transfer in violation of EMTALA. Substantial failure of an Obligated Group Member to meet its responsibilities under EMTALA could materially adversely affect the financial condition of the Obligated Group. Outpatient facilities that are included as part of a hospital by virtue of a provider-based status designation are required to adhere to EMTALA's requirements, regardless of whether they are located on or away from the hospital's main campus.

Any sanctions imposed as a result of an EMTALA violation could have a material adverse effect on the operations or financial condition of the Obligated Group.

Transparency in Pricing. On January 1, 2021, the CMS Price Transparency Rule (the "Price Transparency Rule") went into effect, requiring hospitals to publish gross charges, discounted cash prices, payor-specific negotiated charges, and minimum and maximum negotiated charges for all items and services provided by the hospital. Hospitals are also required to publish a consumer-friendly list of standard charges for at least 300 shoppable services – generally, non-emergency services that patients can schedule in advance. Failure to comply with these requirements may result in daily monetary penalties to the hospital. The Price Transparency Rule could result in further legislative or regulatory action to restrain hospital rates or charges. Additionally, the availability of competitively sensitive rate information among hospitals, insurers, and employer sponsors of group health plans could lead to market distortions and possible anti-competitive effects that could impact hospital rates and revenue. The publication of hospital standard charges, including negotiated charges, could also result in changes to patient choice that may negatively impact the Obligated Group. Initially, the penalty for noncompliance by a hospital was a

maximum of $109,500 annually. However, the Biden administration, in response to widespread noncompliance with the Price Transparency Rule, finalized a rule change in 2022 that increased the maximum penalty for hospitals with over 550 beds to $2,007,500, and for hospitals with a range of 31 beds through 549 beds, a civil monetary penalty of $10 per bed per day, with the total maximum penalty being just under $2 million. It is expected that given the prevalence of noncompliance with the Price Transparency Rule after its enactment, the federal government will increase enforcement of it. Accordingly, compliance with the Price Transparency Rule could have a material adverse effect upon the future financial condition and operations of the Obligated Group.

Antitrust Laws. The System, like other providers of health care services, is subject to antitrust laws. Those laws generally prohibit agreements and activities that restrain trade. Those laws also prohibit the acquisition or maintenance of a monopoly through anticompetitive practices. The legality of particular conduct under the antitrust laws depends on the specific facts and circumstances and cannot be predicted. Antitrust liability can arise in a number of different contexts, including, without limitation, medical staff privilege disputes, third-party payor contracting, joint ventures and affiliations between health care providers, and mergers and acquisitions by health care providers. Actions can be brought by federal and state enforcement agencies seeking criminal and civil remedies and, in some instances, by private plaintiffs seeking treble damages for harm from allegedly anticompetitive behavior.

Antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, contracting with commercial insurers, Managed Care Organizations and other third party payors, physician relations, joint ventures, merger, affiliation and acquisition activities and certain pricing or salary setting activities, as well as other areas of activity. The application of the federal and state antitrust laws to health care is still evolving, and enforcement activity by federal and state agencies appears to be increasing. Violators of the antitrust laws may be subject to criminal and/or civil enforcement by federal and state agencies, as well as by private litigants in certain instances. At various times, a Member of the Obligated Group may be subject to an investigation or inquiry by a governmental agency charged with the enforcement of the antitrust laws, or may be subject to administrative or judicial action by a federal or state agency or a private party. Common areas of potential liability are joint action among providers with respect to third party payor contracting and medical staff credentialing. With respect to third party payor contracting, an Obligated Group Member may, from time to time, be involved in joint contracting activity with hospitals, physicians or other providers. The precise degree, if any, to which this or similar joint contracting activities may expose the participants to antitrust risk is dependent on a myriad of factual matters. Physicians who are subject to adverse peer review proceedings may file federal antitrust actions against hospitals and seek treble damages. Health care providers, including the Members of the Obligated Group, regularly have disputes regarding credentialing and peer review, and therefore may be subject to liability in this area. In addition, health care providers occasionally indemnify medical staff members who are involved in such credentialing or peer review activities, and may, therefore, also be liable with respect to such indemnity.

In 1993, the United States Department of Justice and the Federal Trade Commission issued "Statements of Antitrust Enforcement Policy in the Health Care Area," and these statements have been revised from time to time. The statements generally described certain analytical principles that the agencies would apply to certain factual situations and also established certain "antitrust safety zones." In 2023, the United States Department of Justice and the Federal Trade Commission withdrew this policy statement, and the Statement of Antitrust Enforcement Policy Regarding Accountable Care Organizations Participating in the Medicare Shared Savings Program from October 2011. The agencies stated that they would instead rely on general on general principles of antitrust enforcement and competition policy for all markets, including markets related to the provision of health care products and services. The withdrawal of these policy statements and their "antitrust safety zones" creates some uncertainty regarding the

application of the antitrust laws and antitrust enforcement. There can be no assurance that federal or state enforcement authorities or private parties will not assert that the Parent, or any transaction in which it is involved, is in violation of the antitrust laws.

National Investigations. The OIG continues to conduct national investigations of perceived fraud and inappropriate billing by hospitals participating in the Medicare program in such areas as medical education payments, billing for patients transferred from one acute care hospital to another acute care hospital, DRG upcoding, outlier payments, and outpatient services provided in the days immediately preceding inpatient admission. These national investigations, which are included in the OIG annual work plan, have historically resulted in large recoveries from Medicare eligible hospitals. There can be no assurance that the Members of the Obligated Group will not become the subject of one or more of these investigations, or that the government will not determine that a Member of the Obligated Group is required to repay moneys paid by federal health care programs following any such investigation.

Corporate Compliance. The sentencing of organizations for federal health care crimes is governed by the U.S. Sentencing Guidelines (the "Guidelines"), which permit the imposition of extremely large fines in many instances. The Guidelines 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. Under guidance issued by the DOJ in September of 2015, the DOJ is focusing on individual accountability in civil and criminal enforcement actions, and corporations, including healthcare entities, will no longer be given credit for cooperating in a government investigation unless it investigates and identifies the corporate employees responsible for the conduct giving rise to the investigation and provides the government with all non-privileged evidence implicating those employees. As a result of the current environment of increased enforcement against health care fraud and abuse, health care organizations have established compliance programs to prevent or detect violations of federal law. The OIG issued a Compliance Program Guideline for Hospitals in 1998 and Supplemental Compliance Program Guidance for Hospitals in 2005 to assist hospitals in the development and implementation of effective controls and to promote adherence to applicable federal and state laws and program requirements of federal, state and private health plans.

The Members of the Obligated Group adopted a formal corporate compliance program and Code of Business Ethics and Corporate Compliance (collectively, the "Compliance Program"), which is designed to meet the OIG's Compliance Program Guidelines for Hospitals. It governs the conduct of employees, physicians, vendors and other specified persons and entities (collectively, "Covered Persons"). Under the Compliance Program, among other things, each Member of the Obligated Group (i) reaffirms its continuing commitment to compliance with all federal health care program requirements, including the submission of accurate claims for reimbursement in accordance with federal health care program requirements, (ii) requires all Covered Persons to comply with all federal health care programs, (iii) sets forth its expectation that all Covered Persons shall report to the Compliance Officer suspected violations of federal health care programs, (iv) designate the potential consequences for failure by Covered Persons to comply with the Compliance Program and other policies and procedures of the Parent, (v) provide for on-going compliance education for Covered Persons and (vi) provide for a method to keep confidential any reports by a Covered Person of a suspected violation of the Compliance Program.

No Surprises Act. As of January 1, 2022, patients are protected by legislation from surprise medical bills that arise from out-of-network emergency care, certain ancillary services provided by out-of-network providers at in-network facilities, and for out-of-network care provided at in-network facilities without the patient's informed consent (the "No Surprises Act"). Patients are required to pay only the in-network cost-sharing amount, which is determined through a formula established by the DHHS Secretary and counts toward the patient's health plan deductible and out-of-pocket cost-sharing limits. Providers

are not permitted to balance bill patients beyond the cost-sharing amount. Both providers and health plans are required to inform patients about these protections. Although surprise billing laws are important for protecting patients, they can reduce the bargaining power of hospitals with payors and ultimately lead to lower revenues. The ultimate effect of the No Surprises Act on the Obligated Group's operations and financial condition cannot be predicted at this time.

State Regulatory Issues.

Health care providers are subject to a variety of New Jersey State law issues as described below:

False Claims. The New Jersey Insurance Fraud Prevention Act ("FPA") prohibits a person's or entity's submission of false or misleading claims for payment or approval by an insurance company and allows the State to recover substantial damages from persons or entities that knowingly present or cause to be presented a false or misleading claim for payment or approval by an insurance company. Any person or entity that violates the FPA may be liable for, among other things, a penalty of $5,000 for the first violation, $10,000 for the second violation, and $15,000 for each subsequent violation. In addition to or as an alternative to the civil sanctions provided in the FPA, the Attorney General of the State may bring a criminal action under applicable statutes.

Health Care Claims Fraud. N.J.S.A. 2C:21-4.3 and N.J.S.A. 2C:51-5 complement the FPA and prohibit a practitioner (a physician or health care professional as defined by the statute) from submitting of bills or claims for payment reimbursement of health care services that contain false, fictitious, fraudulent and misleading statements of material fact, or omissions of material fact. In addition to other criminal penalties allowed by other applicable laws, under this body of law, a practitioner may be guilty of the crime of health care claims fraud. Practitioners can be guilty of a crime in the second or third degree depending upon the severity of the claims fraud, may be subject to a fine of up to five times the pecuniary benefit obtained or sought to be obtained, and may be subject to imprisonment, if convicted. A practitioner may, in some cases, also have his or her license revoked or suspended.

State False Claims Act. Effective March 13, 2008, the New Jersey False Claims Act authorizes a person to bring an action against any other person who knowingly causes the State to pay a false claim. A person who violates this law is subject to civil penalties in the amounts set forth in the federal False Claims Act and be liable for treble damages. The Act contains "whistleblower" provisions similar to the federal Civil False Claims Act. (See "Federal Civil False Claims Act and Civil Money Penalties Law" above). The Act also amends the existing Medicaid fraud statute so that civil penalties for Medicaid fraud committed under that statute are consistent with, and supplement, those under the New Jersey False Claims Act.

As noted above under "Federal False Claims Act and Civil Money Penalties Law," the potential imposition of large monetary penalties, criminal sanctions, and the significant costs of mounting a defense, create serious pressures to settle on providers who are targets of false claims actions or investigations. Therefore, an action under the FPA or the New Jersey False Claims Act could have a material adverse financial impact on the Obligated Group, regardless of the merits of the case.

State Anti-Kickback Law. The New Jersey Board of Medical Examiners' regulations contain provisions that prohibit Board licensees from, directly or indirectly, giving or receiving from any licensed or unlicensed source a gift of more than nominal (negligible) value, or any fee, commission, rebate, bonus or other compensation however denominated, that a reasonable person would recognize as having been given or received in appreciation for or to promote certain conduct by a licensee, including making or receiving a referral to or from another for professional services. Provisions of State law make it a

criminal offense to offer, solicit or receive any kickback, rebate or bribe in order to induce business for which reimbursement is provided under the Medicaid or other State health care programs. Violation of the State Anti-Kickback Law may lead to civil and criminal penalties, as well as exclusion from the Medicaid program. The Members of the Obligated Group attempt to comply with the provisions of these regulations. However, at the present time, there can be no assurance that the Members of the Obligated Group or the physicians with whom they have relationships will not be found to have violated these State Anti-Kickback Law prohibitions. The mere allegation of such a violation, or if such violation were found to have occurred, or any sanctions imposed, could have a material adverse effect upon the operations and financial condition of the Obligated Group.

State Anti-Referral Law. The New Jersey law governing referrals by physicians, which is commonly referred to as the "Codey Law," and regulations promulgated thereunder by the New Jersey Board of Medical Examiners (the "BME"), prohibit the referral of a patient for "health care services" provided by practitioners who have, or whose immediate family members have, a "significant beneficial interest" in an entity providing such services. A "health care services" provider includes an entity that provides on an inpatient or outpatient basis testing or diagnosis, or treatment of human disease or dysfunction or dispensing of drugs or medical devices for the treatment of human disease or dysfunction, and also includes the following businesses: bioanalytical laboratory; pharmacy; home health care agency; home infusion therapy company; rehabilitation facility; nursing home; hospital; or facility that provides radiological or other diagnostic imaging services; physical therapy services; ambulatory surgery; or ophthalmic services. A "significant beneficial interest" means any "financial interest," including an equity or ownership interest in a practice or a commercial entity holding itself out as offering health care services. A "financial interest," in turn, means any monetary interest held by a Board licensee personally or through immediate family in a health care service to which the Board licensee's patients are referred, other than the ownership of space leased to the entity under prevailing rates or any interest held in publicly traded securities. There are various exceptions to these prohibitions and some of the defined terms. Violations of the Codey Law could result in civil and criminal penalties and could also result in a physician's loss of his or her license to practice medicine in New Jersey. Violations of the Codey Law could be a basis for a claim under the New Jersey False Claims Act or the FPA by a third party payor based upon the implied false certification theory.

Health Claims Authorization Processing and Payment Act. Carriers and health care providers must comply with New Jersey's Health Claims Authorization, Processing and Payment Act ("HCAPPA"), which contains provisions relating to handling of claims, claims payment appeals, prior authorization processes, utilization management ("UM") appeals rights and obligations, and information about clinical guidelines and claims submissions procedures. Carriers and health care providers have an obligation to meet certain requirements of the HCAPPA with respect to both claims payment and the establishment of an independent claims arbitration program to be administered through the New Jersey Department of Banking and Insurance. No assurance can be given at this time as to the impact, if any, of the provisions of the HCAPPA to the operations and financial condition of the Obligated Group.

State Out-of-Network Law. On June 1, 2018, Governor Murphy signed the Out-of-Network Consumer Protection, Transparency, Cost Containment and Accountability Act into law (the "OON Act"). The OON Act requires a hospital to make a number of disclosures, including making available to the public a list of standard charges, posting on its website a list of health plans with which the hospital participates, a list of physician groups that the facility has contracts with, and a list of physicians employed by the facility. The hospital also is required to provide to each patient upon request an estimate of the fees that will be charged for services. In addition, hospitals are required to warn the public that physician services are not included in facility charges, that the physicians who provide services may not participate in the same health plans as the facility, and that patients should check with their health insurer

for coverage of services. The OON Act also provides for a system of mandatory "baseball" arbitration of claims by out-of-network providers for emergency or inadvertent out-of-network services. Penalties for violating the OON Act include $1,000 per violation per day, up to a maximum of $25,000 per incident.

Certificate of Need

State law requires a health care facility, under certain circumstances, to obtain a Certificate of Need from the New Jersey Department of the Health prior to the initiation of certain new health care services, bed additions, bed reductions, or conversions, and certain transfers of ownership. The existence of Certificate of Need requirements may limit the ability of the Members of the Obligated Group to initiate certain types of projects or services that might enhance their competitive position or revenue sources. Over the past several years, relaxation of Certificate of Need rules have allowed health care providers to expand certain activities without adhering to the more rigorous requirements previously imposed. One of the purposes of these changes is to increase opportunities for competition in the health care market. Although these changes may increase opportunities of the Obligated Group to provide additional services, they also may increase its exposure to competition from other health care providers.

Health Care Facility Approvals/Licensure Risks

Health care facilities are subject to extensive regulation/oversight and may require approvals from State agencies, such as the Department of Health, in order to provide health care services. Such approvals include, but are not limited to, construction plan approval and amendments to health care facilities licenses.

State Children's Health Insurance Program

The State Children's Health Insurance Program ("SCHIP") provides federal matching funds to states that cover a portion of the costs of health care coverage, primarily for low-income children. CMS administers SCHIP, but each state creates its own program based on minimum federal guidelines, or the state may apply for a waiver, which allows the state to create its own program using the federal funds, but often with different criteria for eligibility.

New Jersey's SCHIP program, NJ FamilyCare, covers children 18 and under in households with income levels up to 355% of the Federal Poverty Level ("FPL"). Under New Jersey's waiver program, NJ FamilyCare also covers parents and guardians with income levels up to 138% of FPL. Because of the state budget shortfall in New Jersey, eligibility requirements are subject to change. DHS submitted a comprehensive Medicaid waiver to the federal government, which was approved on July 27, 2017, and makes several eligibility, payment, and delivery reforms to NJ Family Care that may have an adverse effect upon the revenues of the Obligated Group. The waiver lasts for five years, but may be extended.

While generally considered to be beneficial for both patients and providers because it reduces the number of uninsured children, it is difficult to assess the fiscal impact of SCHIP payments on the Members of the Obligated Group. Moreover, each state must periodically submit its SCHIP plan to CMS for review to determine if it meets the federal requirements. If a state does not meet the federal requirements, it may lose its federal funding for its program. From time to time Congress and/or the President seek to expand or contract SCHIP. SCHIP has most recently been extended to 2027. The loss of federal approval for a state's program or a reduction in the amounts available under SCHIP could have an adverse impact on the financial condition of the Obligated Group.

Other State Legislation

In 2008, the New Jersey State Legislature enacted several pieces of legislation adopting reforms that were aimed at improving the financial condition of New Jersey hospitals and preserving access to care for residents of New Jersey. The reforms included the creation of stabilization grants for hospitals in danger of reducing services or closing, mandating training of hospital board members on the delivery of health care services, requiring annual public meetings of hospital boards, limiting the amount that hospitals may charge low-income uninsured patients, and authorizing the New Jersey Department of Health to monitor the financial performance of hospitals and to intervene in the management of financially distressed hospitals. In February 2013, New Jersey elected a fully federally run exchange under ACA. In 2013, New Jersey expanded coverage of its Medicaid program under ACA. The federal government will fully fund the expansion for the first three years and after that New Jersey will become responsible for covering a percentage of the cost of the expansion, increasing each year until 2020 when it becomes responsible for covering 10% of the expanded coverage. However, future legislative action is required in order to make the Medicaid expansion permanent.

Future State Legislation

From time to time, the New Jersey State Legislature considers certain reforms aimed at containing health care costs and increasing coverage. Such reforms often include provisions to (i) provide more affordable coverage through expanded government health care programs, (ii) subsidize low-income residents to enable them to purchase health care coverage and (iii) study and implement payment system reforms. At this time, it is impossible to measure the overall financial impact that current and future legislation (if enacted) will have on the Obligated Group.

Environmental Laws and Regulations

Health care systems are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations. Among the types of regulatory requirements faced by health care systems and hospitals are air and water quality control requirements applicable to asbestos, polychlorinated biphenyls, and radioactive substances; requirements for providing notice to employees and members of the public about hazardous materials handled by or located at a health care facility; and requirements for training employees in the proper handling and management of hazardous materials and wastes.

In their role as owners and/or operators of properties or facilities, hospitals may be subject to liability for investigating and remedying any hazardous substances located on the property, including any such substances that migrate off the property. Typical health care system operations include, without limitation, the handling, use, storage, transportation, disposal and/or discharge of medical and/or other hazardous materials, wastes, pollutants or contaminants. As a result, health care system operations are particularly susceptible to the risks associated with compliance with such laws and regulations. Failure to comply 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, penalties or other government agency actions. At the present time, the Obligated Group is not aware of any pending or threatened environmental claim, investigation or enforcement action that, if determined adversely, would have material adverse consequences on the Members of the Obligated Group.

Insurance Coverage Limits

The Loan Agreement and the Master Indenture require the Parent to maintain prescribed levels of professional liability and property hazard insurance and the Parent is currently complying with such requirements. The Parent believes that its present insurance coverage limits are sufficient to cover any reasonably anticipated malpractice or property hazard exposures. No assurance can be given, however, that the Parent will always be able to procure or maintain such levels of insurance in the future.

The Members of the Obligated Group are occasionally named as a defendant in malpractice actions and there remains a risk that individual or aggregate judgments or settlements will exceed coverage limits of the Members of the Obligated, or that some allegations or damages will not be covered by existing insurance coverages of the Members of the Obligated Group. To the extent that the professional liability insurance coverage maintained by the Members of the Obligated Group is inadequate to cover settlements or judgments against it, claims may have to be discharged by payments from current funds and such payments could have a material adverse impact on the Obligated Group.

Medical Professional Liability Insurance Market

Underwriting results are generating substantial premium increases and coverage reductions in the medical professional liability insurance marketplace. A rise in claim severity is driving the deterioration. As a result of the market deterioration, health care providers have experienced substantial premium increases, reductions in coverage and coverage availability, more stringently enforced policy terms, and increases in required deductibles or self-insured retentions. Several regional medical professional liability insurance carriers have taken substantial charges to their surplus capital, have had their financial ratings reduced, and/or have been subject to state insurance department takeover for rehabilitation or liquidation. The effect of these developments has been to significantly increase the operating costs of hospitals. In addition, the dramatic increase in the cost of professional liability insurance in the State may have the effect of causing established physicians to leave the market and of preventing new physicians from establishing their practices in the area. There can be no assurance that the reduction in coverage availability and the rising cost of professional liability coverage will not adversely affect the operations or financial condition of the Obligated Group.

Physician and Registered Nurse Recruitment

Hospitals and health systems are experiencing significant challenges to the recruitment and retention of qualified health care providers, particularly primary care providers.

The health care industry is facing a nationwide shortage of nursing professionals, including registered nurses. At the same time, enrollment in nursing programs has declined, and the skill level of those who are enrolling in nursing programs is declining as more individuals opt to enroll in non-baccalaureate programs. Additionally, the average age of the existing workforce has risen substantially over the last two decades. As a result of these factors, the health care industry is facing a severe nursing shortage. A shortage of nursing staff could result in escalating labor costs, delays in providing care, and patient care management issues, among other adverse effects. Although legislation has been introduced at both the state and federal level to mitigate the impact of the existing and projected nursing shortages, there can be no assurance that a nursing shortage will not adversely affect the operations or financial condition of the Obligated Group.

Likewise, the ability of the Members of the Obligated Group to generate revenues could be adversely affected should it be unable to attract and retain a sufficient number of qualified physicians, for specialties or sub-specialties needed to deliver desired services or other health care professionals.

Licensing, Surveys, Accreditations and Audits

On a regular basis, health care facilities, including those of the Members of the Obligated Group, are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. Those requirements include, but are not limited to, requirements relating to Medicare and Medicaid participation and payment, state licensing agencies, private payors, The Joint Commission (a private nonprofit corporation that accredits health care programs and providers in the United States and those of similar accrediting bodies), the National Labor Relations Board and other federal, state and local government agencies. Renewal and continuance of certain of these licenses, certifications and accreditations is based on inspections, surveys, audits, investigations or other reviews, some of which may require or include affirmative action or response by the Members of the Obligated Group. These activities are generally conducted in the normal course of business of health care facilities. Nevertheless, an adverse result could be the cause of loss or reduction in a facility's scope of licensure, certification or accreditation, third party payor contracts or reduction in payments received. The Members of the Obligated Group currently expect no difficulty in renewing or maintaining currently held licenses, certifications or accreditations that are material to its operations. There can be no assurance that the requirements of present or future laws, regulations, certifications, licenses or third party payor contracts will not materially and adversely affect the future operations of the Obligated Group.

The IRS and State, county and local taxing authorities audit and investigate hospital operations to confirm that such organizations are in compliance with applicable tax rules and regulations. These audits may result in disputes about issues ranging from sales tax collections to qualifications of a hospital's exemption from property or income taxation. The IRS undertakes audits and reviews of the operations of tax-exempt hospitals with respect to such matters as their generation of unrelated business taxable income or relating to inurement of or under private benefit to non-501(c)(3) entities, proper classification of workers as employees, and joint ventures. In some cases, the tax-exempt status of hospitals has been questioned as a result of activities deemed to violate the tax laws or other statutes. In addition, the OIG also undertakes audits and reviews of Medicare billing practices and other regulatory matters. In some cases, hospitals have incurred substantial liabilities including interest and penalties as a result of the findings or settlement of such audits.

Maintenance of 501(c)(3) Status

The Members of the Obligated Group have been determined to be tax-exempt organizations described in Section 501(c)(3) of the Code. Maintaining that status is contingent upon compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable and educational purposes and their avoidance of transactions that would cause their assets to inure to the benefit of private persons. The IRS has indicated that it intends to issue "compliance checks" relating to post-issuance compliance of tax-exempt bonds issued for exempt organizations.

As a tax-exempt organization, the Members of the Obligated Group are limited in their use of practice income, guarantees, reduced rent on medical office space, below-market rate interest loans, joint venture programs and other means of recruiting and maintaining physicians. The IRS scrutinizes a broad variety of contractual relationships commonly entered into by hospitals and affiliated entities and has issued detailed hospital audit guidelines suggesting that field agents scrutinize numerous activities of

hospitals in an effort to determine whether any action should be taken with respect to limitations on, or revocation of, their tax-exempt status or assessment of additional tax. The Members of the Obligated Group conduct diverse operations involving private parties and have entered into arrangements, directly or through affiliates, that are of the kind that the IRS has indicated that it will examine in connection with audits of tax-exempt hospitals. Therefore, there can be no assurances that certain of its transactions would not be challenged by the IRS.

The IRS has issued limited guidance that addresses joint ventures and other common arrangements between exempt health care organizations and non-exempt individuals or entities. The Members of the Obligated Group believe that their arrangements with private persons and entities are generally consistent with guidance by the IRS, but there can be no assurance concerning the outcome of an audit or other investigation given the limited authority interpreting the range of activities undertaken by the Parent.

The IRS has taken the position that hospitals that are in violation of the Anti-Kickback Law may also be subject to revocation of their federal tax-exempt status. As a result, tax-exempt entities such as the Members of the Obligated Group that have, and will continue to have, extensive transactions with physicians are subject to an increased degree of scrutiny and perhaps enforcement by the IRS.

Although Members of the Obligated Group have covenanted to maintain their status as tax-exempt organizations, loss of tax-exempt status would likely have a significant adverse effect on any such organization and its operations. Any suspension, limitation or revocation of the tax-exempt status of Members of the Obligated Group or assessment of significant tax liability could have a material adverse effect on Members of the Obligated Group and might lead to loss of tax exemption of interest on the Series 2024A Bonds.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of exempt organizations. Since such actions and proposals have been made, they have been vigorously challenged and contested. There can be, however, no assurance that future changes in the laws and regulations of the federal, state or local governments will not materially and adversely affect the operations and revenues of Members of the Obligated Group by requiring it to pay income or real estate taxes.

There have also been numerous Congressional hearings in the past several years held by the House Ways and Means Committee, the Senate Finance Committee and other committees investigating various activities and practices of tax-exempt and other health care organizations, including hospital pricing systems, hospital billing and collection practices, unaudited business income and prices charged to uninsured patients. It cannot be determined at this time whether any legislation will be enacted in response to congressional hearings and investigations and, if so, what form any such legislation would take and what its impact would be on Members of the Obligated Group.

Other legislative changes or judicial actions with respect to matters relating to the tax-exempt status of nonprofit corporations, including the provision of free care to the indigent and the exemption from property taxes of such corporations, could be enacted. There can be no assurance that the future changes in federal, state or local laws, rules, regulations and policies governing tax-exempt entities will not have adverse effects on the future operations of Members of the Obligated Group.

Competition Among Health Care Providers

Increased competition from a wide variety of sources, including specialty hospitals, other hospitals and health care systems, HMOs, inpatient and outpatient health care facilities, long-term care and skilled nursing services facilities, clinics, physicians and others, may adversely affect the utilization and revenues of hospitals. Existing and potential competitors may not be subject to various restrictions applicable to hospitals, and competition, in the future, may arise from new sources not currently anticipated or prevalent.

Specialty facilities or ventures that attract an important segment of an existing hospital's admitting specialists or services that generate a significant source of revenue may be particularly damaging. For example, some large hospitals may have significant dependence on heart surgery or orthopedic programs, as revenue streams from those programs may cover significant fixed overhead costs. If a significant number of such a hospital's heart surgeons or orthopedists were to develop their own specialty hospital or surgery center (alone or in conjunction with a growing number of specialty hospital operators and promoters), taking with them their patient base, the hospital could experience a rapid and dramatic decline in net revenues that is not proportionate to the number of patient admissions or patient days lost. It is also possible that the competing specialty hospital, as a for-profit venture, would not accept indigent patients or other payors and government programs, leaving low-pay patient populations in the full-service hospital. In certain cases, such an event could have a material adverse effect on the operations, results of operations and financial condition of the hospital.

Freestanding ambulatory surgery centers may attract significant commercial outpatient services traditionally performed at hospitals. Commercial outpatient services, currently among the most profitable for hospitals, may be lost to competitors that can provide these services in an alternative, less costly setting. Full-service hospitals rely upon the revenues generated from commercial outpatient services to fund other less profitable services, and the decline of that business may result in reduced income. Competing ambulatory surgery centers, which are often for-profit businesses, may not accept indigent patients or low paying programs and would leave these populations to receive services in the full-service, nonprofit hospital setting. Consequently, hospitals are vulnerable to competition from ambulatory surgery centers.

Additionally, scientific and technological advances, new procedures, drugs and applications, preventive medicine and outpatient health care delivery may reduce utilization and revenues of hospitals in the future or otherwise lead the way to new avenues of competition. In some cases, hospital investment in facilities and equipment for capital-intensive services may be lost as a result of rapid changes in diagnosis, treatment or clinical practice brought about by new technology or new pharmacology. The growth of e-commerce also may result in a shift in the way that health care is delivered, i.e., from remote locations. For example, physicians will be able to provide certain services over the internet and pharmaceuticals and other health services may now be purchased online. Additionally, other service providers in competition with the Members of the Obligated Group may compete through these same electronic mediums by advertising their services and providing easy registration for competing services over the internet.

Real Estate Tax Exemptions for Nonprofit Corporations

The real property tax exemptions afforded to certain nonprofit health care providers by various state and local taxing authorities have been challenged on the theory that the health care providers were not sufficiently engaged in charitable activities. These challenges have been based on a variety of

grounds, including allegations of aggressive billing and collection practices and excessive financial margins.

Until recently, states have not been as active as the IRS in scrutinizing the income tax exemption of health care organizations. Legislation that would result in further regulation and supervision of nonprofit corporations generally is introduced from time to time in state legislatures. The loss by certain Members of the Obligated Group of federal tax exemption could very well trigger a challenge to its state or local tax exemption. Depending on the circumstances, such a challenge, if successful, could be material and adverse.

State and local taxing authorities undertake audits and reviews of the operations of tax-exempt health care providers with respect to their real property tax exemptions. In some cases, particularly where authorities are dissatisfied with the amount of services provided to the indigent, or where space is used by private individuals or for-profit entities, the real property tax-exempt status of the health care providers has been questioned. The majority of the real property of the Members of the Obligated Group is currently treated as exempt from state and local real property taxation.

In June 2015 the Tax Court of New Jersey ruled in favor of the Town of Morristown in a lawsuit filed against the Town by Atlantic Health System Hospital Corp., the parent of Morristown Medical Center, in upholding the Town's denial of property tax exemptions for Morristown Medical Center for the years 2006 through 2008 on the basis that Morristown Medical Center had conducted and operated its for-profit and not-for-profit activities in such an integrated and entangled manner such that its overall operations were essentially that of a for-profit corporation. The Tax Court's ruling was limited solely to the exemption from property taxes under State law. The amount of property tax to be paid by Morristown Medical Center following the ruling of the Tax Court was not determined and the case was settled by the parties. Since the issuance of the Tax Court's decision in the Morristown case, several New Jersey municipalities have filed suit against tax-exempt hospitals located within their borders seeking to impose real estate taxes on the hospitals. In the wake of the ruling, municipal tax authorities throughout the State have served non-profit hospitals with property tax assessments. On February 22, 2021, Governor Phil Murphy signed into law new legislation designed to reinstate the property tax exemption afforded to New Jersey nonprofit hospitals (the "New Law"). Under the New Law, New Jersey nonprofit hospitals are required to pay for the benefit of real property tax exemption. The New Law requires New Jersey nonprofit hospitals to pay annual community service contributions intended to offset costs of municipal services provided by the hospital's municipality. The annual contributions are payable in quarterly installments and are equal to $3 a day per licensed hospital bed and $300 each day for each satellite emergency facility. This contribution amount will increase annually 2% over the prior tax year.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of nonprofit corporations. There can be no assurance that future changes in the laws and regulations of the State or local government will not materially adversely affect the consolidated financial condition of the Obligated Group by requiring payment of income, property or other taxes.

Community Benefit Initiatives

The IRS has also undertaken a community benefit initiative directed at hospitals. The IRS Hospital Compliance Project Final Report issued in 2009 determined that the reporting of community benefit by nonprofit hospitals varied widely, both as to types of programs and expenditures classified as community benefit and the measurement of community benefits. As a result, the IRS issued revised Form 990 that includes Schedule H, effective for tax years beginning after March 23, 2010, which is designed to provide uniformity regarding types of programs and expenditures reported as community

benefits by nonprofit hospitals. As the IRS collects and reviews information from hospitals about the levels and types of community benefit provided, the IRS may issue a more stringent interpretation of community benefit. Findings from Schedule H reports may also revive proposals in Congressional committees, which, from time to time, have been made to codify the requirements for hospitals' tax-exempt status, including requirements to conduct a regular community needs analysis and to provide minimum levels of charity care. Additionally, ACA contains new requirements for nonprofit hospitals in order to maintain their tax-exempt status, which includes a requirement to conduct a periodic community health needs assessment ("CHNA"), among other requirements.

Intermediate Sanctions

The Code Section 4958 ("Intermediate Sanctions") imposes penalty excise taxes in cases where an exempt organization is found to have engaged in an "excess benefit transaction" with a "disqualified person." Such penalty excise taxes may be imposed in lieu of revocation of exemption or in addition to such revocation in cases where the magnitude or nature of the excess benefit calls into question whether the organization has continued to function as a charity. The tax is imposed on the disqualified person receiving the excess benefit. An additional tax may be imposed on any officer, director, trustee or other person having similar powers or responsibilities who knowingly participated in the transaction willfully or without reasonable cause.

"Excess benefit transactions" include transactions in which a disqualified person receives unreasonable compensation for services or receives other economic benefit from the organization that exceeds fair market value. "Disqualified persons" include "insiders" such as board members and officers, senior management, and members of the medical staff, who in each case are in a position to substantially influence the affairs of the organization; their family members; and entities that are more than 35% controlled by a disqualified person. The legislative history sets forth Congress' intent that compensation of disqualified persons shall be presumed to be reasonable if it is: (1) approved by disinterested members of the organization's board or compensation committee; (2) based upon data regarding comparable compensation arrangements paid by similarly situated organizations; and (3) adequately documented by the board or committee as to the basis for its determination. A presumption of reasonableness will also arise with respect to transfers of property between the exempt organization and disqualified persons if a similar procedure with approval by an independent board is followed.

Intermediate Sanction penalties can also be assessed in situations where the exempt organization, or an entity controlled by the organization, provides an economic benefit to a disqualified person without maintaining contemporaneous written substantiation of the organization's intent to treat the benefit as compensation. If the written contemporaneous substantiation requirements are not satisfied and unless the organization can establish that it provided the economic benefit in exchange for consideration other than the performance of services (*i.e.*, a *bona fide* loan), the IRS shall deem such transactions as an "automatic" excess benefit transaction without regard to whether: (1) the economic benefit is reasonable; (2) any other compensation the disqualified person may have received is reasonable; or (3) the aggregate of the economic benefit and any other compensation the disqualified person may have received is reasonable. There is no defense to the assessment of automatic excess benefit penalties.

The imposition of a penalty excise tax in lieu of revocation based upon a finding that an exempt organization engaged in an excess benefit transaction is likely to result in negative publicity and other consequences that could have a material adverse effect on the operations, property, or assets of the organization.

Bond Audits

IRS officials have recently 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, the IRS has sent several hundred post-issuance compliance questionnaires to nonprofit corporations that have borrowed on a tax-exempt basis regarding their post-issuance compliance with various requirements for maintaining the federal tax exemption of interest on their bonds. The questionnaire includes questions relating to the borrower'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. IRS representatives indicate that after analyzing responses from the first wave of questionnaires, thousands more will be sent.

The IRS has also added a new schedule (Schedule K) to IRS Form 990. This schedule requests detailed information related to all outstanding bond issues of nonprofit borrowers, including information regarding operating, management and research contracts as well as private use compliance.

Event of Taxability

If the Parent does not comply with certain covenants set forth in the Loan Agreement generally related to restrictions on use of the facilities, arbitrage limitations, rebate of certain excess investment earnings, and restrictions on the amount of issuance costs financed with the proceeds of the Series 2024A Bonds, or if certain representations or warranties made by the Parent in the Loan Agreement, or in certain certificates or agreements of the Members of the Obligated Group, are false or misleading, the interest payable on the Series 2024A Bonds may become includable in the gross income of the owners of the Series 2024A Bonds for purposes of federal income taxation retroactive to the date of issuance of the Series 2024A Bonds, regardless of the date on which such noncompliance or misrepresentation is ascertained. In the event that interest on the Series 2024A Bonds should become includable in the gross income of the owners of the Series 2024A Bonds for purposes of federal income taxation, the Trust Agreement does not provide for the redemption of the Series 2024A Bonds or the acceleration of the payment of debt service on the Series 2024A Bonds or for an increase in the rates of interest on the Series 2024A Bonds, although violation of any such tax covenant may give rise to an event of default for which acceleration is a possible remedy.

Secondary Market

There can be no assurance that there will be a secondary market for the purchase or sale of the Series 2024A Bonds. From time to time there may be no market for the Series 2024A Bonds depending upon prevailing market conditions, including the financial condition or market position of firms that may make the secondary market, the evaluation of the capabilities of the Members of the Obligated Group, and the financial condition and results of operations of the Members of the Obligated Group.

In addition, the occurrence of the events described above in "BONDHOLDERS' RISKS - Event of Taxability; Future Legislation" may also have an adverse effect on the secondary market value of the Series 2024A Bonds.

Affiliation, Merger, Acquisition and Divestiture

The Parent evaluates and pursues potential acquisition, merger and affiliation candidates as part of the overall strategic planning and development process. As part of its ongoing planning and property management functions, the Parent reviews the use, compatibility and business viability of many of the

operations of its system, and from time to time may pursue changes in the use of, or disposition of, the facilities. Likewise, the Parent occasionally receives offers from, or conducts discussions with, third parties about the potential acquisition of operations or properties, which third parties may become subsidiaries or affiliates of the Parent in the future, or about the potential sale of some of the operations and properties that are currently conducted or owned by the members of the system. Discussions with respect to affiliation, merger, acquisition, disposition, or change of use of facilities are held from time to time with other parties. These may be conducted with acute care hospital facilities and may relate to potential affiliations. As a result, it is possible that the current organization and assets of the Obligated Group may change from time to time.

General Economic Factors

General. The recent domestic and international economic downturn has had, and may continue to have, negative impacts upon the national and global economies, including a tightening of credit, decreased confidence in the financial sector, volatility in the financial markets, increase in interest rates, reduced business activity, increased business failures and increased consumer and business bankruptcies. These events collectively have led to significant reductions in lending capacity and the extension of credit, erosion of investor confidence in the financial sector, and historically aberrant fluctuations in interest rates. This disruption of the credit and financial markets has led to volatility in domestic and international securities markets, significant losses in investment portfolios, increased business failures and consumer and business bankruptcies. The ongoing repercussions of the economic downturn may adversely affect the expenses of the Members of the Obligated Group and, consequently, its ability to pay debt service on its debt.

The current conditions in credit markets may cause the ability of the Members of the Obligated Group to borrow to fund capital expenditures to be more limited and more expensive. The credit market situation has also caused a number of financial institutions to restrict lending, including extending the term of liquidity and credit facilities. The Members of the Obligated Group have and will continue to carry variable rate indebtedness in the future, which shall be secured by a letter of credit. Future credit conditions may impact the ability of the Obligated Group to extend or replace the liquidity and credit facilities securing such variable rate indebtedness.

Investments. The Members of the Obligated Group have significant holdings in a broad range of investments. Market fluctuations may affect the value of those investments and those fluctuations historically have been at times material.

Pension Funding Impact. Changes in market interest rates and debt and equity market fluctuations also potentially could have an impact on the pension fund liabilities of the System and its requirements for funding its related pension. Like any other entity with pension fund liabilities, the Obligated Group finds that increases or decreases in interest rates have an impact on the assumed earnings rates on pension assets needed to match pension fund liabilities, which accordingly affects the levels of actuarial pension investment assets required to meet future pension obligations. Consequently, any substantial and sustained decline in long-term interest rates could have the effect of increasing the current pension funding requirements of the Members of the Obligated Group. In addition, the Pension Protection Act of 2006 (the "PPA") has accelerated the minimum funding requirements for many defined benefit pension plans. This change, together with new rules for measuring pension plan assets and liabilities, including new actuarial assumptions and asset valuation rules included in the PPA, has generally increased employers' required minimum funding contributions to pension plans.

Potential Effects of Bankruptcy

If a Member of the Obligated Group were to file a petition for relief under the federal Bankruptcy Code, the filing would act as an automatic stay against the commencement or continuation of judicial or other proceedings against the petitioner and its property.

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

Enforceability of Obligations Under the United States Bankruptcy Code and Under Fraudulent Conveyance Laws

The rights and remedies of Bondholders are subject to various provisions of the Federal Bankruptcy Code. A filing under the United States Bankruptcy Code would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Obligated Group or any future member of the Obligated Group, and its property, and as an automatic stay of any act or proceeding to enforce a lien upon its property.

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

The Obligated Group is liable for all obligations issued pursuant to the Master Indenture. The enforcement of such liability may be limited to the extent that any payment or transfer by the Members of the Obligated Group would render them insolvent or would conflict with, not be permitted by, or be subject to recovery for the benefit of other creditors, under applicable state or federal laws.

Certain Matters Relating to the Enforceability of the Master Indenture

The accounts of the Members of the Obligated Group and any future members of the Obligated Group will be combined for financial reporting purposes and will be used in determining whether various covenants and tests contained in the Master Indenture (including tests relating to the issuance of additional Indebtedness) are met. This is the case notwithstanding uncertainties as to the enforceability of the joint and several obligations of the Members of the Obligated Group to make payments on the

obligations issued under the Master Indenture, including, without limitation, the Series 2024A Note issued to evidence and secure the obligations of the Parent pursuant to the Loan Agreement, which uncertainties bear on the availability of the assets of the Members of the Obligated Group for such payments.

Counsel to the Obligated Group will give an opinion or opinions concurrently with the delivery of the Series 2024A Bonds that the Loan Agreement and the obligations of the Parent thereunder are enforceable against the Parent in accordance with its terms, and that the Master Indenture and the Obligations issued thereunder, including the Series 2024A Note, are enforceable against the Members of the Obligated Group in accordance with their terms. Such opinion will be qualified as to the enforceability of the provisions of the Loan Agreement, the Master Indenture and the Obligations by limitations imposed by state and federal laws, rulings and decisions relating to equitable remedies regardless of whether enforceability is sought in a proceeding at law or in equity, fraudulent conveyances and fraudulent transfers, the ability of one charitable corporation to pledge its assets to secure the debt of another, and bankruptcy, reorganization, insolvency, receivership or other similar laws affecting the rights of creditors generally from time to time in effect or by equitable principles, or as otherwise limited by state and federal laws prohibiting, limiting or restricting any liens on Gross Revenues derived from the Medicare or Medicaid programs or other federal healthcare programs, the ability of a charitable corporation to pledge its assets to secure the debt of another, the use or pledge of any assets subject to a direct, express or charitable trust or any restrictions under state and federal privacy laws.

A member of the Obligated Group may not be required to make a payment or use its assets to make a payment in order to provide for the payment under the Loan Agreement or the Series 2024A Note, or a portion thereof, the proceeds of which were not lent or otherwise disbursed to such member, to the extent that such payment or use would render the member insolvent or which would conflict with, not be permitted by or which is subject to recovery for the benefit of other creditors of such member under applicable law. There is no clear precedent in the law as to whether such payments or use of assets by a member of the Obligated Group may be voided by a trustee in bankruptcy in the event of a bankruptcy of such member or by third party creditors in an action brought pursuant to state fraudulent conveyances statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under state fraudulent conveyances statutes, a creditor of a related guarantor, may avoid any obligation incurred by a related guarantor if, among other bases therefor, (i) the guarantor has not received fair consideration or reasonably equivalent value in exchange for the guaranty and (ii) the guaranty renders the guarantor insolvent, as defined in the United States Bankruptcy Code or state fraudulent conveyances statutes, or the guarantor is undercapitalized.

Application by courts of the tests of "insolvency," "reasonably equivalent value" and "fair consideration" has resulted in a conflicting body of case law. It is possible that, in an action to force a member of the Obligated Group to make a payment under the Loan Agreement or on the Series 2024A Note for which it was not a direct beneficiary, a court might not enforce such a payment in the event it is determined that the member of the Obligated Group against which payment is sought is analogous to a guarantor of the debt of the member of the Obligated Group who benefited from the borrowing and that sufficient consideration for the member's obligation was not received or that the incurrence of such obligation has rendered or will render the member insolvent.

In addition, there exists common law authority and authority under state statutes for the ability of the state courts to terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that such corporation has insufficient assets to carry out its stated charitable purposes or has taken some action that renders it unable to carry out such purposes. Such court action may arise on the court's own motion or pursuant to a petition of the state attorney general or such

other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

Enforceability of Lien on Gross Revenues

The Series 2024A Note provides that the Obligated Group shall make payments to the Authority sufficient to pay the principal of the Series 2024A Bonds and the interest thereon as the same become due. The obligation of the Obligated Group to make such payments is secured in part by a lien granted by the Obligated Group on its Gross Revenues. Such lien is on a parity with the lien on Gross Revenues securing all other Obligations that may be issued in the future, as well as other Obligations that may be issued pursuant to the Master Indenture, including Guarantees.

Gross Revenues is defined to include all revenues, rents, profits, receipts, benefits, royalties, and income of any Member of the Obligated Group arising from goods or services provided by Members of the Obligated Group 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 of the Obligated Group; (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 that is inconsistent with its use for payments required under the Master Indenture or on any Obligations or Indebtedness.

To the extent that Gross Revenues are derived from payments by the federal 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 of the Obligated Group member 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 revenues not subject to the lien, or where such lien was unenforceable, 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 Obligated Group, where such Gross Revenues are derived from the Medicare and Medicaid programs.

In the event of bankruptcy of a member of the Obligated Group, transfers of property made by such member at a time that it was insolvent in payment of or to secure an antecedent debt, 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 under the Bankruptcy Code, may be subject to avoidance as preferential transfers. Under certain circumstances

a court may have the power to direct the use of Gross Revenues to meet expenses of such member before paying debt service on the Series 2024A Note that secures the Series 2024A Bonds.

The value of the security interest in the Gross Revenues could be diluted by the incurrence pursuant to the Master Indenture of Additional Indebtedness secured equally and ratably with (or in certain cases senior or subordinate to) the Series 2024A Note that secures the Series 2024A Bonds as to the security interest in the Gross Revenues. See "SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT, THE TRUST AGREEMENT AND THE MASTER INDENTURE – SUMMARY OF THE MASTER INDENTURE – Permitted Indebtedness" in Appendix C hereto.

Matters Relating to Security

The remedies available to the Trustee, the Authority or the registered owners of the Series 2024A Bonds upon an event of default under the Trust Agreement or the Loan Agreement are in many respects dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including, specifically, the United States Bankruptcy Code, the remedies provided in the Trust Agreement and the Loan Agreement may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2024A Bonds and the delivery of the Trust Agreement and the Loan Agreement will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally. The enforceability of the Trust Agreement and the Loan Agreement and the Series 2024A Bonds is subject to bankruptcy, insolvency, fraudulent conveyance, moratorium, reorganization and other state and federal laws affecting the enforcement of creditors' rights and to general principles of equity. A claim for payment of the principal of or interest on the Series 2024A Bonds could be made subject to any statutes that may be constitutionally enacted by the United States Congress or the state legislatures affecting the time and manner of payment of debt or imposing other constraints upon enforcement of debt obligations.

Certain amendments to the Trust Agreement and the Loan Agreement may be made with the consent of the owners of a majority of the aggregate principal amount of the Series 2024A Bonds then Outstanding. Such amendments may adversely affect the security of the Bondholders, and such majorities of owners may be composed wholly or partially of the owners of Additional Bonds. In addition, upon compliance with certain conditions set forth in the Master Indenture, amendments to certain of the operational, procedural or financial covenants set forth in the Master Indenture may be effected without consent of the holders of Obligations, including the Bondholders. Such amendments may adversely affect the security for the Series 2024A Note that secures the Series 2024A Bonds.

The enforceability of the obligations of the Members of the Obligated Group to make payments on the Series 2024A Note is subject to certain limitations including (i) state and federal bankruptcy laws relating to fraudulent conveyances if, among other things, a member of the Obligated Group is determined not to have received fair consideration or reasonably equivalent value for its obligation to make such payment and is rendered insolvent as a result of such obligation; (ii) restrictions on the use of assets subject to a direct, express or charitable trust; (iii) corporate or related purposes of the member of the Obligated Group that are inconsistent with the corporate or related purposes for the issuance of the Series 2024A Note; (iv) requests for payments from a member of the Obligated Group that would result in the cessation or discontinuance of any material portion of the health care or related services previously provided; and (v) applicable usury laws.

Derivative Products

The Members of the Obligated Group may use interest rate hedging arrangements in connection with certain Obligations (as defined in the Master Indenture). Such arrangements may be used to manage exposure to interest rate volatility, but may expose the Members of the Obligated Group to additional risks, including the risk that a counterparty may fail to honor its obligation.

Swap agreements are subject to periodic "mark-to-market" valuations. A swap agreement may, at any time, have a positive or negative value to the Members of the Obligated Group, such value, if negative could result in the Obligated Group posting collateral related to such mark-to-market valuations. If the Members of the Obligated Group were to choose to terminate a swap agreement or if a swap agreement were terminated pursuant to an event of default or a termination event as described in the swap agreement, the Members of the Obligated Group could be required to pay a termination payment to the swap provider, and such payment could adversely affect the Members of the Obligated Group's financial condition.

Risks Related to Variable Rate or Private Placement Indebtedness

The Parent may in the future incur variable rate indebtedness. Generally, the interest cost of variable rate indebtedness is lower than for fixed rate debt of a comparable maturity. In order for variable rate indebtedness to have the desired result of lower borrowing costs, the variable rate indebtedness commonly requires credit enhancement such as bond insurance or a bank letter of credit. Any such indebtedness therefore will bear interest at rates that are directly related to the ratings accorded to, and to investor perceptions of, the financial strength of the applicable provider of credit enhancement. In addition, the Parent, like many tax-exempt health care entities, may in the future incur indebtedness purchased by private placement purchasers in non-public transactions. Such indebtedness generally bears interest at an initial rate and is subject to mandatory tender at the end of the initial holder's purchase period. Similar to the failure to extend or replace a credit facility, the failure to remarket private placement bonds could result in such obligations bearing interest at a penalty rate or default rate, increasing the debt service obligation of the Parent.

The applicable providers of credit enhancement and the purchasers of private placement bonds often are the beneficiaries of covenants in addition to those set forth in the Master Indenture. Bondholders may not be informed of the terms of such covenants and these additional covenants could restrict the ability of the Members of the Obligated Group to enter into certain transactions and the violation of such covenants could result in an event of default under the applicable additional agreement, which may result in a default under the Master Indenture.

General Factors Affecting the Obligated Group's Revenues

The following factors, among others, may unfavorably affect the operations of health care facilities, including those of the Obligated Group, to an extent and in a manner that cannot be determined at this time:

1. Employee strikes and other adverse actions that could result in a substantial reduction in revenues with corresponding decreases in costs. Hospitals and their employees fall within the scope of, and are subject to, the National Labor Relations Act. Accordingly, labor relationships with hospital and nursing home employees are regulated by the federal government. Employees may organize, bargain collectively and strike.

2. Reduced need for hospitalization or other services arising from future medical and scientific advances.

3. Reduced demand for the services that might result from decreases in population of the service area of the Obligated Group.

4. Increased unemployment or other adverse economic conditions in the service area of the Obligated Group, which could increase the proportion of patients who are unable to pay fully for the cost of their care. In addition, increased unemployment caused by a general downturn in the economy of the Obligated Group's service area or the State or by the closing of one or more major employers in such service area may result in a loss of health insurance benefits for a portion of the Obligated Group's patients.

5. Cost, availability and sufficiency of any insurance such as medical professional liability, directors' and officers' liability, property, automobile liability, and commercial general liability coverages that health care facilities of a similar size and type generally carry.

6. Adoption of legislation that would establish a national healthcare program.

7. Cost and availability of energy.

8. Potential depletion of the Medicare trust fund.

9. The occurrence of terrorist activities or natural disasters, including floods and earthquakes, may damage the facilities of the Obligated Group, interrupt utility service to the facilities, or otherwise impair the operation of the Obligated Group and the generation of revenues from its facilities. The facilities of the Members of the Obligated Group are covered by general property insurance in an amount that management considers to be sufficient to provide for the replacement of such facilities in the event of a natural disaster.

10. Any increase in the quantity of indigent care provided that is mandated by law or required due to increased need of the community in order to maintain the charitable status of the Members of the Obligated Group.

11. Factors such as: (i) the cost and availability of insurance, such as workers' compensation, fire and general comprehensive liability; (ii) uninsured acts of God; and (iii) increased costs and possible liability exposure arising out of potential environmental hazards.

12. Technological advances in recent years have accelerated the trend toward the use of sophisticated diagnostic and treatment equipment in hospitals. The availability of certain equipment may be a significant factor in hospital utilization, but purchase of such equipment may be subject to health planning agency approval and to the ability of the Obligated Group to finance such purchases.

13. Imposition of wage and price controls for the health care industry or an increase in the minimum wage.

14. Developments adversely affecting the federal or state tax-exemption of municipal bonds.

15. Acts of terrorism.

16. Changes in accounting rules that could result in the reclassification of assets and transactions that are subject to the terms of the Master Indenture.

17. Changes in the governmental requirements concerning how patients are treated. These regulations are embodied in patients' bills of rights and similar programs being promulgated with greater frequency, and changes in licensure requirements. All of these programs can increase the cost of doing business and consequently adversely affect the financial condition of the Obligated Group.

Additional Members of the Obligated Group

In the future, additional entities may become Members of the Obligated Group pursuant to the terms and provisions of the Master Indenture. Thereupon, the Bondholders' risks discussed above may be relevant to such new Members of the Obligated Group, if any.

FORWARD-LOOKING STATEMENTS

Information included under the heading "BONDHOLDERS' RISKS" and other sections in this Official Statement and Appendices A and B attached hereto includes forward-looking statements about the future that are necessarily subject to various risks and uncertainties (the "Forward-Looking Statements"). These Forward-Looking Statements are (i) based on the beliefs and assumptions of management of the Members of the Obligated Group and on information currently available to such management and (ii) generally identifiable by words such as "estimates," "expects," "anticipates," "plans," "believes" and other similar expressions.

Events that could cause future results to differ materially from those expressed in or implied by Forward-Looking Statements or historical experience include the impact or outcome of many factors that are described throughout this Official Statement and Appendix A attached hereto, including, without limitation, the discussion under "BONDHOLDERS' RISKS" in this Official Statement and "HEALTH CARE DELIVERY PLATFORM – Employees," "SERVICE AREA," "UTILIZATION AND OPERATING DATA," "FINANCIAL INFORMATION," including "Management's Discussion and Analysis of RWJBH's Operating Results" in such Appendix A. Although the ultimate impact of such factors is uncertain, they may cause future performance to differ materially from results or outcomes that are currently sought or expected by the Members of the Obligated Group.

TAX MATTERS

Federal Income Taxation

The Code establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance of the Series 2024A Bonds in order for the interest on the Series 2024A Bonds to be and remain excluded from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause the interest on the Series 2024A Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the Series 2024A Bonds. The Authority and the Parent have each covenanted to comply with the provisions of the Code applicable to the Series 2024A Bonds and not to take any action or fail to take any action that would cause the interest on the Series 2024A Bonds to lose the exclusion from gross income for Federal income tax purposes under Section 103 of the Code.

In the opinion of Wilentz, Goldman & Spitzer, P.A., Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Authority and the Parent with their covenants described above, interest on the Series 2024A Bonds is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Code and is not treated as a preference item under Section 57 of the Code for purposes of calculating the Federal alternative minimum tax; however, interest on the Series 2024A Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to alternative minimum tax imposed under Section 55 of the Code.

Under Section 171(a)(2) of the Code, no deduction is allowed for the amortizable bond premium (determined in accordance with Section 171(b) of the Code) on the Series 2024A Bonds that are initially offered and sold at a premium. Under Section 1016(a)(5) of the Code, however, an adjustment must be made to the purchaser's basis in such Series 2024A Bonds to the extent of any amortizable bond premium that is disallowable as a deduction under Section 171(a)(2) of the Code.

Additional Federal Income Tax Consequences

Prospective purchasers of the Series 2024A Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Series 2024A Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Series 2024A Bonds should consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

State Taxation

Bond Counsel is further of the opinion that, under existing laws of the State, interest on the Series 2024A Bonds and any gain realized on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended.

Prospective Tax Law Changes

Federal, state or local legislation, administrative pronouncements or court decisions may affect the federal and State tax-exempt status of interest on the Series 2024A Bonds, gain from the sale or other disposition of the Series 2024A Bonds, the market value of the Series 2024A Bonds or the marketability of the Series 2024A Bonds. The effect of any legislation, administrative pronouncements or court decisions cannot be predicted. Prospective purchasers of the Series 2024A Bonds should consult with their own tax advisors regarding such matters.

Other Tax Consequences

Except as described above, Bond Counsel expresses no opinion with respect to any Federal, state, local or foreign tax consequences of ownership of the Series 2024A Bonds. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of issuance of the Series 2024A Bonds and assumes no obligation to update its opinion after such date of issuance to reflect any future action, fact, circumstance, change in law or interpretation, or otherwise. Bond Counsel expresses no opinion as to the effect, if any, on the tax status of the interest on the Series 2024A Bonds paid or to be paid as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

ALL POTENTIAL PURCHASERS OF THE SERIES 2024A BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE, LOCAL OR FOREIGN TAX CONSEQUENCES (INCLUDING BUT NOT LIMITED TO THOSE DESCRIBED ABOVE) OF THE OWNERSHIP OF THE SERIES 2024A BONDS. (See, also "BONDHOLDERS' RISKS – Future Federal Legislation," "– Maintenance of 501(c)(3) Status" and "– Event of Taxability" herein).

See Appendix D to this Official Statement for the complete text of the proposed form of Bond Counsel's opinion with respect to the Series 2024A Bonds.

LEGALITY OF SERIES 2024A BONDS FOR INVESTMENT AND DEPOSIT

Under the provisions of the Act, the Series 2024A Bonds are securities in which the State and all political subdivisions of the State, their officers, boards, commissions, departments, or other agencies, all banks, bankers, savings banks, trust companies, savings and loan associations, investment companies and other persons carrying on a banking business, all insurance companies, insurance associations, and other persons carrying on an insurance business, and all administrators, executors, guardians, trustees and other fiduciaries, and all other persons whatsoever who now are or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest any funds, including capital belonging to them or within their control, to the extent that the investment powers of the foregoing entities are governed by the laws of the State. The Series 2024A Bonds are securities that may properly and legally be deposited with and received by any State or municipal officers or any agency 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.

NEGOTIABLE INSTRUMENTS

Pursuant to the Act, the Series 2024A Bonds are negotiable instruments, subject only to the provisions for registration of the Series 2024A Bonds.

STATE NOT LIABLE ON SERIES 2024A BONDS

The Series 2024A Bonds are special and limited obligations of the Authority payable solely from the funds and revenues pledged to the payment thereof under the Trust Agreement, and are not a debt nor a liability of the State or any political subdivision thereof (other than the Authority to the limited extent set forth in the Trust Agreement), or a pledge of the faith and credit of the State, or any political subdivision thereof, or the Authority. The Authority has no taxing power.

PLEDGE OF STATE NOT TO AFFECT RIGHTS OF BONDHOLDERS

The State has pledged to and agrees with the holders of the Series 2024A Bonds issued pursuant to authority contained in the Act, and with those parties who may enter into contracts with the Authority pursuant to the provisions of the Act, that the State will not limit, alter or restrict the rights vested by the Act in the Authority and the participating health care organization (as defined in the Act) to maintain, construct, reconstruct and operate any project (as defined in the Act) or to establish and collect such rents, fees, receipts or other charges as may be convenient or necessary to produce sufficient revenues to meet the expenses of maintenance and operation thereof and to fulfill the terms of any agreements made with the Bondholders authorized by the Act, and with the parties who may enter into contracts with the Authority pursuant to the provisions of the Act, or in any way impair the rights or remedies of such Bondholders or such parties until the Series 2024A Bonds, together with interest thereon, are fully paid and discharged and such contracts are fully performed on the part of the Authority.

LEGAL MATTERS

The Series 2024A Bonds and the proceedings pursuant to which they are issued are subject to the approving opinion as to legality, validity and tax status of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel. The proposed form of the opinion of Bond Counsel is attached hereto as Appendix D. Certain legal matters pertaining to the Obligated Group will be passed upon by their counsel, Hawkins Delafield & Wood LLP, Newark, New Jersey. Certain legal matters will be passed upon for the Underwriters by their counsel, McCarter & English, LLP, Newark, New Jersey.

LITIGATION

The Authority

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2024A Bonds or questioning or affecting the validity of the Series 2024A Bonds or the proceedings and authority under which they are to be issued. 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. There is no litigation pending which in any manner questions the right of the Authority to make a loan to the Parent in accordance with the provisions of the Act, the Trust Agreement and the Loan Agreement.

The Obligated Group

There is not now pending any litigation contesting the plan of financing, the undertaking or completing of the projects financed with the proceeds of the Series 2024A Bonds or the legal defeasance or purchase of the Series 2019B-1 Bonds, or the ability of the Parent to enter into the Loan Agreement, the Master Indenture or any other documents it is required to sign in connection with the issuance of the Series 2024A Bonds or the ability of the Members of the Obligated Group to perform their respective duties and obligations under the Master Indenture. No litigation or proceedings are pending or, to the knowledge of the Members of the Obligated Group, threatened, against them except (a) litigation and proceedings involving claims for hospital professional liability in which the probable recoveries and estimated costs and expenses of defense, in the opinion of counsel to the Obligated Group, will be entirely within the Obligated Group's applicable insurance policy limits (subject to applicable deductibles which the Members of the Obligated Group believe will be within their resources to pay) and (b) litigation and proceedings other than those described in (a), which if adversely determined would not, in the opinion of such counsel, materially adversely affect the financial condition or results of operations of the Members of the Obligated Group, the transactions contemplated by this Official Statement or the validity of the Loan Agreement or the Master Indenture and the issuance of the Series 2024A Note if any Member of the Obligated Group were found liable under such proceedings.

FINANCIAL STATEMENTS

The consolidated financial statements and supplementary financial information of RWJ Barnabas Health, Inc. as of December 31, 2023 and 2022 and for the years then ended (the "Financial Statements"), included in Appendix B to this Official Statement, have been audited by KPMG LLP, independent auditors, as stated in their report appearing in Appendix B to this Official Statement.

The Financial Statements included in Appendix B contain the consolidated financial statements of the System and include financial information for non-obligated System Affiliates. As of and for the year ended December 31, 2023, the Obligated Group accounted for approximately 87% of the consolidated assets of the System and approximately 81% of the consolidated operating revenues of the System. The financial information included in Appendix A hereto is presented on a consolidated basis; however, certain calculations of the select financial indicators included in Appendix A are calculated, where indicated therein, in accordance with the relevant requirements of the Master Indenture.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore P.C., a firm of independent public accountants, will deliver to the Authority and the Parent, on or before the settlement date for the Series 2024A Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the defeasance securities deposited with the trustee for the Series 2019B-1 Bonds, to pay, when due, the purchase price of, and interest to become due on the Series 2019B-1 Bonds on July 1, 2024.

The verifications performed by Causey Demgen & Moore P.C. were and will be solely based upon data, information and documents provided to Causey Demgen & Moore P.C. by the Parent and its representatives. Causey Demgen & Moore P.C. has restricted its procedures to recalculating the computations provided by the Parent and its representatives and has not evaluated or examined the assumptions or information used in the computations.

UNDERWRITING

Under the bond purchase contract entered into between the Authority and Jefferies LLC ("Jefferies"), as representative of the underwriters with respect to the Series 2024A Bonds (collectively with Jefferies, the "Underwriters"), and approved by the Parent, the Series 2024A Bonds are being purchased by the Series 2024A Underwriters at an aggregate purchase price of $_____, representing the $_____ par amount of the Series 2024A Bonds, less an underwriting discount in the amount of $_____, and [plus/minus] a [net] original issue [premium/discount] in the amount of $_____. The bond purchase contract provides that the Underwriters will purchase all of the Series 2024A Bonds, if any are purchased. The obligation of the Underwriters to accept delivery of the Series 2024A Bonds is subject to various conditions contained in the bond purchase contract.

The Underwriters intend to offer the Series 2024A Bonds to the public initially at the offering prices set forth on the inside cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriters reserve the right to join with dealers and other underwriters in offering the Series 2024A Bonds to the public. The Underwriters may offer and sell Series 2024A Bonds to certain dealers (including dealers depositing Series 2024A Bonds into investment trusts) at prices lower than the public offering prices.

The Parent has agreed to indemnify the Underwriters and the Authority and any person who controls the Underwriters or the Authority and any member, officer, official or employee of the Underwriters or the Authority against certain liabilities arising out of certain incorrect information contained in or omitted from this Official Statement.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority and/or the Parent, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority and/or the Parent.

The following two sentences have been furnished by J.P. Morgan Securities LLC ("JPMS") for inclusion in this Official Statement. JPMS, one of the Underwriters of the Series 2024A Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities

offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2024A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2024A Bonds that such firm sells.

The Authority has not been furnished with any documents relating to either Dealer Agreement and makes no representations of any kind with respect thereto. The Authority is not a party to either Dealer Agreement and has not entered into any agreement or arrangement with CS&Co. or LPL with respect to the offering and sale of the Series 2024A Bonds.

RATINGS

S&P Global Ratings, a business of Standard & Poor's Financial Services, LLC, ("S&P") and Moody's Investors Service, Inc. ("Moody's") have assigned their municipal bond ratings of "AA-" with a stable outlook and "A1" with a stable outlook, respectively, to the Series 2024A Bonds.

Explanations of the significance of each rating may be obtained from S&P at 55 Water Street, 38th Floor, New York, New York and from Moody's at 7 World Trade Center, 250 Greenwich Street, New York, New York. Each such rating reflects only the views of the respective rating agency, and an explanation of the significance of the ratings may be obtained from the rating agency. Generally, rating agencies base their ratings on information and material furnished by the Obligated Group and on investigations, studies and assumptions made by the rating agencies. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by one or more of the rating agencies, if in the judgment of any such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2024A Bonds. Neither the Authority nor the Underwriters have agreed to take any action with respect to any proposed rating change or to bring such rating change, if any, to the attention of the owners of the Series 2024A Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

CONTINUING DISCLOSURE

The Securities and Exchange Commission (the "SEC"), pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the "Securities Exchange Act"), has adopted amendments to its Rule 15c2-12 ("Rule 15c2-12") which generally prohibit a broker, dealer, or municipal securities dealer ("Participating Underwriter") from purchasing or selling municipal securities, such as the Series 2024A Bonds, unless the Participating Underwriter has reasonably determined that an issuer of municipal securities or an obligated person has undertaken in a written agreement or contract for the benefit of holders of such securities to provide certain annual financial information and event notices to various information repositories.

The Loan Agreement contains covenants for the benefit of the holders of the Series 2024A Bonds pursuant to which the Parent will agree to comply on a continuing basis with the disclosure requirements of Rule 15c2-12. Specifically, the Loan Agreement requires the Parent (on behalf of itself and any other entity which currently is or shall at any time become an "obligated person" with respect to the Series 2024A Bonds under Rule 15c2-12) to provide certain financial and statistical data not later than one hundred fifty (150) days after the end of its fiscal year to the Municipal Securities Rulemaking Board ("MSRB") and to provide notices of the occurrence of certain enumerated events. The Loan Agreement also requires the Parent to provide to the MSRB quarterly unaudited financial statements and utilization

data within forty-five (45) days after the end of each fiscal quarter. See "SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT, THE TRUST AGREEMENT AND THE MASTER INDENTURE - SUMMARY OF THE LOAN AGREEMENT – Secondary Market Disclosure" in Appendix C hereto. For the past five reporting years, the Parent has complied in all material respects with the terms of its prior undertakings in connection with the disclosure requirements under Rule 15c2-12 entered into in connection with its bond issuances. For that period, the Parent has identified a limited number of what it considers to be immaterial deviations in connection with such undertakings. The Parent has covenanted, and intends, to fully comply in all material respects with its continuing disclosure undertakings in the future.

MISCELLANEOUS

Reference is hereby made to Appendix C to this Official Statement for information relating to the Trust Agreement, the Loan Agreement and the Master Indenture, which Appendix C should be reviewed by prospective purchasers of the Series 2024A Bonds.

The Members of the Obligated Group have reviewed the information contained herein which describes the Obligated Group, their facilities and business, and have approved all such information for use within this Official Statement. The Authority has reviewed the information contained herein which relates to it and the Series 2024A Bonds and has approved all such information for use in this Official Statement. Information herein regarding DTC has been provided by DTC.

The references herein to the Act, the Trust Agreement, the Loan Agreement and the Master Indenture are summaries of certain provisions thereof and do not purport to be complete. Reference is made to such Act and documents for full and complete statements of such and all other provisions thereof. Neither any advertisement for the Series 2024A Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series 2024A 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 corporate trust office of the Trustee at 333 Thornall Street, Edison, New Jersey 08837.

This Official Statement, its execution, and its delivery and distribution to prospective purchasers of the Series 2024A Bonds have been approved and authorized by the Authority and the Parent.

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

By: _____
Frank Troy
Executive Director

Approved:

RWJ BARNABAS HEALTH, INC.

By: _____
Frank Pipas
Executive Vice President,
Chief Financial Officer

Dated: _____, 2024

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APPENDIX A

RWJ Barnabas Health, Inc.

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RWJBarnabas HEALTH

APPENDIX A

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Information included in this Appendix A includes forward-looking statements about the future that are necessarily subject to various risks and uncertainties (the "Forward-Looking Statements"). These Forward-Looking Statements are (i) based on the beliefs and assumptions of management of the System (as defined herein), on behalf of itself and its affiliates, and on information currently available to such management; and (ii) often identifiable by words such as "estimates," "expects," "expected," "plans," "believes" and similar expressions. Events that could cause future results to differ materially from those expressed in or implied by Forward-Looking Statements or historical experience include the impact or outcome of many factors that are described throughout this Appendix A and the balance of this offering document. Although the ultimate impact of such factors is uncertain, they may cause future performance to differ materially from results or outcomes that are currently sought or expected by the System. The System will not issue any updates or revisions to any Forward-Looking Statements if or when changes in expectations, events, conditions or circumstances on which these statements are based occur, unless required by applicable law.

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RWJBARNABAS HEALTH OVERVIEW

Background

RWJ Barnabas Health, Inc. ("RWJBH" or the "System"), the collective group of the entities described herein, is New Jersey's largest academic health care system with a core service area that covers eight counties and more than five million residents, providing treatment and services to more than three million patients each year, and accounting for approximately 20% of all acute care discharges in the State of New Jersey ("New Jersey" or the "State"). The System's geographic coverage spans Hudson, Essex, Union, Middlesex, Mercer, Somerset, Monmouth and Ocean Counties. Throughout the System, physicians, nurses, and health professionals are committed to providing the highest quality of patient care, training the next generation of health care providers and, through partnership with Rutgers, The State University of New Jersey ("Rutgers") advancing clinical research and cutting-edge therapies. The System is also recognized for making an impact in local communities by emphasizing both the clinical care delivery platform and those services that comprise its social determinants of health platform. RWJBH believes that advancing both platforms is necessary for the improvement of the health of local residents through new educational and related opportunities.

Through its long-standing relationship with Rutgers, including Rutgers' two medical schools and schools of nursing, dentistry, pharmacy, allied health professions, public health and biomedical sciences, the System is able to access the most current medical research and treatment technologies. Through the execution of a Master Affiliation Agreement ("MAA") in 2018, RWJBH and Rutgers aligned in their mutual support of the educational, research, and clinical missions of an academic health system. RWJBH works with Rutgers' Robert Wood Johnson Medical School ("RWJMS") and New Jersey Medical School to train and educate more than 1,600 medical residents, interns and fellows throughout the System's hospitals each year. It is through the elements of the MAA that RWJBH has become the State's largest academic healthcare system, combining high-quality patient care and leading-edge research with sophisticated health and medical education.

Under the terms of the MAA, the System is to invest more than one billion dollars to expand the education and research missions of the academic health system. The affiliation includes Rutgers Cancer Institute of New Jersey ("CINJ"), the State's only National Cancer Institute-designated Comprehensive Cancer Center and the Rutgers Institute for Translational Medicine and Science, a recipient of the National Institute of Health's Clinical Translational Science Award distinguishing the partnership as only one of a small group of institutions with access to clinical studies in both oncology and non-oncology.

Each of RWJBH and Rutgers has distinct and separate corporate governance. Rutgers is not financially obligated with respect to any debt obligations to be issued and any description of Rutgers provided in this Appendix A is expressly intended to provide background solely as to the activities of Rutgers that may affect the System, as governed by the MAA. See "RWJBH AND RUTGERS" below for additional information.

The parent corporation of the System is RWJ Barnabas Health, Inc. (the "Parent"), a New Jersey nonprofit corporation and an organization exempt from federal income taxation under Section 501(a) of the Internal Revenue Code, as amended (the "Code"), by virtue of being an organization described in Section 501(c)(3) of the Code. The Parent is the sole member atop the System and has the controlling interest in the various key System affiliates or has reserve powers necessary to manage the business affairs of the System's key affiliates including all of the Members of the Obligated Group (as hereinafter defined).

Key operating statistics for the System's fiscal year 2023 include approximately:

- $8.6 billion in operating revenues;
- $12.2 billion in total assets;
- 783,000 emergency department visits;
- 210,000 acute care admissions;
- 26,000 deliveries;
- 9,800 providers;
- 41,000 employees; and
- 4.0 million outpatient visits.

RWJBH has been regularly recognized as a top employer by regional and national publications such as *Modern Healthcare* and *Becker's Hospital Review*. The System's hospitals, programs and services have earned significant awards in their fields, including the "Equity of Care Award" as a top hospital for health care diversity and inclusion from the American Hospital Association and the prestigious Magnet® designation for patient care and nursing excellence. Additionally, the System's hospitals receive high excellence, quality, and safety scores from top nationally respected organizations, including The Leapfrog Group, an independent national nonprofit run by employers and other large purchasers of health benefits.

RWJBH's Vision, Mission and Values

At the core of the RWJBH mission set forth below is the evolution of the enterprise from a "health care" company to an organization dedicated to health – "Let's Be Healthy Together." As part of a comprehensive strategic planning process driven by the implementation of a new operating model during 2023, Mission, Vision and Values statements were created to drive the enterprise forward.

Our Mission

We are an academic health system, partnering with our communities to build and sustain a healthier New Jersey.

Our Vision

RWJBH will be the premier health care destination providing patient-centered, high-quality academic medicine in a compassionate and equitable manner, while delivering a best-in-class work experience to every member of the team.

Our Values

Accountability: An acceptance of responsibility for honest and ethical conduct towards others.
Compassion: Sympathetic concern for the sufferings or misfortunes of others.
Curiosity: A strong desire to know or learn something.
Empathy: The ability to understand and share the feelings of another.
Excellence: The quality of being outstanding or extremely good.
Kindness: The quality of being friendly, generous and considerate.
Respect: A feeling of deep admiration for someone or something elicited by their abilities, qualities or achievements.
Teamwork: The combined action of a group of people, especially when effective and efficient.

HEALTH CARE DELIVERY PLATFORM

Key Service Lines

RWJBH occupies the top or near top spot in State-wide markets in essentially all major service lines including behavioral health, cardiovascular, oncology, neurosciences, orthopedics, primary care, and women and children's services (as measured by a percentage of inpatient admissions using the most currently available data, and shown in "SERVICE AREA"). The System provides a full continuum of care through its hospitals, controlled affiliates and joint venture partners and its strategy is to integrate patient experience across care locations using a service line approach. Each major service line has a dyad partnership with a clinical and an operational leader working together, designed to ensure the patient's journey is connected from physician offices, to ambulatory facilities and acute care hospitals. The following is a brief overview of each of the major service lines noted above.

Behavioral Health

RWJBH's Behavioral Health Service Line provides comprehensive behavioral health and substance abuse services to New Jersey residents and is a leading provider of integrated mental health and substance abuse treatment services, serving over half a million individuals each year. With both hospital and community-based care programs, the service line offers the broadest range of services in New Jersey, offering all levels of care for children and adults, including 24-hour crisis intervention and national peer helplines, inpatient and outpatient programs, psychiatric emergency screenings, case management, early intervention, counseling, medication management and integrated treatment plans including embedding resources in primary care offices and in acute care hospital units for more effective behavioral health intervention. RWJBH has also deployed recovery specialists across the region focused on the opioid crisis through its award-winning Institute for Prevention and Recovery. RWJBH Behavioral Health Services is also a leading provider of community-based programs, partnering with more than 300 schools and correctional facilities in New Jersey through programs managed by University Behavioral Health Care (a Rutgers controlled entity). The System is focused on working with other agencies/resources to make sure there is appropriate access, early intervention, and leading care sites to address the needs of its behavioral health patients. Management of the System believes that the ability to deliver comprehensive, ambulatory-based behavioral services is essential to any value-based risk model and will continue to make significant investments in building needed infrastructure across New Jersey.

Cardiovascular

With 36 advanced cardiac catheterization laboratories across the System, RWJBH's Cardiovascular Service Line is New Jersey's leading provider of interventional cardiac services. Four RWJBH hospitals perform more than 2,300 open heart procedures annually, inclusive of coronary artery bypass, grafting, minimally invasive surgery for repair and replacement of valves, repair of congenital abnormalities in adults and surgical treatment of atrial fibrillation. RWJBH offers heart transplantation at two sites as well as a comprehensive heart failure service for patients that are not suitable surgical candidates, and together, Robert Wood Johnson University Hospital ("RWJUH") and Newark Beth Israel Medical Center ("NBIMC") are ranked by United Network of Organ Sharing among the top 10 nationally (by volume) for this service line. Named as one of *Becker's Hospital Review* top 100 Great Heart Programs in the country, RWJBH was also recognized by American College of Cardiology as a Proven Quality Program. Minimally invasive cardiac surgery offerings include trans-catheter aortic valve replacement ("TAVR"), with RWJBH performing more TAVR procedures than any other system in New Jersey. This service line includes vascular services, such as carotid artery surgery for stroke prevention, abdominal aortic aneurysm repairs, thoracic aortic aneurysm repairs, renal artery repairs, arterial reconstruction for lower extremities and endovascular therapies, in addition to making highly specialized care such as amyloid, cardio-oncology,

and women's heart health more accessible for New Jersey residents. Additionally, RWJBH has expanded advanced cardiovascular imaging into the community to create the State's largest network. RWJBH also provides the latest in promising research and technology through a wide array of device and clinical trials across multiple sites.

Oncology

The centerpiece of RWJBH's Oncology Service Line is CINJ. As previously noted, CINJ is one of a small group of comprehensive cancer centers in the U.S. designated by the National Cancer Institute and the only one in the State. The National Cancer Institute's Comprehensive Cancer Center designation is competitively awarded to centers characterized by their scientific leadership, resources, and a track record of research discoveries in basic, clinical, and population-based science. Designated centers must meet rigorous criteria in the areas of clinical care, research, prevention, and education, as well as demonstrate a substantial transdisciplinary approach that integrates each discipline-specific scientific area into one coordinated and comprehensive effort in the fight against cancer.

The service line integrates CINJ with all RWJBH programs to form the leading provider of cancer services in New Jersey treating more than 11,000 new patients each year. The Oncology Service Line promotes adherence to evidenced based clinical pathways at all care locations through a common clinical information system and integrated clinical leadership. The service line operates a call center and navigation program allowing patients to access locally based programs for routine treatment and connectivity to a network of sub-specialist and researchers proving access to advanced care. The service line is dedicated to research and education with a statewide clinical trials network and 15 fellowship programs and is focused on promoting patient access with programs like Screen NJ that brings services to vulnerable populations.

The partnership with CINJ creates a unique platform for recruitment of leading physicians and researchers. The program's approach includes partnering with physicians to identify care gaps, create alignment models, improve access and outcomes, and bring leading-edge technology to the community. As part of its strategic plan for oncology care in New Jersey, RWJBH is making significant investments in cancer facilities, technology, and physician recruitment across multiple markets. Most notable in the plans for expansion of cancer treatment, education and research is the development of the Jack and Sheryl Morris Cancer Center in New Brunswick, which will be New Jersey's first freestanding cancer hospital; it is scheduled to open in 2025. This facility along with the Melchiorre Cancer Center at Cooperman Barnabas Medical Center ("CBMC"), also slated to open in 2025, and the Vogel Medical Campus at Monmouth Medical Center ("MMC"), slated to open in 2026, are designed to bring "world class" cancer care close to the communities served by the System.

Neurosciences

The RWJBH Neuroscience Service Line provides comprehensive care for a full spectrum of neurological disorders affecting adults and children with nearly 8,600 discharges annually. The service line includes a team of neurologists, neurosurgeons and neuropsychologists, State-designated comprehensive stroke centers, movement disorder programs, Level 4 epilepsy centers in Livingston and New Brunswick, and the most advanced care for brain tumor treatment and management. Service line clinical research has yielded a variety of innovative techniques that distinguish RWJBH as a destination for treatment and continues to advance the diagnosis and treatment of complex conditions of the brain and nervous system.

Orthopedics

RWJBH offers comprehensive orthopedic services for adults and children to help manage conditions caused by arthritis, degenerative joint disease, injuries, congenital issues and general wear and tear. Orthopedic services offered at its acute care, ambulatory care and rehabilitation facilities throughout New Jersey include emergency and trauma care, diagnostic testing, minimally invasive and robotic surgery, sports medicine and rehabilitation services.

RWJBH's orthopedic surgeons care for professional and collegiate athletes, including the New Jersey Devils, Rutgers University athletes and Seton Hall University athletes, and perform a high volume of complex revision joint replacement surgeries. RWJBH has the largest group of orthopedic trauma specialists in New Jersey. Its surgeons have access to the latest technologies, including Mako Robotic Assisted Arm for total joint replacement surgery and Globus Medical's Excelsius GPS for spine surgery. New Jersey's first unilateral biportal endoscopic spine surgery was performed in 2023 at Jersey City Medical Center ("JCMC").

RWJBH was honored in 2023 by *Becker's Hospital Review* as one of the "100 Hospitals and Health Systems with Great Orthopedic Programs." Its facilities are recognized for their exemplary clinical outcomes by numerous organizations, including The Joint Commission, DNV GL Healthcare, *Healthgrades* and *U.S. News & World Report*.

The pediatric orthopedic specialists with the Children's Health Network of RWJBH care for infants, children and adolescents with a variety of musculoskeletal problems. These issues include scoliosis, hip disorders, sports injuries, fractures, hereditary disorders, bone infections, hand injuries, spina bifida, foot and ankle disorders and limb length discrepancies. The Bristol-Myers Squibb Children's Hospital ("BMSCH") at RWJUH New Brunswick is ranked 34th in the nation for pediatric orthopedics by *U.S. News & World Report*.

Primary Care

Essential to RWJBH's success in the highly competitive New Jersey market has been the development of a comprehensive primary care network with locations that span the geography of the System's service area. The System continues to secure primary care alignment through a variety of models including employment, a clinically integrated network ("CIN") providing access to value-based agreements with major payors, joint ventures and recruitment/retention strategies for new providers in partnership with Rutgers. RWJBH's goal has been the development of primary care "hubs", which provide patient centric office hours, in-office ancillaries, and specialist session space within an approximately ten minute driving distance of its entire service area population; over 20 hubs exist across the service area. RWJBH continues to advance this strategy by identifying crucial geographies, targeting key practices, and engaging them in alignment discussions. RWJBH has over 420 providers in the existing primary care network and is committed to the future growth of the primary care network.

Obstetrics/Women's Health

The RWJBH Women's Health Service Line offers a comprehensive and State-leading obstetrical and NICU program across its nine birthing hospitals, delivering more than 26,000 babies in 2023, the most of any health system in the State. In 2023, the System treated nearly 3,000 babies in its NICUs, an increase of more than 5% over 2019 levels. The service line is focused on improving maternal health, has driven a 10% reduction in the Cesarean-section rate for low-risk, first-time mothers, and all of its birthing hospitals are currently outperforming the Leapfrog benchmark for key quality indicators in maternity care. The System continues to invest in updating facilities, diversifying and aligning with physician groups, and

deploying evidence-based best practices across the service line. *U.S. News & World Report* recognized four RWJBH birthing hospitals among the 2023-2024 Best Hospitals for Maternity Care, and in 2021, three RWJBH birthing hospitals were named among *Newsweek's* "Best Maternity Hospitals in the US". RWJBH offers midwifery services at its birthing hospitals, and, as an academic health system, perinatal providers and clinical teams actively engage in research. RWJBH is a leader in the implementation of structured, evidence-based models of care for supporting healthy moms, babies and families throughout the pregnancy journey, including mental health care. The System was the first in the State to implement Centering Pregnancy, a clinically led prenatal care group to support healthy pregnancies and babies, and RWJBH birthing hospitals were two of three chosen to launch TeamBirth NJ, part of a national program to support better provider and patient communications and improve outcomes. The RWJBH Center for Perinatal Mood and Anxiety Disorders was a pioneering State first that has greatly increased access to care for those affected by this common complication of childbirth. The program was the first in the United States to receive the platinum level Maternal Mental Health Friendly certification.

Pediatrics

RWJBH's pediatric network includes three State-licensed children's hospitals that serve as regional destination centers for specialized pediatric clinical services. RWJBH children's hospitals were named among the nation's Best Children's Hospitals for 2023 – 2024 by *U.S. News & World Report*. BMSCH is ranked #34 nationally for orthopedics and ranked #47 for urology. The Urology ranking recognizes a four-hospital practice that is based at BMSCH in New Brunswick but that also provides care at the Children's Hospital of New Jersey in Newark, McMullen Children's Center in Livingston, and Unterberg Children's Hospital in West Long Branch as one example of the integration of the service line across the System. Children's Specialized Hospital ("CSH") operates the State's only pediatric rehabilitation hospital, 15 outpatient therapy and rehabilitation centers and a pediatric long-term care ("LTC") facility and an array of sub-specialists and services for newborns to adolescents. CSH is the nation's leading provider of inpatient and outpatient care for children from birth to 21 years of age facing special health challenges from chronic illnesses and complex physical disabilities like brain and spinal cord injuries, to a full scope of developmental, behavioral and mental health outcomes. With its statewide ambulatory network, CSH treated nearly 40,000 children with special needs in 2023. RWJBH, in partnership with Rutgers, created a comprehensive Pediatric Strategic Plan, with a goal of creating a pediatric care platform with national scale and a foundation for growth across New Jersey.

Hospital Based Physician Services

RWJBH believes that the best care models can only be achieved if providers and operational leaders work together on patient centered approaches. To further these efforts, the System has created service lines for emergency medicine, hospitalist medicine, anesthesiology, radiology, and pathology. The service lines enable physician alignment through employment and other models and have helped enhance patient experience and quality. The largest and most developed hospital-based service line is the Emergency and Hospitalist Medicine ("ERHM") Service Line. ERHM employs all of the emergency medicine providers at the System's hospitals and allows for seamless transition from the emergency room to inpatient hospitalist care.

Hospital Network

The System's hospital network consists of 12 acute care hospitals representing over 25% of the licensed bed capacity in New Jersey. Each of the System's hospitals offer a comprehensive array of services that are integrated through the service line, clinical and operational leadership structures. Many of the System's hospitals are among the largest in the State and offer tertiary care programs including the State's only inpatient burn treatment program, the State's only lung transplantation program, one of two pediatric

open heart surgery program in New Jersey, two heart transplantation programs, two kidney and pancreas transplantation programs, a bone marrow transplantation program, level III and level IV neonatal intensive care services, two State designated trauma centers and extensive surgical capabilities including the State's most advanced robotic surgery program, interoperative MRI capabilities for advanced neurosurgery and four open heart surgery programs. Eight of the System's hospitals are teaching facilities collectively offering residencies in 26 different medical specialties and 47 different fellowships all integrated under the common sponsorship of Rutgers Health ("RH") and accredited by the Accreditation Council for Graduate Medical Education. The System's hospitals draw patients from every New Jersey county and beyond.

Many of the Systems hospitals have earned designation as a Magnet® hospital in recognition of their exceptional nurse care and patient care. The System's hospital programs have been recognized by the Health Care Equality Index ("HEI") as leaders in LGBTQ healthcare equality and have achieved awards and certifications from *Becker's Hospital Review*, *Healthgrades*, *The Leapfrog Group*, *Newsweek*, and *US News and World Report*. All of the System's hospitals excluding Trinitas (as defined herein), maintain a common clinical information structure and are recognized as "Most Wired" by the College of Healthcare Information Management Executives. The System plans to fully integrate Trinitas into its information technology platform in the fall of 2024.

The System's hospitals are all connected by a Patient Transfer Center ("PTC"), a comprehensive health access center available 24/7/365. The PTC, staffed with critical care nurses, manages all aspects of the acute care transfer process from medical acceptance, bed placement, coordination with transportation and most importantly communication throughout the process. The PTC is a one-call for all that can help transfer patients into or out of facilities when clinically required. Additionally, the PTC offers consult and telehealth services to help determine if a transfer is necessary. Recently, the PTC added all Behavioral Health transfers to the comprehensive center. The PTC manages over 25,000 cases annually and allows all communities the System serves access to advanced services at RWJUH, the System's flagship academic medical center, and other tertiary care services.

Provider Network

RWJBH continues to develop and integrate its ambulatory physician and provider networks (the "Provider Network") through a variety of innovative and flexible models. These models include direct employment, Integrated Practice Agreements ("IPA") with Rutgers faculty, professional services agreements, its CIN, co-management agreements, bundled payment arrangements, practice joint ventures and other arrangements with affiliated entities. With the expansion of its Provider Network to include the faculty physicians of RWJMS and CINJ, the RWJBH Medical Group consists of over 4,000 primary care and specialty physicians and providers, which is the 4th largest physician group nationally, based on total Medicare charges, according to data provided by *Becker's Hospital Review*. Additionally, the System has made significant investments in its medical group infrastructure and leadership with the addition of a Chief Executive Officer, Chief Operating Officer, Executive Vice President for Physician Services, Chief Medical Information Officer, Physician Advisory Councils, and other management and staff to optimize and ensure optimal performance of the IPA.

The System continues to embrace new technologies. The implementation of the Epic Electronic Medical Record system is now in use at 100% of the System's medical group practices and over 90% of the System's hospitals. This results in a cohesive patient experience with physicians and providers now able to easily share patient information across practice sites and acute care settings. The System has also invested in patient access technology with the goal of providing patient centered access in a consistent, measurable, and scalable fashion.

In anticipation of the shift to value-based healthcare and care innovation, the System has made investments in its Population Health Division with Network Management, Care Management, Analytics, and other infrastructure and leadership investments towards readying the Provider Network to perform in both the governmental and the private payor care innovation models. As a result, the RWJBH Provider Network continues to provide access to primary care providers and a full complement of necessary specialties and clinical services to the populations, patients, and the communities that it serves, while focused on teaching, research, development of health care innovations, and the performance and management of quality and outcomes in cost effective and cost-efficient care delivery models.

Medical Staff

Each of RWJBH's acute care hospitals has a separate medical staff. As of December 31, 2023, there were over 9,800 providers on the active medical staffs of the System's acute care hospitals representing a significant portion of New Jersey's professionally active physicians.

RWJBH undertakes a robust Medical Staff Development Plan ("MSDP") for each affiliate, refreshed every two to three years, that examines physician staff composition and assesses community needs. The MSDPs identify trends such as age, capacity, and board certification, as well as determining the community physician supply and need within each hospital's service area. Primary care physicians are mapped, and medical neighborhood gaps are identified. Physician development plans are then completed to address institutional and community need. To supplement the MSDPs, each year the System conducts a review of medical staff changes, reviewing roster numbers by specialty, age, volumes and board certification. This review also assesses progress on the MSDPs.

Ambulatory Care Network

With a focus on building healthier communities by establishing a comprehensive care continuum, RWJBH is committed to expansion opportunities in the ambulatory space (the "Ambulatory Network"). The Ambulatory Network includes nearly 1,300 providers serving over 400 locations. Since 2019, the System has prioritized innovative joint venture partnerships with physician practices that enhance RWJBH's preventative care capabilities across New Jersey. The physician practice partnership sector of the Ambulatory Network spans 15 unique service lines – primary care, pediatrics, urgent care, women's health, anesthesia, gastroenterology, orthopedics, podiatry, general and bariatric surgery, vascular, cardiology, pathology, otolaryngology, infectious disease, and ophthalmology. These services span 11 counties in New Jersey.

Ambulatory surgery access points, at locations convenient to its population are an important component of the System's value-based care strategy. RWJBH is optimizing hospital operating room usage through the expansion of outpatient procedures performed in ambulatory surgery centers ("ASCs"), which allow for a high-quality patient experience in an efficient environment. RWJBH partnered with AmSurg Corporation, Inc. ("AmSurg") to develop an extensive network of ASCs. The joint venture entity, Jersey ASC Ventures, LLC ("JASC") is owned 51% by an affiliated entity of RWJBH and 49% by AmSurg. JASC now has a majority ownership in and/or manages 25 ASCs across New Jersey and is in active partnership discussions with a number of others across the State. The System's ASC network also includes fully owned facilities and GI Ventures, LLC a gastroenterology network operated in partnership with Physicians Endoscopy, L.L.C., a subsidiary of Surgical Care Affiliates, L.L.C.

Home health and hospice services, through VNA Health Group of New Jersey, LLC, are a strategic priority for the Ambulatory Network. The partnership was formed to allow the System to coordinate care for a more seamless patient experience, reduce unnecessary re-hospitalizations, and improve health outcomes for the patients and populations it serves. The rise of the COVID-19 pandemic highlighted the

critical nature of home health services. The System was able to facilitate home-based COVID-19 testing and vaccinations among at-risk populations who were unable to travel to hospitals or community-based clinics. The joint venture positions RWJBH to continue to meet emerging health system challenges and provide home care and hospice services to all of the counties in the System's core service area.

In an effort to deliver a fully integrated imaging network that provides convenient, high-quality, cost effective and patient-centric medical imaging solutions for the medical communities it serves, RWJBH partnered with RadNet, Inc., the largest national provider of diagnostic imaging services in the United States. The joint venture entity, The New Jersey Imaging Network, L.L.C. ("NJIN"), is owned 51% by an affiliate of RWJBH and 49% by an affiliate of RadNet. This partnership allowed RWJBH to rapidly expand its access points through the acquisition of existing centers, development of new centers and affiliations with existing imaging providers. Currently NJIN owns and operates 33 imaging facilities across the State and is focused on expanding the service line. The System owns, in part, an additional three facilities and is actively pursuing opportunities to enhance its presence in outpatient imaging throughout New Jersey.

Further, the System is committed to providing patients with physical therapy and rehabilitation services post-discharge from RWJBH hospitals. As such, RWJBH acquired a controlling interest in JAG Physical Therapy ("JAG") in 2022. JAG is a growing physical therapy platform and consists of over 140 physical and occupational therapy centers across New Jersey, New York, and Pennsylvania.

In February 2023, the System aligned with 48 free-standing DaVita dialysis centers for a 9.5% membership interest. RWJBH and DaVita closely monitor access-to-care challenges for dialysis patients in RWJBH facilities and opportunities for DaVita to enhance kidney care efficiencies within the System's acute care settings.

Mobile Health

The System's mobile health division is comprised of four major service lines: Emergency Medical Services ("EMS"), a training center, non-emergent patient transportation, and the PTC managing all patient transfers into, out of, and between system hospitals as described above.

As the State's largest EMS provider, RWJBH has been providing emergency medical services continuously since 1982 to a coverage area that spans ten counties, over 110 municipalities, and over three million people throughout 1,280 square miles of coverage. The division provides comprehensive services including basic life support in 24 municipalities, advanced life support, ground and air specialty care transport, disaster response and a 911 dispatch center that manages over 425,000 calls annually. RWJBH emergently treats and transports more than 120,000 patients, using two hundred ambulances, a helicopter, and numerous other assets. RWJBH's EMS recently became the largest New Jersey provider accredited by the Commission on Accreditation for Ambulance Services ("CAAS"). CAAS accreditation demonstrates that RWJBH's EMS has met the rigorous national standards for operational and clinical metrics determined by the ambulance industry.

From a training standpoint, the System operates the largest training center in the State. The training center has a paramedic program accredited by the Committee on Accreditation of Educational Programs for the EMS Profession and is held at the JCMC location in affiliation with Hudson County Community College. In 2020, an additional campus opened in East Brunswick. This program is training current emergency medical technicians ("EMTs") to become Paramedics. Additionally, the training center is an EMT Training Program accredited by the New Jersey Office of EMS. The training center credentials approximately eight hundred new EMTs each year at its campuses in Jersey City, Somerset, Rahway, Belleville, Monmouth, Lakewood, and East Brunswick.

In January 2023, RWJBH acquired Barnabas On Time Holdings, LLC ("On Time"), an established medical transportation company, transporting over 75,000 patients a year. On Time provides wheelchair transport, Basic Life Support, and Specialty Care Transport to the System.

Quality Initiatives

Through its robust "Safety Together" initiatives and High Reliability Organization ("HRO") approach, RWJBH continues to build upon its established foundation for safety and quality by focusing on efforts to differentiate the System's services for patients and communities. The System's quality plans assure that its vast array of clinical services continues to exceed requirements in accreditation, regulatory and safety, while embracing and promoting best practices across the System. Clinical resource management throughout the System ensures that, as the agenda for care improvement is set, there is also consideration for improvements in operating efficiency and expense reduction. To further these efforts the System has established a High Reliability Cabinet and various clinical collaborative forums, which includes executive level and clinical representation from all of the acute care and ambulatory facilities and other providers as appropriate. These groups meet regularly with the sole objective of advancing quality of care, safety and patient experience throughout the System.

Since its launch in 2017, the System's "Safety Together" platform has driven a rigorous program of education, reaching all 41,000 employees and its aligned members of the Medical Staff. Through the adoption of a common "safety language" and the sharing of industry best practices, RWJBH has been able to more accurately capture serious safety events, as well as those events that are deemed near-misses, to establish a new baseline for safety and ideal clinical outcomes. Further opportunities for improvement, such as the creation of unit-based "safety coaches" and huddle boards, and use of daily safety huddles, which include executive leadership, have been implemented across the System's hospitals.

As evidence of the System's heightened focus on quality and safety, performance in 2023 for hospital acquired infections significantly improved across all hospitals in areas such as C. difficile and central line-associated blood stream infection. Additionally, RWJBH has partnered with Vizient on performance improvement initiatives and system-wide adoption of the Vizient Clinical Database.

The Institute for Nursing Excellence™ is the conceptual framework the System created to align nursing professionals and nursing practice, foster professional development, innovation, and research, enhance collaboration with academic partners and promote interprofessional education and collaboration. The institute supports providers and improves patient care but more importantly, its goal is to build and sustain an exemplary nursing workforce representative of the communities it serves, through new knowledge and innovation that help drive improved patient and family outcomes, reduce costs, and provide greater access to care.

Employees

RWJBH currently employs over 41,000 full and part time employees representing approximately 30,000 full-time equivalents. Management considers its relationship with System employees to be good, and employee engagement scores have continued to increase at a statistically significant rate year-over-year. Approximately 8,500 employees are represented by various unions with the most significant concentration consisting of the nursing and non-clinical employees at RWJUH New Brunswick, CBMC and JCMC.

RWJBH continuously focuses its Diversity, Equity and Inclusion efforts on its workforce, leading to national recognition by *Newsweek* as one of "America's Greatest Workplaces for Diversity." The System continues to nurture an inclusive environment to remain an employer of choice across all regions of New

Jersey. Additionally, 10 System hospitals secured and maintained their HEI Leader designation by the Human Rights Campaign Foundation to demonstrate commitment to equitable care for the LGBTQ+ community.

RWJBH offers comprehensive and market-competitive benefits to its employees through various partners, including medical and prescription drug insurance, dental and vision insurance, life insurance, and short-and-long-term disability insurance. Additional perks for employees include access to voluntary benefits such as pet and legal insurance, tuition reimbursement programs, and employee discounts. Additionally, RWJBH offers 401(k), 403(b) and 457(b) plans, some with employer matching and non-matching contributions. As part of its integration efforts, RWJBH will continue to optimize its benefit offerings leveraging scale to ensure cost effective and competitive benefit offering to all of its employees.

RWJBH AND RUTGERS

Background

Through its long-standing relationship with Rutgers, including Rutgers' two medical schools and schools of nursing, dentistry, pharmacy, allied health professions, public health and biomedical sciences, the System has access to medical research and treatment technologies. Through the MAA, RWJBH and Rutgers aligned in their mutual support of the educational, research, and clinical missions of an academic health system. The parties consolidated the System's educational and research activities under Rutgers' leadership, in coordination with RWJBH, and consolidated clinical services under the leadership of RWJBH, in coordination with Rutgers. RWJBH works with RWJMS and New Jersey Medical School to train and educate more than 1,600 medical residents, interns and fellows throughout the System's hospitals and other training locations each year.

Through its affiliation with Rutgers, RWJBH aims to bring its resources to improve the lives of its population by:

- Advancing and deploying health science innovation;
- Developing/expanding Centers of Excellence across a number of clinical specialties;
- Increasing accessibility to primary and specialty physicians and clinicians across the region;
- Dedicating significant, collective resources to education, research, and health improvement;
- Retaining leading clinical and academic faculty to build and expand clinical and research capabilities across New Jersey;
- Focusing on the recruitment of new high-caliber principal investigators across the RWJBH service area - dramatically increasing its research portfolio;
- Providing financial support earmarked to encourage residents and fellows to remain in and provide care to residents of New Jersey;
- Increasing opportunities to train its medical, dental, nursing, pharmacy, and other health professional students in inter-professional clinical environments; and
- Expanding access to clinical trials, bringing new and promising treatments to patients across New Jersey.

Graduate Medical Education

RWJUH New Brunswick has a deep, historical relationship with Rutgers that predates the formation of the System. RWJUH New Brunswick is the principal teaching and research hospital of Rutgers RWJMS and the System's "flagship" academic medical center. Together with Rutgers, the System

hospitals operate the largest non-medical school-based graduate medical education programs in New Jersey with approximately 1,600 residents and fellows located at RWJUH New Brunswick and seven additional teaching hospitals with programs in most major specialties and subspecialties including residency programs in Internal medicine, Pediatrics, Combined Internal Medicine/Pediatrics, Obstetrics/Gynecology, General Surgery, Orthopedic Surgery, Neurosurgery, Diagnostic Radiology, Anesthesiology, Pathology, Dentistry, Podiatric Surgery, Emergency Medicine and Otorhinolaryngology/Facial Plastic Surgery.

In collaboration with Rutgers, RWJBH also operates fellowship programs in the following subspecialties of Internal Medicine Family Medicine, Primary Care Sports Medicine, Nephrology, Hematology/Oncology, Cardiology, Interventional Cardiology, Cardiac Electrophysiology, Advanced Heart Failure and Transplantation, Pulmonary/Critical Care Medicine, and Infectious Diseases. Other fellowship programs include Vascular Surgery, Mammography, and Pediatric Emergency Medicine. It should be noted that fellowships are specialty training programs beyond the core residency program. Each residency program is accredited by the Accreditation Council for Graduate Medical Education, the American Osteopathic Association, the American Dental Association or the Council on Podiatric Medical Education, as appropriate.

Advancing Research and Discovery

Since the inception of the MAA, research awards at RH have experienced marked growth, rising from $393 million in fiscal year 2019 to $549 million in fiscal year 2023, a more than a 40 percent increase. Over the past 18 months, RH has secured two highly competitive research infrastructure grants: the CINJ designation and the New Jersey Alliance for Clinical and Translational Science ("NJ ACTS"). RH stands as the sole recipient in New Jersey, receiving approximately $15 million over five years for the National Cancer Institute designated hub and approximately $51 million over seven years for the Clinical and Translational Science Award sponsored NJ ACTS. These awards establish platforms in translational clinical research, clinical trials coordination, clinical research data warehousing, training, and career development. The partnership between RH and RWJBH presents an opportunity to transition discoveries from the laboratory bench to the bedside, leveraging the strengths of basic and computational sciences and engineering at the Rutgers New Brunswick campus. The recruitment of System-funded tenure track faculty and their research output were integral in securing both awards.

In line with the System's commitment to innovation, the National Institutes of Health ("NIH") Research Evaluation and Commercialization Hubs ("REACH") program will conclude in 2024. The program helped establish an infrastructure that accelerates the translation of biomedical discoveries into commercially viable diagnostics, devices, therapeutics, and tools to enhance patient care, improve health outcomes, and cultivate the next generation of innovators. Building upon its success, RH has devised a sustainable model for the program, wherein a portion of royalties from RH inventions will be utilized to perpetuate the pilot programs, ensuring a continuous pipeline for the commercialization of academic assets. To foster the expansion of research and innovation, the construction of the Jack and Sheryl Morris Cancer Center in New Brunswick is progressing steadily, slated for completion in 2025. Additionally, the development of the Helix complex across from RWJUH New Brunswick represents a statewide initiative that will offer 550,000 square feet of state-of-the-art space for translational research and venture capital incubators, accommodating approximately 50 new wet and dry laboratory researchers, and serve as the new home for RWJMS; it is scheduled to open in early 2026.

In addition to these milestones, RH, in collaboration with RWJBH, secured a $4 million Patient-Centered Outcomes Research Institute/Agency for Healthcare Research and Quality sponsored award to support the career development of early-stage investigators in studies aimed at enhancing patient care through the utilization of a learning health system. This award, the only one of its kind in New Jersey, will employ cutting-edge dissemination and implementation science to analyze, develop, and deploy innovative

solutions to address bottlenecks in healthcare delivery. Furthermore, RH successfully competed for an All-of-US NIH award, aiming to recruit over 50,000 participants for comprehensive genetic testing, contributing to a pool of 1 million Americans across New Jersey.

SYSTEM STRATEGIC PLANS

Introduction

With the recent appointment of several new executive-level leaders, RWJBH adopted a new operating model across the health system that drives strategy through a regional and clinical service line approach. Each of RWJBH's regions are led by a Regional President, each with a dual role: to oversee the integration and operation of all inpatient and outpatient providers located within their geographic region and to provide guidance to selected corporate service line leaders in the areas of behavioral health, cardiovascular, children's health, emergency and hospital medicine, oncology, orthopedics, neurosciences, and women's health.

With this new operating model, RWJBH recently completed service line-specific strategic plans through a collaborative approach among regional and service line leaders with input and counsel from strategy and business development teams. These strategic plans focus on the areas of quality and safety, access and growth, academics and research, and financial performance. Each plan explored the changing landscape for the service line from both an internal and external perspective, defined the future optimal state, and identified service-line specific transformational targets required to achieve that state. See "HEALTH CARE DELIVERY PLATFORM – Key Service Lines" above.

Acquisitions, Mergers, Divestitures, Affiliations, and Alliances

RWJBH continuously evaluates potential acquisitions, mergers and affiliations as part of the overall strategic and development process, as well as decisions to divest and/or sell existing entities, services or products that currently comprise the System. As part of this process, the System is frequently in discussions with the State, health care systems both in New Jersey and in other states, and other stakeholders. These discussions can include any of the matters described in the preceding sentences or other participation by the System, financial or otherwise, across the health care delivery spectrum. As a result, the group of affiliated health care entities currently comprising the System and the properties and facilities operated by them may change over time. In addition, any transaction involving incurrence of indebtedness, disposition of assets or certain other capital or governance related transactions is governed by the Master Indenture.

Successful Epic Implementation

To accomplish the goals of its strategic plan, the System recognized the need to strengthen its core competencies in technology, analytics, and innovation by establishing a unified operating model that will drive standardization, continuous quality improvement and cost reductions across the entire system. Leadership determined that a key component of this was to deploy an integrated Electronic Health Record ("EHR") with supporting revenue cycle, data analytics and consumer-facing digital capabilities. After a thorough review of the marketplace, the Epic suite of products was chosen to achieve these goals. The implementation has been done in phases with a cost of approximately $750,000 over ten years.

The launch of this initiative, which has been named "Epic Together," formally commenced on January 29, 2020, with simultaneous kick-off events held throughout RWJBH and across key Rutgers campuses. To build the Epic system, 3,330 subject matter experts, nurses, physicians, pharmacists, medical school staff at Rutgers and a myriad of other stakeholders throughout the System were identified and assembled into 62 discipline specific workgroups and councils.

The project is being completed in several waves. Most recently, the Epic Together team completed Wave 4 in April 2023 and Epic Wave 5 activation was completed in October 2023. With the completion of Wave 5, the System has 94% of acute care facilities and 100% of the Medical Group live on Epic. The team recently completed the 10,000th enhancement to the system as well as four upgrades in 2023. The last activation wave of the project is scheduled for September 2024.

RWJBH participated in the Good Install Program, offered by Epic that gives organizations an opportunity to earn a rebate by meeting more than 33 requirements of a successful installation. RWJBH received one of the largest rebates in Epic's history becoming the first customer to earn a Gold Stars ranking of a perfect ten for a new installation. Gold Stars program is the adoption of the 700 best workflows in the world. An Epic Gold Stars ranking of ten represents the top 0.3% of all Epic customers, which include some of the nation's top healthcare providers. In 2023 the System was recognized for a second year in a row as achieving Gold Stars 10, one of only 16 Epic customers in the world to have this designation.

Value-Based Models

Given the transformative nature of value-based models, RWJBH strives to be an early adopter. These models have included participation in The Centers for Medicare & Medicaid Services ("CMS") innovation models, private payor models, and the System's self-insured employee health plan model.

Governmental Programs: As a result of healthcare reform and the deployment of CMS innovation programs, RWJBH was an early participant in the Medicare Shared Savings Program, Comprehensive Primary Care Plus, Primary Care First, Million Hearts, and others; RWJBH also participates in the Comprehensive Joint Replacement Program.

Private Payors: Through its physician alignment strategies including the CIN and employed physician models, RWJBH participates in value-based payment models with all of the major payors in New Jersey, comprised of shared savings based on a total medical expense budgets and/or financial incentives for achieving certain quality and performance metrics on the populations served by the System. The System continues to expand and adopt innovative models to drive success. These expansions include strategies focused on community partners by improving the health, wellness, and health care costs associated with their employee base. These expansions include Employee Health Plan enhancements, as RWJBH seeks to develop models that manage the health and medical cost of its participating employee subscribers through understanding cost drivers and cost reduction opportunities, while the System provides care management, deploys Centers of Excellence, provides virtual health options, and implements population health tactics to improve the health of its employed population.

RWJBH recognizes value-based payment models require a world-class health care infrastructure and delivery model. RWJBH continues to invest in its Population Health and Accountable Care Infrastructure. Samples of these investments are demonstrated by the following deployments:

- ***Network Management:*** The Network Development team's focus is to develop a patient-centered medical neighborhood consisting of primary care, specialists, and other providers who are focused on clinical best practices through a re-designed care model that aligns providers around improvement of quality/outcomes, while reducing costs and providing exceptional patient experience. The Provider Relations team delivers information, education, and coordinates with other functional areas to address challenges experienced by the System's providers;

- ***Integrated Care Management:*** Provides clinical outreach to high risk/cost patients across the care continuum, minimizing or preventing the progression of disease, while promoting

wellness based on a risk stratification model. RWJBH's integrated model consists of multiple disciplines including medicine, nursing, pharmacy, behavioral health, social work, home health, care navigator, and community health, among others;

- ***Provider Engagement:*** The most critical functional area in the System's population health deployment is a focus on improving quality/outcomes through physician led initiatives. RWJBH's Provider Engagement teams work with its physician partners to deploy clinical best practices, assist in practice/process work flow, and provide tools and support services to assist in the management of patient populations;

- ***Analytics and Reporting:*** Transforming data from disparate systems into meaningful and actionable information is critical to effective population health management. RWJBH is providing reliable, timely, and accurate information to clinicians to assess gaps in care, resolve trends, and improve quality/outcomes. The team analyzes data to identify cost drivers/reduction opportunities; develops risk stratification models and predictive analytics to focus clinical outreach; and supplements its efforts from leading firms such as Milliman for actuarial and analytical support; and

- ***Information Services:*** RWJBH's technology solutions, including the Epic EHR, allow for more effective and efficient work flow to manage, document, and impact its patients and support all population health efforts.

RWJBH continues to invest in people, process, and technology supporting value-based systems of care. These investments also include investment in organizational vehicles, such as its CIN, that align the System's employed and community physicians.

Braven Health

RWJBH advanced its Medicare Advantage Strategy through its active participation in a co-branded Medicare Advantage product, known as Braven Health. Launched to the public in September 2020, Braven Health is a Medicare Advantage plan designed to enhance the health care experience for its members living throughout all 21 New Jersey counties. Braven Health is the first and only New Jersey Medicare Advantage plan owned and operated jointly by the State's largest health insurer, Horizon Blue Cross Blue Shield of New Jersey ("Horizon BCBSNJ"), and two of the State's leading health networks, Hackensack Meridian Health and RWJBH. Braven Health utilizes Horizon BCBSNJ's existing Medicare Advantage managed care networks, meaning that every doctor and hospital that participates in those networks, which are among the largest in New Jersey, will also be in-network for comparable Braven Health plans. As a Blue Cross Blue Shield ("BCBS") plan, Braven Health's members choosing a PPO plan also will have access to the BCBS national Medicare Advantage PPO network whenever outside of New Jersey.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE STANDARDS

Protecting the Environment

Since its formation in 2016, the System has been awarded over $57.8 million in both grants ($32.6 million) and loans through the PSEG and NJ Natural Gas Hospital Energy Efficiency programs to invest in the mechanical, electrical and plumbing ("MEP") infrastructure of its facilities. These dollars have supported initiatives designed to reduce the energy and carbon footprint of hospital buildings and ensure the System's ability to maintain a safe environment for patient care. RWJBH has also been awarded $70 million in both grants ($45.6 million) and loans, through the New Jersey Energy Resilience Bank ("NJERB"). The NJERB is a direct approach to address significant energy infrastructure vulnerabilities

arising in the aftermath of Superstorm Sandy in 2012. The funds received by the System improve its MEP resiliency and redundancy with the utilization of combined heat and power generators, so the System is able to fulfill its mission during a local or regional natural disaster.

Combatting the Social Determinants of Health

As referenced above, RWJBH has transitioned its mission from focusing upon "health care" to "health." RWJBH has developed initiatives, programs, innovative partnerships, and learnings from other organizations focused on the social determinates of health ("SDOH") of its community. RWJBH uses its position in its local markets to enhance the System's Social Impact and Community Investment (SICI) work through workforce development, purchasing and investing. RWJBH is a co-founder of the Healthcare Anchor Network – a growing national collaboration of now 70+ leading healthcare systems building more inclusive and sustainable local economies.

The System meets its social impact mission by effectively serving as an anchor institution in the communities it serves through its "Hire Local, Buy Local, Invest Local" strategy and priority initiatives that address the SDOH. Priority initiatives such as food insecurity, education and health literacy and access to care and services are strategically addressed through the co-design of evidence-based strategies with key local, state, and national partners.

Hire Local

This year, RWJBH expanded the "Hire Local, Buy Local, Invest Local" strategy zip codes to be System-wide, in order to capture the breadth and depth of its hiring impact. The zip codes included the primary service areas for each hospital in addition to the social vulnerability index by the CDC, which ranks communities' risk from Low to High. RWJBH expanded from 21 zip codes to 111 zip codes across 9 counties. 16% of total RWJBH workforce is comprised of individuals who reside in 21 Asset Limited, Income Constrained, Employed zip codes.

Buy Local

In 2023, RWJBH spent $35.9 million with local and diverse businesses in New Jersey. The SICI team launched the "Buy Local Portal," which is integrated with the System's PeopleSoft system to enable employees to search for local and diverse business near RWJBH facilities, promoting local spend.

Invest Local

In collaboration with Rutgers, RWJBH continues a teacher training program that was created for the System's *KidsFit* program, which has long been implemented in Newark. KidsFit is now offered in 101 schools in New Jersey with outcomes showcasing positive changes in both eating behavior and nutrition knowledge.

To address food insecurity, RWJBH has created "Food Farmacies" and Wellness Pantries in communities where need is the greatest providing needed education and healthy food in 2023. In partnership with the Community Food Bank of New Jersey, Women's Pantries at NBIMC and RWJUH New Brunswick have provided more than 350 women and families needed food, education and referrals to the federal Supplemental Nutrition Assistance Program and Special Supplemental Nutrition Program for Woman, Infants and Children. JCMC's Food Farmacy provided 200 patients with needed food and education for those with chronic conditions. Additionally, the System worked with local farmers through its partnership with The Common Market organization to deliver 27,000 pounds of fresh farm food directly to pantries and soup kitchens throughout the System.

Our Healthy Newark

As part of the fiscal year 2023 State budget, RWJBH received an appropriation of $25 million to address health disparities within the City of Newark. Specifically, a comprehensive program, known as Our Healthy Newark, was developed to address these growing needs.

To support this successful implementation, a strategic partnership was developed between the System and Saint James Health ("SJH"), the leading Federally Qualified Health Center ("FQHC") with three care locations in Newark. Lack of care coordination often leads to access to care issues in underserved communities. RWJBH partnered with SJH to increase access to care to the underserved communities of Newark by providing up to date EHR systems. In the fall of 2023, the installation of Epic across SJH sites was completed thereby enhancing real-time access to medical information for at-risk members of the community.

The System implemented a plan to hire and train 25 Community Health Workers ("CHWs") and imbed them in locations across Newark including FQHCs, schools, clinics, and places of worship. To date, 22 CHWs have been recruited and launched into the community. These CHWs work with patients and follow them to assist with appointment scheduling, connectivity and utilization of community resources and also facilitate the patients' screening for SDOH.

A top priority for RWJBH is to invest and to have positive outcomes in child and maternal healthcare. Therefore, the System has recruited medical specialists to support the Newark-area hospitals and FQHCs. These specialists include obstetrics and gynecology and nurse practitioners for women's health. The expansion also incorporates more pediatric pulmonologists, endocrinologists, neurologists and rheumatologists. Furthermore, the strategy calls for the physician coverage to continue into evening and weekend hours.

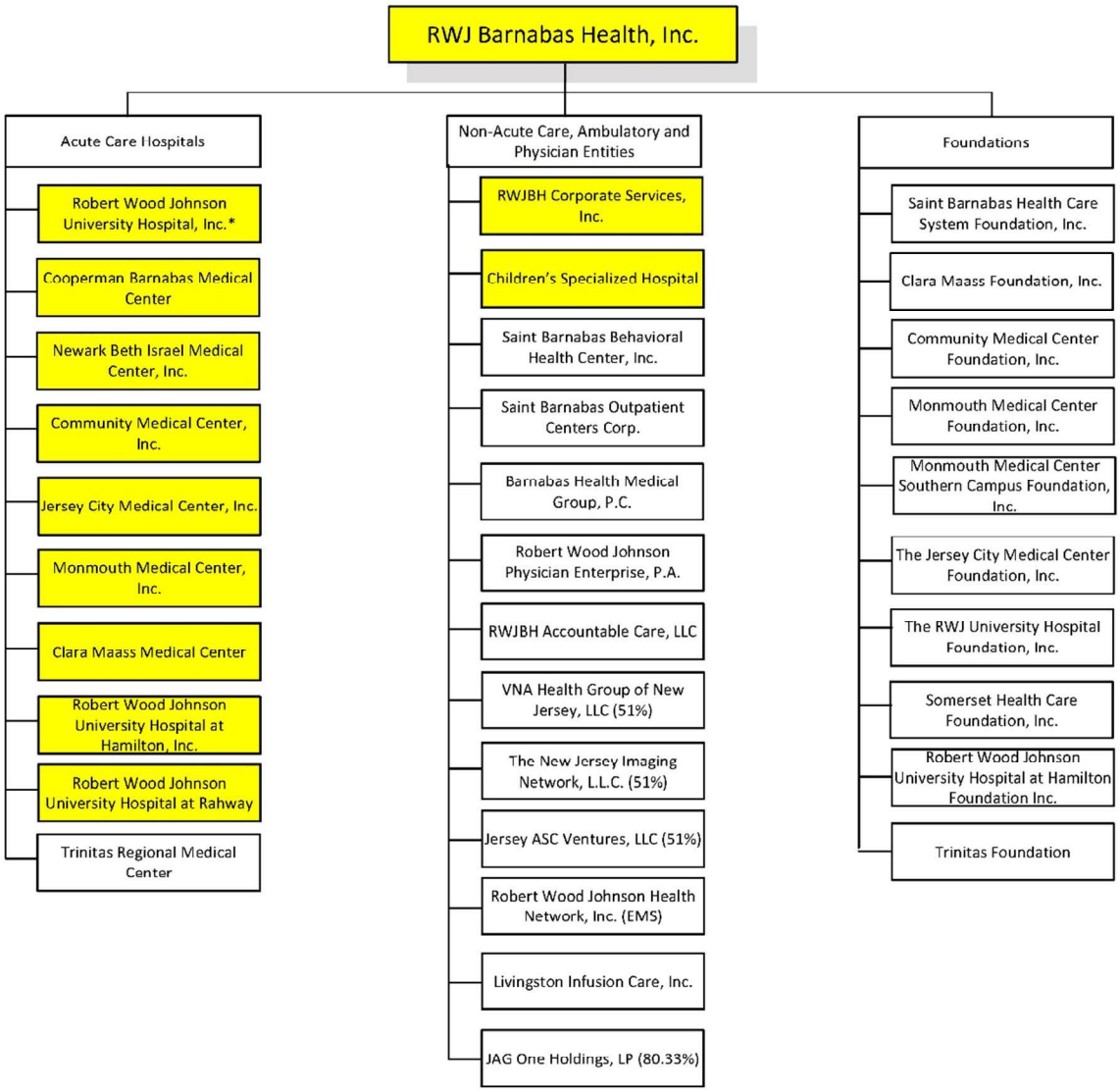
Diversity, Equity and Inclusion

RWJBH has a Corporate Office of Diversity, Equity and Inclusion to focus on the well-being of the diverse communities the System serves with a continued commitment to high-quality, culturally competent care absent of racism, prejudice, micro-inequities or any other form of discrimination. This office is focused on delivering on the System's health equity promise and strengthening the trust between its facilities and the communities they serve. A major initiative also underway includes increasing the diversity among members of the various Boards of Trustees and leadership teams across the System.

Health Equity and employee optimization are two of the many ways that Diversity, Equity and Inclusion is a driver for innovation and growth. As one of the largest employers and a major economic engine in communities across the State, the System believes it is its responsibility to play a major role in improving health outcomes for disadvantaged populations across New Jersey, while creating a supportive and inclusive culture for employees, physicians and every customer, client, and patient served.

CORPORATE STRUCTURE AND OBLIGATED GROUP

The following chart depicts the key affiliates and subsidiaries of the Parent organized by functional category. Shaded boxes represent members of the Obligated Group.



* New CINJ Cancer Pavillion will be under Robert Wood Johnson University Hospital, Inc's (New Brunswick) license

The Parent, RWJBH Corporate Services, Inc. (f/k/a Barnabas Health, Inc.), Children's Specialized Hospital, Clara Maass Medical Center, Community Medical Center, Inc., Jersey City Medical Center, Inc., Monmouth Medical Center, Inc., Newark Beth Israel Medical Center, Inc., Cooperman Barnabas Medical Center Inc. (f/k/a Saint Barnabas Medical Center), Robert Wood Johnson University Hospital, Inc., Robert Wood Johnson University Hospital at Hamilton, Inc. and Robert Wood Johnson University Hospital Rahway are the current Members of the Obligated Group (each a "Member of the Obligated Group" or collectively, the "Obligated Group").

Only Members of the Obligated Group are obligated to pay debt service for all Obligations issued under the Master Indenture. Other System affiliates are not obligated to pay debt service on any Obligations issued under the Master Indenture. In order for additional entities, including System affiliates, to become or cease to be Members of the Obligated Group under the Master Indenture, certain provisions contained in the Master Indenture must be satisfied. The Parent is the Combined Group Agent for purposes defined in, and specified under, the Master Indenture. All Obligations issued by the Parent on behalf of the Obligated Group members will be evidenced by a promissory note or other Obligation executed by the Parent, as Combined Group Agent under the Master Indenture.

As of and for the fiscal year ended December 31, 2023, the Obligated Group accounted for approximately 87% of the consolidated assets of the System and approximately 81% of the consolidated operating revenues.

Description of the System by Key Obligated Group Member

RWJBH has centralized and/or consolidated certain administrative, financial and clinical functions under RWJBH Corporate Services, Inc. ("Corporate Services") to establish cost-effective and efficient infrastructures necessary to support its operations. Corporate Services is a member of the Obligated Group but does not generate significant revenue. A brief description of the key members of the Obligated Group is set forth below.

Robert Wood Johnson University Hospital, Inc. ("RWJUH") operates separately licensed hospitals on two campuses, a 614 licensed bed teaching hospital in New Brunswick, New Jersey ("RWJUH New Brunswick"), and a 339 licensed bed hospital in Somerville, New Jersey ("RWJUH Somerset"). RWJUH cares for approximately 48,000 inpatients and 142,000 emergency room patients each year and draws patients from all twenty-one counties in New Jersey.

RWJUH New Brunswick

RWJUH New Brunswick offers an array of clinical services, including the following key services: bone marrow, heart, kidney and pancreas transplantation, cardiac surgery, diagnostic and interventional catheterization, neurosurgery, epilepsy care, perinatal and maternity services, neonatal intensive care, gamma knife treatment, radiation oncology and chemotherapy and shock trauma.

RWJUH Somerset

RWJUH Somerset provides comprehensive emergency, medical/surgical and rehabilitative services. Outpatient services include radiology, laboratory, wound care, diabetes management, nutritional counseling and physical, occupational and speech therapy. In partnership with CINJ, it provides a full range of outpatient services, including breast imaging services, infusion therapy, radiation therapy, a lung cancer screening program, PET/CT imaging services, nutritional counseling, access to clinical trials and complementary medicine programs.

Cooperman Barnabas Medical Center, Inc. ("CBMC") operates a 597 licensed bed acute care facility located in Livingston, New Jersey. CBMC cares for nearly 34,800 inpatients annually, including delivery of close to 6,300 babies. CBMC is a fully accredited teaching hospital, offering tertiary acute care services and draws patients from nearly every county in New Jersey. The Burn Center at CBMC is New Jersey's only certified burn unit caring for both adults and children. The Renal and Pancreas Transplant Division is the 5th largest kidney transplant program in the United States.

Newark Beth Israel Medical Center, Inc. ("NBIMC") operates a 653 licensed bed acute care facility located in Newark, New Jersey. NBIMC annually cares for approximately 25,000 inpatients and same-day-surgery patients and provides approximately 90,000 outpatient emergency room visits. NBIMC operates a Level IV Regional Perinatal Center and is home to the Barnabas Health Heart Center. NBIMC has a Robotic Surgery Center, is a provider of extracorporeal membrane oxygenation services and one of two New Jersey hospitals offering specialized pediatric cardiac surgery. NBIMC is one of the top 15 heart transplant centers in the country, having performed over 1,100 heart transplants over the years and also has the State's only approved lung transplantation program.

Jersey City Medical Center, Inc. ("JCMC") operates a 352 licensed bed acute care teaching facility, which cares for over 22,000 inpatients and same-day surgery-patients annually. JCMC is designated by the State as a Level II Trauma Center and has more than 96,000 annual Emergency Department visits, including psychiatric emergency services. JCMC is also a state-designated Regional Cardiac Surgery Center, Regional Perinatal Center, and Primary Stroke Center. Other specialized services at JCMC include an orthopedic and spine institute, child and adolescent behavioral health, and a comprehensive cancer program as part of CINJ.

Monmouth Medical Center, Inc. ("MMC") operates two separately licensed hospital campuses under one leadership team with shared support functions and integrated clinical programs.

Monmouth Medical Center, Inc. ("MMC Main")

The primary campus located in Long Branch, New Jersey ("MMC Main"), is a 514 bed licensed acute care teaching facility that annually cares for approximately 33,000 inpatients and same day surgery patients and delivers nearly 7,000 babies. MMC Main includes a state-designated Children's Hospital offering specialized pediatric care, a Level III neonatal intensive care unit, a pediatric intensive care unit and subspecialty pediatric care in areas such as cardiology, gastroenterology, surgery, endocrinology, neurology, psychiatry and pulmonology. It is the largest provider of mental health services in Monmouth County with a total of 63 psychiatric beds and psychiatric emergency screening services.

Monmouth Medical Center Southern Campus ("MMCSC")

MMCSC is located in Lakewood, New Jersey, and is a separately-licensed, 241 bed acute care facility offering advanced diagnostic and treatment services. MMCSC treats more than 31,000 patients per year, in addition to the 8,600 inpatients and same-day-surgery patients it serves annually. MMCSC is a designated Primary Stroke Center and is home to Ocean County's only Psychiatric Emergency Screening Service. Currently, MMCSC operates 60 of its 241 licensed beds as psychiatric beds located at RWJBH's Behavioral Health Center as well as 54 med/surg telemetry beds, eight of which are designated for dual medical and behavioral health diagnoses, and 20 intensive care unit beds at its main campus in Lakewood.

Community Medical Center, Inc. ("CMC") operates a 617 licensed bed acute care facility in Toms River, New Jersey. In 2021, the hospital became a teaching hospital, expanding its programs and services to now provide education to the next generation of physicians in conjunction with RWJMS. It annually cares for over 31,000 inpatients and same-day-surgery patients, including the delivery of over 2,000 babies.

Its Emergency Department treats over 66,000 adult and pediatric patients annually. It offers comprehensive care including specialized services such as emergency angioplasty, cardiac catheterization, robotic surgery, and Level II perinatal care. CMC also offers a transitional care unit and hospice care. It operates a regional cancer center with radiation therapy and the area's only CyberKnife.

Clara Maass Medical Center ("CMMC") operates a 472 licensed bed acute care facility located in Belleville, New Jersey. CMMC provides more than 15,000 admissions, 11,000 surgeries including same-day-surgery patients and approximately 73,000 emergency room visits annually. CMMC also provides transitional care, eye surgery, emergent and elective angioplasty, Level II neonatal care, electroconvulsive therapy and radiation therapy. CMMC has a sleep lab center, a Primary Stroke Center, Joint and Spine Institute, Cancer Center and a Wound Care Center.

Robert Wood Johnson University Hospital at Hamilton, Inc. ("RWJUH Hamilton") operates a 248 licensed bed acute care facility located in Hamilton Township, New Jersey, which annually cares for approximately 12,000 inpatients and same day surgery patients and provides over 36,000 emergency room visits. RWJUH Hamilton provides a network of comprehensive healthcare services including inpatient care, primary and specialty care, such as heart and vascular care including licensing to perform emergency and elective angioplasties, orthopedics, bariatrics and neurosciences.

Robert Wood Johnson University Hospital Rahway ("RWJUH Rahway") operates a 241 licensed bed acute care facility in Rahway, New Jersey, which cares for approximately 8,000 inpatients and same-day-surgery patients and provides over 36,000 emergency room visits annually. RWJUH Rahway is a regional leader in emergency medicine, cardiology, rehabilitation and ambulatory services, and serves the community with cutting-edge preventive services at two Fitness and Wellness Centers. RWJUH Rahway's campus is home to Care Connection, a 24-bed licensed rehab unit owned by Alaris Health and a Kindred Hospital New Jersey – Rahway, a 34-bed long-term acute care hospital.

Children's Specialized Hospital ("CSH") provides inpatient and outpatient care for children from birth to 21 years of age facing special health challenges from chronic illnesses and complex physical disabilities like brain and spinal cord injuries, and a full scope of developmental, behavioral, and mental health concerns. CSH is comprised of an inpatient facility on the main campus of RWJUH in New Brunswick, is the State's only pediatric rehabilitation hospital, and has 15 outpatient facilities covering an array of medical and therapeutic programs and services. CSH also offers pediatric LTC and respite care services for children with complex medical conditions at locations in Mountainside and Toms River. The LTC facilities are home to many medically fragile children whose families' current circumstances no longer allow them to be cared for in the home or other community setting.

Trinitas Regional Medical Center ("TRMC") operates a 553 licensed bed acute care facility in Elizabeth, New Jersey, which annually cares for over 12,000 inpatients and 318,000 outpatients, including visits to the emergency department and psychiatric health center. In 2022, TRMC joined the System to allow significant investment in facilities, technology and innovation to enhance clinical services. TRMC has "Centers of Excellence" in cardiology, cancer care, behavioral health, maternal/child health, renal care, nursing education, wound healing, diabetes management, sleep medicine, the Connie Dwyer Breast Center at Trinitas, the Trinitas Institute for Dialectical Behavior Therapy, and care for women and seniors. RWJBH Behavioral Health Services offers comprehensive mental health services at TRMC's New Point Campus, one of New Jersey's largest behavioral health centers. **TRMC is not a member of the Obligated Group.**

GOVERNANCE AND MANAGEMENT

Board of Trustees

The System's Board of Trustees (the "Board") currently consists of twenty-one members (each a "Trustee") who are representative of various affiliates, subsidiaries, and communities served by the System. Standing Committees of the Board are: Audit, Compensation, Compliance, Executive, Finance and Operations, Investment, Nominating and Governance, Quality, Strategic Planning/Academic Affairs, and Health Equity, Diversity and Inclusion. These standing committees consist of a Chairperson who is a member of the Board and other Board and non-Board representatives drawing on the expertise of outside community members.

Under the conflict of interest policy adopted by the Board, all Trustees are required to disclose any possible conflicts of interest through an annual questionnaire. Trustees also are required to abstain from voting on transactions involving such conflicts of interest. To ensure that the Board is truly representative of the many communities served by System facilities and programs, the majority of the Board is comprised of members from local hospital boards, all of whom are recognized leaders in their communities.

The following table sets forth the current members (and officers) of the Board, the occupation of each member, and the year in which each member's term expires (each term expires in June of the identified year):

Name	Principal Occupation	Expiry of Current Term
Lester J. Owens, Chair	Retired, Former Senior Executive Vice President, Wells Fargo & Co.	2024
Susan C. Reinhard, Ph.D., Vice Chair	Senior Vice President, AARP Public Policy Institute	2025
Robert L. Barchi, M.D., Ph.D.	Retired, Former President, Rutgers, the State University of New Jersey	2025
Wilfredo Caraballo, JD	Attorney, Gaccione & Pomaco, P.C.	2025
Anne Evans-Estabrook	Owner & CEO, Elberon Development Corporation	2025
John A. Hoffman, Esq.	Of Counsel, Wilentz, Goldman & Spitzer, P.A.	2024
Robert L. Johnson, M.D., FAAP	Dean, Rutgers New Jersey Medical School (Newark)	ex-officio
Mark Manigan	President and CEO, RWJ Barnabas Health, Inc.	ex-officio
Robert E. Margulies, Esq.	Attorney, Schumann Hanlon Margulies LLC	2026
Joseph Mauriello	Retired, Former Partner and Vice Chairman, KPMG LLP	2024
Jack Morris, Founding Chair	President and CEO, Edgewood Properties, Inc.	2024
Amy Murtha, M.D.	Dean, Rutgers Robert Wood Johnson Medical School (New Brunswick)	ex-officio
John Papa	Managing Partner & Proprietor, Willow Edge Advisors, LLC	2026
Victor M. Richel	Chairman, President & CEO, Richel Family Foundation	2024
Kenneth A. Rosen, Esq.	Partner, Kenneth Rosen Advisors, PC	2026
James C. Salwitz, M.D.	Oncologist, Astera Cancer Center	2026
DeForest B. Soaries, Jr., Ph.D.	President, Corporate Community Connections	2024
Paul V. Stahlin	Retired, Regional President, Fulton Bank of NJ	2026
Brian L. Strom, M.D., M.P.H.	Chancellor, Rutgers Biomedical & Health Sciences	ex-officio
James S. Vaccaro	President and CEO, Manasquan Savings Bank	2024
Celeste Warren	Vice President, Human Resources & Global Diversity & Inclusion Center of Excellence, Merck	2025

Executive Management

Mark E. Manigan - *President and Chief Executive Officer, RWJBH*. Mr. Manigan became President and Chief Executive Officer of RWJBH on January 1, 2023. Previously, he had been appointed President of the System in March, 2022, after successfully serving as Chief Strategy and Business Development Officer since 2019. Mr. Manigan is credited with: the evolution of the System's strategic plan, implementation of the System's new operating model focused on service line integration and regionalization; the dramatic expansion and densification of the organization's ambulatory services platform; and the creation of the System's new mission, vision, values, credo and mantra statements. Prior to joining the system, Mr. Manigan was a New Jersey healthcare attorney at Brach Eichler, LLC where he counseled a wide array of healthcare clients including physician groups, ambulatory care facilities, private equity sponsors, insurance companies, publicly traded companies and prominent health systems – including RWJBH – on complex mergers and acquisitions, consolidation strategies and regulatory matters. Mr. Manigan graduated from Bucknell University and Seton Hall University School of Law.

John W. Doll - *Senior Executive Vice President and Chief Operating Officer, RWJBH*. Mr. Doll was named Chief Operating Officer of RWJBH in March, 2022. In this role, he oversees the day-to-day operations of the health system – including all hospital and Medical Group operations information technology and quality and legal affairs functions. Prior to his promotion and for over a decade, Mr. Doll guided RWJBH's financial operations through mergers, consolidations, and health crises in such leadership roles as Chief Integration Officer, Chief Financial Officer, and Chief Financial and Administrative Officer. Prior to joining RWJBH in 2010, Mr. Doll held executive positions at a large regional health system and a healthcare information technology and consulting firm. He began his career in Ernst & Young's Healthcare Audit and Consulting practice. Mr. Doll received his degree in Accounting from the University of Delaware and is a certified public accountant.

Frank Pipas - *Executive Vice President, Chief Financial Officer, RWJBH.* Mr. Pipas serves as the most senior finance executive across the System providing leadership in the achievement of key financial and operational functions including: accounting, financial reporting and external audit, accounts payable, payroll, revenue cycle, treasury, and budgeting. Mr. Pipas joined RWJBH in 2022, after serving as Executive Vice President of Finance for a large regional health system. He first joined that organization in 2002, and served in a number of increasingly responsible financial positions where he led numerous integration strategies for financial functions across that network. In addition to his time there, he held various financial sector positions with Somerset Medical Center (now RWJUH Somerset), Liberty HealthCare System (now JCMC) and he was a Senior Auditor with Ernst & Young. Mr. Pipas holds a Bachelor of Science degree in Accounting from Rutgers University and a New Jersey Certified Public Accountant license.

Ruric "Andy" Anderson, M.D. - *Executive Vice President, Chief Medical and Quality Officer, RWJBH*. Dr. Anderson first joined the System in 2018 to oversee the clinical activities of the IPA resulting from the partnership between RWJBH and Rutgers. In 2022, Dr. Anderson was appointed Chief Medical and Quality Officer and now is responsible for the advancement of all clinical quality initiatives and patient engagement strategies. Dr. Anderson came to RWJBH from Aurora Health Care in Wisconsin, where he was named Chief Medical Officer in 2015 and was responsible for the strategic direction and operational deployment of critical physician and clinical support functions. Prior to joining Aurora Health Care, Dr. Anderson served in multiple leadership roles during more than 15 years at national health care systems, including Chicago-based North Shore University Health System, the University of Chicago Hospitals, and the Medical College of Wisconsin/Froedtert Health. Dr. Anderson holds a bachelor's degree and medical degree from the University of North Carolina and a Master's degree in business administration from Marquette University.

David A. Mebane, Esq. *- Executive Vice President & General Counsel, RWJBH.* Mr. Mebane, oversees the System's Legal, Corporate Risk/Insurance, and Compliance Departments. He is also the president of the System's captive insurance company. He joined the System 30 years ago and has been integral in the development and growth of RWJBH's Legal Department, Risk/Insurance and Compliance services. Mr. Mebane also started the Legal Department for the former Community-Kimball Health Care System prior to its joining Barnabas Health. He earned his J.D. from the Boston University School of Law and his B.A. from Princeton University. Following law school, he clerked for the Hon. Herman Michels, the Presiding Judge for the New Jersey Superior Court (Appellate Division), and thereafter was in private practice. Mr. Mebane is admitted to practice in New Jersey and New York and is a member of the American Health Lawyers Association and the American Corporate Counsel Association.

Kathleen Jacobs *- Chief Investment Officer, RWJBH.* Ms. Jacobs, joined the System in January, 2024 and is responsible for formulating and articulating a strategic vision for the health system's investment portfolios that is aligned with the organization's mission, goals, and risk tolerance. She is charged with overseeing the System's Long-Term Investment Portfolio, Short Term Capital Reserve Portfolio, Foundation Portfolios and Endowments as well as the System's ERISA Plan Assets, which include employee retirement plans. Ms. Jacobs most recently served as Chief Investment Officer of New York University, where she transformed and institutionalized the University endowment and generated strong investment returns significantly exceeding benchmarks. Prior, Ms. Jacobs was a Managing Director in the Office of Investments at New York-Presbyterian Hospital. Previous to New York-Presbyterian, she was Senior Investor for the Juilliard School's endowment and has held investment roles of increasing responsibility at Goldman Sachs and J.P. Morgan. Ms. Jacobs graduated magna cum laude from Bucknell University with a Bachelor of Science in Business Administration.

Lynda Markoe *- Chief People Officer, RWJBH.* Ms. Markoe, was appointed to her role in January, 2024 and is responsible for leading the human resources function for the System and overseeing the ongoing efforts in the human resources enterprise. Ms. Markoe has more than thirty years of experience in the retail and consumer goods sectors, most recently as EVP, Chief People and Culture Officer of Bed, Bath & Beyond, where she led the human resources function during a time of rapid change and transformation. Prior to joining Bed, Bath & Beyond, Ms. Markoe held human resources roles at national apparel leaders such as J. Crew and Gap, Inc. She graduated from Binghamton University with a Bachelor of Arts in Political Science with a concentration in International Relations.

George Helmy *- Executive Vice President, Chief External Affairs and Policy Officer, RWJBH.* Mr. Helmy, joined the System in September, 2023 to oversee the System's interaction with all federal, state and local governments and governmental agencies and associates. Mr. Helmy's focus is on managing regulatory opportunities and developing and executing cross-divisional governmental relations strategies. He also serves as the President and CEO's senior strategic advisor on political strategy and governmental policy, as well as the System's relationships with key external stakeholders. Mr. Helmy most recently served as Chief of Staff to New Jersey Governor Murphy. In this role, he served as an advisor to the Governor on many aspects of state government operations and policy development. Additionally, he has worked in the private sector with two Fortune 100 companies. Mr. Helmy received his Bachelor of Arts from Rutgers University and Master's degree from Harvard University.

SERVICE AREA

The System and its facilities are located within a state that is recognized as the most densely populated and diverse state in the nation. Within the State, the RWJBH service area is comprised of five million people, which is greater than the entire population of more than 25 states, and approximates the population of Alabama.

While providing services to patients from all 21 counties in New Jersey, the RWJBH service area is concentrated in eight core counties: Essex, Hudson, Mercer, Middlesex, Monmouth, Ocean, Somerset, and Union counties in Northern and Central New Jersey. These eight counties account for more than 54.1% of the 2022 estimated population in New Jersey *(U.S. Census Bureau, Table ID B01003, ACS 1-Year Estimates Detailed Tables)*. The table below sets forth market share for inpatients as a whole (excluding newborns).

Inpatient Share
Core Counties*
2022 (All Ages, Excluding Newborns)

County	% RWJBH Market Share
Essex County, NJ	48.1%
Hudson County, NJ	31.6%
Mercer County, NJ	17.8%
Middlesex County, NJ	32.4%
Monmouth County, NJ	20.0%
Ocean County, NJ	44.0%
Somerset County, NJ	50.6%
Union County, NJ	45.0%
8 County Combined	36.5%

Source: State UB04 Inpatient database for NJ accessed through Sg2 database
Inpatients only; Excludes Normal Newborns
Includes outmigration to PA (2022) and NY (2021)
** Core counties are: Hudson, Essex, Union, Middlesex, Mercer, Somerset, Monmouth and Ocean*

The 2022 New Jersey Inpatient Data reveals that RWJBH is the statewide leader across most major service lines, despite facing strong and well-established competitors both in-state and from New York and Philadelphia. RWJBH is also the State's leading provider of tertiary care. In addition, the System leads its competition within its core eight-county service area with more than 36% share of inpatient discharges. The table below compares RWJBH's share of inpatient discharges in its core eight county service area with those of other facilities and systems for key product lines:

2022 Inpatient Market Share
RWJBH Core Counties Only - 8 Counties*
Select Service Lines (All Ages)

DRG_Service Line2	RWJ Barnabas	Hackensack/ Meridian	Atlantic	Penn Medicine	St. Peters University Hospital	AtlantiCare	St. Joseph's Health System	Virtua	Other	Grand Total
Cancer	35.7%	25.7%	8.0%	3.6%	2.7%	0.2%	0.3%	0.1%	23.8%	100.0%
Cardio	36.9%	30.3%	5.2%	3.0%	2.6%	0.4%	0.2%	0.1%	21.3%	100.0%
Gastro	34.6%	30.3%	6.9%	3.6%	4.1%	0.2%	0.2%	0.2%	19.8%	100.0%
General Medicine	36.6%	28.0%	6.1%	3.3%	3.2%	0.3%	0.3%	0.3%	21.9%	100.0%
General Surgery	33.3%	28.2%	8.3%	2.6%	2.3%	0.4%	0.3%	0.5%	24.1%	100.0%
Neuro	33.8%	31.2%	5.8%	3.2%	3.9%	0.4%	0.4%	0.1%	21.3%	100.0%
Ortho	29.5%	27.9%	6.8%	4.3%	1.9%	1.7%	0.4%	0.1%	27.2%	100.0%
Other**	29.8%	22.6%	9.4%	3.9%	2.6%	0.7%	0.8%	0.3%	29.9%	100.0%
Spine	43.1%	12.8%	0.0%	10.2%	0.0%	0.0%	0.0%	1.0%	32.9%	100.0%
Transplant	41.8%	19.7%	6.6%	3.2%	8.8%	0.2%	0.7%	0.3%	18.7%	100.0%
Womens	36.6%	27.2%	5.7%	3.5%	3.2%	0.2%	0.3%	0.2%	23.1%	100.0%
Grand Total	36.5%	26.9%	6.2%	3.4%	3.9%	0.3%	0.4%	0.2%	22.3%	100.0%

Source: State UB04 Inpatient database for NJ accessed through Sg2 database

All Ages; Inpatients only; Excludes Normal Newborns

Includes outmigration to PA (2022) and NY (2021)

** Core counties are: Hudson, Essex, Union, Middlesex, Mercer, Somerset, Monmouth and Ocean*

***Other service line includes all other not listed*

The table below sets forth inpatient market share for System hospitals in their respective primary service area (as defined by zip codes).

Inpatient Share
Hospital Primary Service Area*
2022

Institution	% RWJBH Share
Clara Maass Medical Center	29.7%
Community Medical Center, Inc.	51.7%
Cooperman Barnabas Medical Center, Inc.	32.1%
Jersey City Medical Center, Inc.	47.3%
Monmouth Medical Center, Inc.	24.7%
Monmouth Medical Center Southern Campus	14.8%
Newark Beth Israel Medical Center, Inc.	30.4%
Robert Wood Johnson University Hospital, Inc. (New Brunswick)	35.3%
Robert Wood Johnson University Hospital at Hamilton, Inc.	16.8%
Robert Wood Johnson University Hospital Rahway	23.0%
Robert Wood Johnson University Hospital Somerset	52.9%
Trinitas Regional Medical Center	50.6%

Source: State UB04 Inpatient database for NJ accessed through Sg2 database
Age 18+; Inpatients only; Excludes Normal Newborns
Includes outmigration to PA (2022) and NY (2021)
** Service area based on zip codes*

UTILIZATION AND OPERATING DATA

Licensed Beds

The table below lists the current bed complement and location of RWJBH's acute care and specialty hospitals, including inpatient hospice care services:

Facility	Location	Licensed Beds	
Acute Care Hospitals:			
Newark Beth Israel Medical Center	Newark	653	(1)
Community Medical Center	Toms River	617	(2)
Cooperman Barnabas Medical Center	Livingston	597	
Robert Wood Johnson University Hospital, New Brunswick Campus	New Brunswick	614	(3)
Robert Wood Johnson University Hospital, Somerset Campus	Somerville	339	
Monmouth Medical Center	Long Branch	514	(4)
Monmouth Medical Center, Southern Campus	Lakewood	241	(5)
Clara Maass Medical Center	Belleville	472	
Jersey City Medical Center	Jersey City	352	
Robert Wood Johnson University Hospital Rahway	Rahway	241	
Robert Wood Johnson University Hospital at Hamilton	Hamilton	248	
Trinitas Regional Medical Center	Elizabeth	553	(7)
Total Acute Care Beds		**5,441**	
Transitional Care Beds:			
Children's Specialized Hospital	New Brunswick	158	(6)
Community Medical Center Transitional Care Unit	Toms River	25	(2)
TRMC Hospital-based Long Term Care Facility	Elizabeth	124	(7)
Total Transitional Care Beds		**307**	
Specialty Hospitals:			
The Children's Hospital of NJ at Newark Beth Israel Medical Center	Newark	156	(1)
Barnabas Health Behavioral Health Center	Toms River	100	(5)
The Bristol-Myers Squibb Children's Hospital at Robert Wood Johnson University Hospital	New Brunswick	79	(3)
The Unterberg Children's Hospital at Monmouth Medical Center	Long Branch	70	(4)
Total Specialty Hospital Beds		**405**	

(1) Newark Beth Israel Medical Center is licensed for 653 beds, 156 of which are licensed for Children's Hospital of New Jersey at Newark Beth Israel Medical Center. For presentation purposes, these 156 beds are included in the licensed bed complement for both Newark Beth Israel Medical Center and it's designated Children's Hospital.

(2) For presentation purposes, the 25 Transitional Care beds located at the general acute care hospital are included in the licensed bed complement for Community Medical Center.

(3) Robert Wood Johnson University Hospital is licensed for 614 beds, 79 of which are licensed for The Bristol-Myers Squibb Children's Hospital. For presentation purposes, these 79 beds are included in the licensed bed complement for both Robert Wood Johnson University Hospital and its designated Children's Hospital. Robert Wood Johnson University Hospital has been granted temporary approval from the Department of Health to operate an additional 26 neonatal bassinets not included in the count.

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

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

(6) These licensed beds represent pediatric long term care and rehabilitation beds. Children's Specialized Hospital operates at multiple locations in New Jersey, including the long term care beds in Mountainside and Toms River, New Jersey.

(7) Trinitas Regional Medical Center is licensed for 553 beds, 124 of which are long term and sub acute care. For presentation purposes, these 124 beds are included in the licensed bed complement of Trinitas Regional Medical Center.

Selected Utilization Statistics

The table below sets forth select utilization statistics of the System's acute care hospitals for the years ended December 31, 2023, 2022, and 2021. The select utilization statistics represent those entities currently comprising the System.

	Years ended December 31,		
	2023	**2022**	**2021***
Average daily census	3,113	3,061	3,019
Acute care admissions	210,048	201,488	202,301
Acute care length of stay	5.56	5.66	5.59
Case mix index	1.55	1.56	1.56
Observation cases	104,725	94,416	87,034
Acute care occupancy based on beds in service	71.0%	70.2%	69.1%
Maternity and Obstetric cases	26,567	26,590	26,836
COVID-19 positive admissions	5,453	13,412	14,099
Same day surgery cases	70,645	65,047	65,929
Emergency room visits (excluding ER admissions)	653,056	624,727	577,330
Total surgical volume	103,629	97,034	98,326
Total oncology infusion procedures	129,663	113,607	104,867
Radiation oncology procedures	77,121	70,784	72,355
Cardiac procedures	51,011	48,634	48,384
Total transplant volume	744	618	613

* *2021 volume statistics include Trinitas Regional Medical Cener for comparison purposes.*

Sources of Patient Service Revenue

The following table sets forth the components of the System's consolidated patient service revenue and related payor mix for each of the years ended December 31, 2023, 2022 and 2021 (dollars in thousands):

	Years ended December 31,		
	2023	**2022**	**2021**
Components of Patient Service Revenue:			
Inpatient services	$ 4,095,862	3,723,853	3,363,410
Outpatient services	3,723,902	3,156,455	2,617,069
State of NJ subsidy revenue	121,895	113,601	97,395
Total patient service revenue	**$7,941,659**	**6,993,909**	**6,077,874**
Payor-Mix by Financial Class:			
Medicare	32.4%	33.3%	33.2%
Medicaid	18.9%	17.4%	16.8%
Blue Cross	21.9%	23.5%	24.0%
Commercial and managed care	20.5%	19.7%	19.7%
Self-pay patients and other	4.8%	4.5%	4.7%
State of NJ subsidy revenue	1.5%	1.6%	1.6%
Total	**100%**	**100%**	**100%**

COVID-19 PANDEMIC AND CARES ACT FUNDING

The Coronavirus Aid, Relief, and Economic Security ("CARES") Act provided financial relief under several programs including a funding advance of Medicare payments, deferral of the employer portion of payroll taxes and establishment of the Provider Relief Fund ("PRF"). Under the PRF, the System recognized approximately $48 million for the year ended December 31, 2022. As of December 31, 2022, all relief funds have been recognized as revenue, and the total amount received from the period of 2020 through 2022 was approximately $684 million.

The System also received approximately $556 million in Medicare payment advances under the Medicare Accelerated and Advanced Payment Program. As of December 31, 2022, these payments had been fully recouped.

The System elected to defer the deposit and payment of the employer's share of Social Security taxes allowed under the CARES Act, which amounted to approximately $88 million. As of December 31, 2022, these deferred amounts were fully repaid.

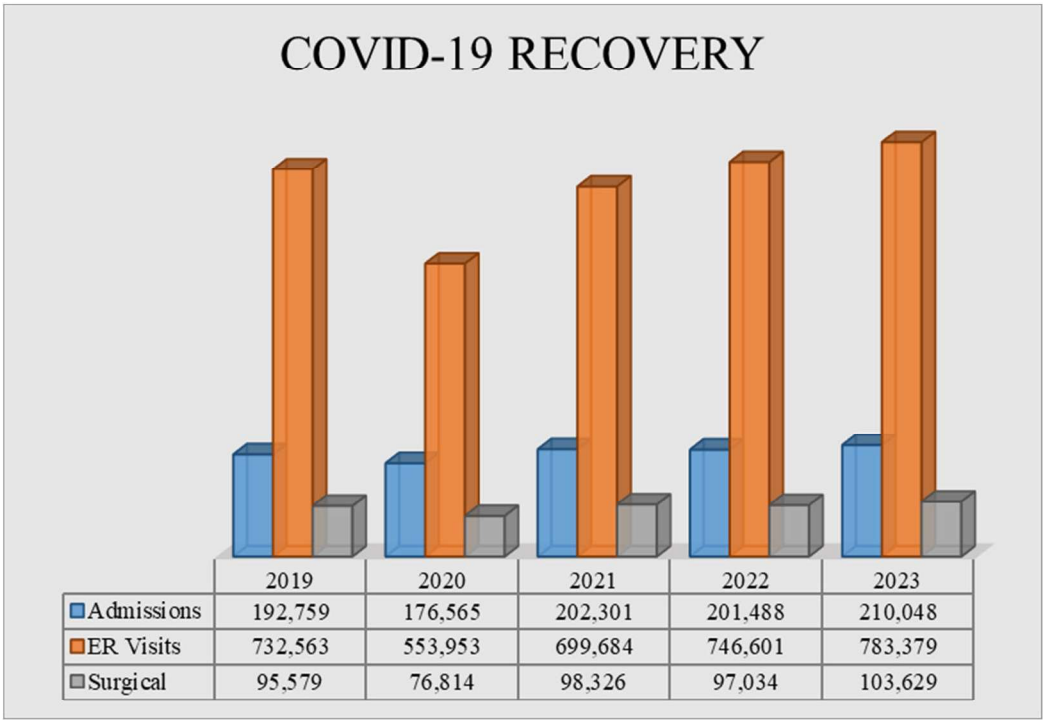
The System was also eligible under the CARES Act to receive an employee retention credit ("ERC") against the employer portion of Social Security taxes for certain wages during the early part of the COVID-19 pandemic. During the year ended December 31, 2023, the System recognized approximately $17 million in other revenue under the ERC program.

The System continues to pursue opportunities for additional federal relief funding, including funding from the Federal Emergency Management Agency ("FEMA"). Included in other revenue in the

condensed consolidated statements of operations for the years ended December 31, 2023, 2022 and 2021 is $19.9 million, $29.3 million and $93.8 million, respectively, for incremental prior year COVID-19 related costs.

The reduction in COVID-19 transmission rates has had a positive impact on volumes, which have been steadily improving. Admissions, surgical and gross emergency room visits for the year ended December 31, 2023 exceeded prior year volumes by 4.2%, 6.8%, and 4.9%, respectively.

The following table portrays select acute care volumes from prior to the COVID-19 pandemic through 2023, demonstrating the volume recovery since the height of the pandemic in 2020 and the eventual growth from pre-pandemic levels in 2022 and 2023.



	2019	2020	2021	2022	2023
Admissions	192,759	176,565	202,301	201,488	210,048
ER Visits	732,563	553,953	699,684	746,601	783,379
Surgical	95,579	76,814	98,326	97,034	103,629

FINANCIAL INFORMATION

Overview of Condensed Consolidated Financial Information

The following condensed consolidated financial information as of and for the years ended December 31, 2023, 2022 and 2021 is derived from the audited consolidated financial statements of the System, which includes all affiliates and other entities for which operational control is exercised by the System. The condensed consolidated information should be read in conjunction with the audited consolidated financial statements and related notes included as Appendix B to this offering document.

The Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Operations information set forth in the tables below reflect the financial position and results of operations of all entities comprising the System for the periods indicated. In addition, certain select financial indicators have also been provided for all periods indicated.

Condensed Consolidated Balance Sheets
(In Thousands)

	As of December 31,		
	2023	**2022**	**2021**
	(Audited)	**(Audited)**	**(Audited)**
Cash and investments	$ 4,268,072	4,600,244	5,771,781
Assets limited as to use	557,351	665,883	909,733
Patient accounts receivable	883,795	780,089	678,737
Estimated amounts due from third party payers	302,468	185,029	107,097
Property, plant and equipment, net	4,336,734	3,590,972	2,910,166
Right-of-use asset	315,922	262,886	258,089
Other assets	1,557,454	1,229,523	1,041,892
Total assets	**$12,221,796**	**11,314,626**	**11,677,495**
Accounts payable	$ 667,643	541,871	492,231
Accrued expenses and other current liabilities	1,410,171	1,299,590	1,116,185
Estimated amounts due to third party payers	147,476	150,509	437,624
Long term debt	3,497,079	3,443,867	3,366,403
Lease obligations	342,409	284,616	272,375
Self-insurance liabilities	517,876	482,474	425,180
Accrued pension	55,387	53,326	29,018
Other liabilities	177,703	158,714	149,930
Total liabilities	**6,815,744**	**6,414,967**	**6,288,946**
Net assets	5,406,052	4,899,659	5,388,549
Total liabilities and net assets	**$12,221,796**	**11,314,626**	**11,677,495**
Select Financial Ratios and Other Information:			
Total Unrestricted Cash and Investments*	$ 4,268,072	4,600,244	5,771,781
Days Cash On Hand*	187	224	335
Days In Accounts Receivable	41	41	41
Percentage Of Unrestricted Cash and Investments to Long Term Debt*	122.0%	133.6%	171.5%
Long Term Debt To Capitalization	40.8%	42.8%	39.7%

**Includes Medicare Advance received (net of payback) under the CARES Act of $349 million as of December 31, 2021.*

Condensed Consolidated Statements of Operations
(In Thousands)

	Years ended December 31,		
	2023	**2022**	**2021**
	(Audited)	**(Audited)**	**(Audited)**
Patient service revenue	$ 7,941,659	6,993,909	6,077,874
CARES Act grant revenue	-	48,143	65,110
Other revenue, net	645,700	555,436	483,539
Total operating revenue	**8,587,359**	**7,597,488**	**6,626,523**
Salaries and wages	3,270,096	3,031,080	2,468,791
Physician fees and salaries	1,093,782	950,617	739,895
Employee benefits	660,256	598,017	505,911
Supplies	1,418,051	1,321,661	1,220,247
Other expenses	1,620,768	1,497,484	1,247,553
Interest	102,327	106,486	100,983
Depreciation and amortization	324,334	303,225	271,024
Total operating expenses	**8,489,614**	**7,808,570**	**6,554,404**
Income (loss) from operations before work stoppage costs	97,745	(211,082)	72,119
Work stoppage costs	183,783	-	-
(Loss) income from operations	**(86,038)**	**(211,082)**	**72,119**
Nonoperating revenues (expenses)			
Investment income	484,624	(664,428)	346,699
Contribution received in acquisition	-	264,636	-
Other, net	(926)	11,109	(1,702)
Total nonoperating revenue (expenses)	**483,698**	**(388,683)**	**344,997**
Excess (deficiency) of revenues over expenses	**$ 397,660**	**(599,765)**	**417,116**
Select financial ratios:			
Excluding work stoppage costs:			
Operating EBITDA	$ 524,406	198,629	444,126
Operating EBITDA Margin	6.1%	2.6%	6.7%
Operating Margin	1.1%	-2.8%	1.1%
Excess Margin	6.4%	-8.3%	6.0%
Including work stoppage costs:			
Operating EBITDA	$ 340,623	198,629	444,126
Operating EBITDA Margin	4.0%	2.6%	6.7%
Operating Margin	-1.0%	-2.8%	1.1%
Excess Margin	4.4%	-8.3%	6.0%

Management's Discussion and Analysis of RWJBH's Operating Results

The following section provides information management believes is relevant to understanding the financial position of the System and the related consolidated results from operations as of and for the years ended December 31, 2023, 2022 and 2021. This information should be read in conjunction with the consolidated financial statements and accompanying notes. All dollar amounts in this section are in thousands.

Year Ended December 31, 2023

Operating results for the year ended December 31, 2023 were negatively impacted by the effect of the RWJUH New Brunswick work stoppage, inflation, and industry-wide staffing challenges. Management continues to be focused on the recovery of operations and improved operating results through various initiatives, including those focused on patient access and additional revenue opportunities through new and enhanced facilities, expanding diversified revenue streams, physician recruitment efforts, and continued revenue cycle initiatives. There is also a continued focus on expense reductions through operational efficiency efforts, program consolidation and supply chain initiatives. The System continues to evaluate and invest in strategic capital needs in relation to operations and technology to facilitate volume recovery and growth and to improve clinical outcomes, patient experience, and operational processes. In addition, RWJBH is making strategic investments in physicians who support key clinical service lines and staff to support the recovery and growth in the physician and ambulatory network, and in various other safety, quality and service initiatives.

For the year ended December 31, 2023, the System's total operating loss and operating margin were $86,038 and -1.0%, respectively, compared to the operating loss and operating margin of $211,082 and -2.8% for the year ended December 31, 2022. Total operating revenues grew by $989,871 or 13.0% compared to the year ended December 31, 2022, while operating expenses increased by $864,827 or 11.1% during the same period. Included in operating expenses are work stoppage costs of $183,783. Income from operations and operating margin before work stoppage costs was $97,745 and 1.1%, respectively.

Overall, patient service revenue of $7,941,659 was higher than prior year by $947,750 or 13.6%. The favorable variance was due to volume increases in inpatient, outpatient and professional billing. Other operating revenue increased due to grant revenue, joint venture revenue, pharmacy sales and net assets released from restriction.

Inpatient service revenue of $4,095,862 (excluding subsidy revenue) was favorable to prior year by $372,009 or 10.0%. The increase was primarily due to inpatient volumes, which were 4.2% higher than prior year due to strong performance in medicine, cardiology, surgical and pulmonary service lines. The System also benefited from increases in Managed care rates, higher Medicaid County Option Hospital Fee program (the "County Option Program") revenue of $75,066 (increase in expenses as well), as well as cost report adjustments, which exceeded prior year by $11,800. The favorable variance was partially offset by lower COVID-19 volumes. The County Option Program also was expanded into two additional counties effective July 1, 2023.

Outpatient service revenue, excluding professional billing revenue, of $2,749,378 was favorable to prior year by $331,740 or 13.7%. The variance was impacted by a 2.9% increase in outpatient volumes. The increase in volume can be correlated to the additional revenue sourced from areas such as emergency room services, observations, and outpatient surgeries. Managed care rate increases also contributed to the positive variance as well as the 340B settlement discussed below. Revenue from ambulatory services was favorable to prior year by $119,017, which was primarily due to infusion services and the consolidation of JAG and On Time.

On November 2, 2023, CMS issued a final rule outlining the remedy for the invalidated outpatient 340B-acquired drug payment policy for the years 2018 through 2022. As a result, CMS indicated a one-time lump sum payment would be made to each 340B covered entity hospital that was underpaid as a result of the final ruling. The System's share of the lump sum payments was $45,816 and has been recognized as patient service revenue in the 2023 statement of operations. These amounts were received in January 2024.

Professional billing revenue of $974,524 was favorable to prior year by $235,707 or 31.9%. The increase in revenue was primarily due to expansion of hospital-based services including Emergency Medicine, Hospitalist, Anesthesia, and Radiology service lines. The positive variance in the community-based medical group practices was driven by an increase in work Relative Value Units ("wRVUs") over prior year of 10.6%. Additionally, the academic medical group practices continued to grow under the IPAs.

State subsidy revenue of $121,895, was favorable to prior year by $8,294 or 7.3% primarily due to higher charity care subsidies.

The System recognized CARES Act grant revenue of $48,143 for the year ended December 31, 2022 to help offset the volume shortfalls attributable to COVID-19.

Other operating revenue of $645,700 was favorable to prior year by $90,264 or 16.3%. Other revenue includes income from grants including FEMA, pharmacy sales (offset in expense), earnings from joint venture arrangements, sale of a business, contributions, net assets released from restriction, cafeteria, and parking. Net assets released from restriction were favorable to budget by $18,505 due to distributions of restricted operating funds to the hospitals. Pharmacy sales were favorable to budget by $21,327 mainly due to programs that experienced Medicaid plan changes that increased eligibility for certain patients. Grant revenue was favorable to budget by $12,552 driven primarily by State appropriations, which was partially offset by lower FEMA revenue. Additionally, the System received employer retention credits of $17,000 during 2023. Joint venture arrangements were favorable to budget by $22,424 driven primarily by growth in medical practice joint ventures and ambulatory surgery.

Total operating expenses, for the year ended December 31, 2023, of $8,673,397 were unfavorable to prior year by $864,827 or 11.1% from the year ended December 31, 2022. The increase in operating expenses was driven by increased salaries, physician fees and salaries, supplies, other expenses, and depreciation, many of which were impacted by continued staffing challenges and inflationary pressures. Included in operating expenses were $183,783 of work stoppage costs, net of savings.

Salaries and employee benefits increased by $476,791 or 13.1%, compared to the year ended December 31, 2022. Incremental salary and unemployment costs incurred, net of savings, of $175,536 in connection with the work stoppage at RWJUH was a primary driver of the negative variance. Increased volumes and new physician practices also contributed to the negative variance. The consolidation of JAG and On Time had a negative impact on salaries of $72,219 over the prior year.

Physician fees and salaries increased by $143,165, or 15.1%, compared to the year ended December 31, 2022. The increase was primarily driven by the Anesthesia and Radiology service lines which collectively exceeded prior year by $54,282 The Anesthesia service line has grown since it was first launched in the third quarter of 2022 while the Radiology service line was new in 2023. In addition, variable compensation related to increased wRVU's also contributed to the variance.

Supplies and other expenses increased by $227,921 or 8.1% compared to the year ended December 31, 2022. Supplies were unfavorable to prior year by $96,421. There was a significant spike in COVID-19 cases in January 2022 which temporarily slowed down or paused elective surgical procedures. This drove volumes lower in the first quarter of 2022. Volumes in 2023 have returned to a more normal level, and

procedures, such as transplants, have seen significant increases over 2022. Other expenses were unfavorable to prior year by $131,500. This increase is driven by Epic costs, rentals, maintenance contracts and repairs, utilities and insurance. The inclusion of JAG and On Time are also driving the increase. Additionally, expenses related to the County Option Program increased by $26,181 (increase in patient service revenue as well). Other expenses were negatively impacted by work stoppage costs of $8,247.

Interest expense for the year ended December 31, 2023 decreased by $4,159 or 3.9% compared to the year ended December 31, 2022 due to an increase in capitalized interest related to various capital projects and income from interest rate swaps. The decrease was partially offset by additional interest expense related to new finance leases.

Depreciation and amortization for the year ended December 31, 2023 increased by $21,109 or 7.0%, compared to the year ended December 31, 2022. The increase is due to investments in strategic capital projects that were completed in the latter part of 2022. These investments included the Anne Vogel Family Care and Wellness Center, the JCMC Emergency Department expansion, RWJUH expansion and phases of the NBI master facility plan that became operational. Epic also became operational for seven additional affiliates. Additionally, the purchase of JAG and On Time has contributed to the increase.

The System's excess of revenues over expenses and excess margins for the year ended December 31, 2023 was $397,660 and 4.4%, respectively, compared to the deficiency of revenues over expenses and deficiency of margins of $599,765 and -8.3% for the year ended December 31, 2022. Excess of revenues over expenses and excess margin before work stoppage costs was $581,443 and 6.4%, respectively. The excess of revenues over expenses was significantly higher than prior year, driven by investment performance. Net investment income totaled $484,624, compared to net investment losses of $664,428 in 2022. The net investment loss in 2022 was partially offset by the contribution received in acquisition when TRMC and Trinitas Health (collectively, "Trinitas") joined the System, which contribution was $264,636.

The following table presents a summary of nonoperating revenue and expenses of the System for the years ended December 31, 2023 and 2022 (dollars in thousands).

	Years ended December 31,	
	2023	2022
Investment income	$ 108,018	94,589
Realized gains on investments	15,733	20,657
Unrealized gains (losses) on investments	360,873	(779,674)
Contribution received in acquisition	-	264,636
Net periodic benefit cost and settlement charge	(12,111)	(19,275)
Interest rate swap valuation changes	2,688	30,395
Break-up fee	-	(30,000)
Gain on equity investment	8,498	32,540
Loss on early extinguishment of debt	-	(2,551)
Total nonoperating revenue (expenses), net	**$ 483,698**	**(388,683)**

Net investment income and realized net investment gains were $123,751 and $115,246 for the years ended December 31, 2023 and 2022, respectively. For the year ended December 31, 2023, the change in net unrealized gains was $360,873. For the year ended December 31, 2022, the unrealized change was a loss of $779,674.

The System entered into various interest rate swap agreements in order to hedge future interest rate exposure on fixed rated bonds. The total notional amount of all swap agreements is $281,960. For the years ended December 31, 2023 and 2022, the aggregate change in the net fair value of the interest rate swap agreements was $2,688 and $30,395, respectively. The impact is consistent with the movement of long-term interest rates over these periods. Swap agreements expose the System to credit risk in the event of noncompliance by the counterparties. To help mitigate that risk, the swaps were structured with three different counterparties. The System believes the risk of any material impact to the consolidated financial statements is low.

In connection with the acquisition of Trinitas, the System legally defeased TRMC bonds, which resulted in a loss on early extinguishment of debt of $2,551 in January 2022.

For the years ended December 31, 2023 and 2022, the System recognized a gain on the sale of equity investment of $8,498 and 32,540, respectively, as a result of the acquisition of a radiology entity and On Time in 2023 and JAG in 2022.

Fundraising

The Foundations (as defined herein) support the programs and services of their affiliated tax-exempt organization and support the capital campaign and other fundraising activities of the System.

The following table presents contributions received by the Foundations and fundraising expenses as well as capital and operating support the foundations provided to the hospitals (dollars in thousands). Conditional gifts are not included until the conditions have been met.

	Years ended December 31,	
	2023	2022
Contributions without donor restrictions	$ 10,990	8,267
Contributions with donor restrictions	88,031	55,227
Total contributions	**$ 99,021**	**63,494**
Fundraising expenses	$ 18,873	19,233
Support to affiliates	$ 83,284	44,028

The Foundations made distributions of $83,284 during 2023 to support operations and capital projects of the System's hospitals, which significantly exceeded prior year. The Foundations recognized a $38,000 gift that was conditioned on breaking ground at the Vogel Medical Center at Tinton Falls. The foundations also received an unconditional $30,000 restricted gift in December 2023 to support the Melchiorre Cancer Center at CBMC. The fair value of this restricted gift was recognized in 2023.

Unrestricted Cash and Investments

The System has total assets of $12.2 billion and $5.4 billion in net assets. Total cash and investments (without donor restrictions) amounted to $4.3 billion (or 186.6 days) at, December 31, 2023, a decrease of $332,172 over the balance at December 31, 2022. The System continues to invest in capital with $920,660 in additions during 2023. During 2023, $192,157 of bond proceeds related to the Series 2021A bonds were reimbursed from the construction fund, which fund has now been fully depleted. The System also made debt service payments of $160,836 which includes principal and interest. The Series 2017A bonds were fully paid in August 2023 in the amount of $6,790. Investments in the ambulatory services division of $280,023 were also executed through December 2023 and includes the purchase of the remaining interest in On Time and University Radiology Group. Net investment income of $484,624 had a positive impact on investments.

Year Ended December 31, 2022

For the year ended December 31, 2022, the System's total operating loss and operating margin were $211,082 and -2.8%, respectively, compared to the operating income and operating margin of $72,119 and 1.1% for the year ended December 31, 2021. Total operating revenues grew by $970,965 or 14.7% compared to the year ended December 31, 2021, while operating expenses increased by $1,254,166 or 19.1% during the same period. Included in total operating revenues is funding under the CARES Act totaling $48,143 and $65,110 for the years ended December 31, 2022 and 2021, respectively.

Overall, patient service revenue of $6,993,909 was higher than prior year by $916,035 or 15.1%. COVID-19 significantly impacted patient service revenue during 2020, and to a lesser extent continues to impact volumes and revenues through December 31, 2022. The favorable variance was partially due to the County Option Program and stronger volumes in outpatient cases.

Inpatient service revenue of $3,723,853 (excluding subsidy revenue) was higher than prior year by $360,443 or 10.7%. For the year ended December 31, 2022, the County Option Program accounted for $158,312 of the increase in inpatient service revenue. The County Option Program is a New Jersey Medicaid project designed to support local hospitals and to ensure that they continue to provide necessary services to low-income residents. The Trinitas acquisition contributed $128,256 to inpatient service revenue. While COVID-19 cases were down from prior year, volumes increased in surgical, medicine and cardiology cases. Additionally, the System benefited from increases in Managed care rates as well as $12,000 of pay for performance bonuses.

Outpatient service revenue, excluding professional billing revenue, of $2,417,638 was higher than prior year by $286,488 or 13.4%. The variance was impacted by a 3.4% increase in outpatient volumes. The System experienced stronger volumes in the higher reimbursed areas of Chemotherapy, Observation, and Emergency Room. The Trinitas transaction contributed $86,363 to outpatient revenue.

Professional billing revenue of $738,817 was higher than prior year by $252,898 or 52.0%. The increase in revenue was primarily due to integration and expansion of the academic physician practices and Rutgers CINJ under the IPA's.

State of NJ subsidy revenue of $113,601 increased from prior year by $16,206 or 16.6%. TRMC subsidy revenue was $41,771. The increase was primarily offset by the decrease in the Quality Improvement Bridge Program, which was designed to support the stability of acute care hospitals after the Delivery System Reform Incentive Payment program ended in June, 2020. For the year ended December 31, 2021, a receipt of $23,713 was recognized under this program related to 2020.

The System recognized CARES Act grant revenue of $48,143 and $65,110 for the years ended December 31, 2022 and 2021 to help offset the volume shortfalls attributable to COVID-19.

Other operating revenue of $555,436 was favorable to prior year by $71,897 or 14.9%. Other revenue includes income from grants, pharmacy sales, earnings from joint venture arrangements, sale of a business, contributions, net assets released from restriction, cafeteria, parking and FEMA grants. Trinitas contributed $42,008 to other revenue. In August, the System sold its outreach testing business to LabCorp for an operating gain of $35,000. Joint venture revenue also exceeded prior year by $8,595 driven primarily by growth in ambulatory surgery and medical practice joint ventures. This increase was offset by grant revenue, which was lower than prior year by $43,292. The decrease was primarily due to FEMA COVID-19 grants. The System recognized $29,253 and $93,817 of FEMA funds, net, for the years ended December 31, 2022 and 2021, respectively.

The increase in operating expenses was driven by increased salaries and benefits, physician fees and salaries, supplies, other expenses, and interest and depreciation, many of which continue to be impacted by the pandemic. Trinitas was additive to operating expenses by $342,264.

For the year ended December 31, 2022, salaries and employee benefits increased by $654,395 or 22.0%, compared to the year ended December 31, 2021. The increase in salaries and employee benefits was due to annual salary increases including investments in information technology and patient experience initiatives, the expansion of the physician network, and the acquisition of Trinitas. In addition, staffing shortages resulting from staff COVID-19 absences and industry wide shortages in certain clinical specialties and other factors have resulted in significant increased labor costs and investments in employee retention programs.

Physician fees and salaries increased by $210,722 or 28.5%, compared to the year ended December 31, 2021. The increase was primarily driven by the IPA's with academic physician practices and CINJ as well as the Trinitas transaction.

Supplies and other expenses increased by $351,345 or 14.2%, compared to the year ended December 31, 2021. The increase was primarily due to higher supply costs, contractual and purchased services and other expenses. Supply costs increased by $101,414. The unfavorable variance was primarily due to the inclusion of Trinitas and the academic physician practices. Additionally, drug usage and costs increased as compared to last year. Adjusted admissions and adjusted patient days were up 1.7% and 3.0%, respectively from prior year. Contractual and purchased services increased by $63,042 driven by the inclusion of Trinitas and the academic physician practices as well legal fees related to acquisitions and Epic costs. The County Option Program's assessment fees contributed $41,996 to the variance. The System also impaired an intangible asset, which had a negative impact of $45,000.

Interest expense for the year ended December 31, 2022 increased by $5,503 or 5.4%, compared to the year ended December 31, 2021 due to the addition of new debt in the latter part of 2021. On September 30, 2021, the System completed an offering of tax-exempt bonds in the aggregate par amount of $751,845. The additional interest from the new debt series was partially offset by the defeasance of the New Jersey Health Care Facilities Financing Authority ("NJHCFFA") Revenue and Refunding Bonds, Barnabas Health Issue, Series 2012A on August 19, 2021.

Depreciation and amortization for the year ended December 31, 2022 increased by $32,201 or 11.9%, compared to the year ended December 31, 2021. The increase was driven by the Trinitas transaction in January 2022 as well as investments in strategic capital projects which were completed in the latter part of 2021. This included several phases of the Emergency department renovation at CMC, the CBMC Emergency department expansion and renovations for NBIMC's surgical unit and parking garages. Significant capital projects completed in 2022 included the JCMC ED Expansion, MMC Monmouth Mall lease fit out, RWJNB Plum St. finance lease and Epic, which went live for certain affiliates of the System.

The System's deficiency of revenues over expenses and deficiency of revenues over expenses margin for the year ended December 31, 2022 were $599,765 and -8.3%, respectively, compared to the excess of revenues over expenses of $417,116 and 6.0% for the year ended December 31, 2021. The excess of revenues over expenses was significantly less than prior year mainly due to investment performance. Net investment losses totaled $664,428, compared to net investment gains of $346,699 in 2021. Nonoperating losses for the year ended December 31, 2022 was partially offset by the contribution received in acquisition of Trinitas of $264,636.

The following table presents a summary of nonoperating revenue and expenses of the System for the years ended December 31, 2022 and 2021 (dollars in thousands).

	Years ended December 31,	
	2022	2021
Investment income	$ 94,589	78,505
Realized gains on investments	20,657	279,307
Unrealized losses on investments	(779,674)	(11,113)
Contribution received in acquisition	264,636	-
Net periodic benefit cost and settlement charge	(19,275)	(2,424)
Interest rate swap valuation changes	30,395	1,636
Break-up fee	(30,000)	-
Gain on equity investment	32,540	-
(Loss) gain on early extinguishment of debt	(2,551)	702
Other	-	(1,616)
Total nonoperating (expenses) revenue, net	**$ (388,683)**	**344,997**

Net investment income and realized gains were $115,246 and $357,812 for the years ended December 31, 2022 and 2021, respectively. For the years ended December 31, 2022 and 2021, net unrealized losses were $779,674 and $11,113, respectively.

The System entered into various interest rate swap agreements in 2020 and 2021 in order to hedge future interest rate exposure on fixed rated bonds. The total notional amount of all swap agreements is $281,960. For the years ended December 31, 2022 and 2021, the aggregate change in the net fair value of the interest rate swap agreements was $30,395 and $1,636, respectively. Swap agreements expose the System to credit risk in the event of noncompliance by the counterparties. To help mitigate that risk, the swaps were structured with three different counterparties. The System believes the risk of any material impact to the consolidated financial statements is low.

As a result of the Trinitas transaction, the System recognized $264,636 of net assets contributed in acquisition. On January 27, 2022, the System legally defeased all of the NJHCFFA Refunding and Revenue Bonds, Trinitas Regional Medical Center Obligated Issue, Series 2016A and all of the outstanding NJHCFFA Refunding Bonds, Trinitas Regional Medical Center Obligated Issue, Series 2017A, in the amount of $72,252. The transaction resulted in a loss on early extinguishment of debt of $2,551.

In March 2022, the Administrative Committee of the Board of Trustees approved a plan to offer a single payment (lump sum), in lieu of the annuity benefit, to former vested employees in the RWJBH Plan with accrued benefits. ASC 715, Compensation – Retirement Benefits, requires settlement accounting when lump sum payments exceed the sum of service cost and interest cost for the plan year. When applying settlement accounting, the plan must recognize a portion of the unrecognized gains or losses as a one-time charge. The portion of the unrecognized gain or loss that is recognized immediately is equal to the percentage of the obligation that is settled. Since the RWJBH Plan's lump sum payments of $49,211 exceeded the 2022 service and interest cost of $31,990, settlement accounting was required for the 2022 plan year. As a result, there was a one-time charge to non-operating expenses of $15,654 in 2022.

The System and Saint Peter's Healthcare System ("SPHCS") had entered into a Definitive Agreement on September 10, 2020 to integrate the two healthcare systems. On June 14, 2022, the System mutually agreed with the leadership of SPHCS to end the proposed transaction. In accordance with the Definitive Agreement, the System incurred a $30,000 break-up fee in connection with the termination of this transaction.

The System recognized a gain on equity investment of $32,540 due to the consolidation of JAG, a physical and occupational therapy company.

Fundraising

The Foundations support the programs and services of their affiliated tax-exempt organization and support the capital campaign and other fundraising activities of the System.

The following table presents contributions received by the foundations as well as capital and operating support the foundations provided to the hospitals. Conditional gifts are not included until the conditions have been met (dollars in thousands).

	Years ended December 31,	
	2022	**2021**
Contributions without donor restrictions	$ 8,267	8,402
Contributions with donor restrictions	55,227	126,931
Total contributions	**$ 63,494**	**135,333**
Fundraising expenses	$ 19,233	16,165
Support to affiliates	$ 44,028	52,578

Unrestricted Cash and Investments

The System's financial position remains strong with $11.3 billion in total assets and $4.9 billion in net assets. Total cash and investments (without donor restrictions) amounted to $4.6 billion (or 223.7 days) at December 31, 2022, a decrease of $822,537 over the balance at December 31, 2021, excluding the Medicare Advance. The Trinitas transaction contributed $321,714 of unrestricted cash and investments. The System continues to invest in capital with $719,851 in additions during 2022. Also, during 2022, $293,310 of bond proceeds related to the Series 2021A bonds were reimbursed from the construction fund. The System also made debt service payments of $260,057 which includes principal and interest and the impact of the defeasance of the TRMC debt. The net investment loss noted above, of $664,428, also had a significant impact. The System made additional investments in joint ventures of $72,974. The acquisition of JAG, net of cash received, cost $73,688.

Summary of Outstanding Debt

The table below illustrates the current outstanding System-wide debt issued under various debt instruments at December 31, 2023, and the anticipated impact on outstanding debt at December 31, 2023, assuming the issuance and application of the proceeds of the Series 2024 Bonds, which may be issued in one or more series as identified in the table and footnotes below (as set forth below, "Series 2024 Bonds," "Series 2024A Bonds" or "Series 2024B Bonds", as applicable), all in accordance with the System's plan of finance (the "2024 Financing"). The amounts below do not include any premiums, discounts, or deferred financing costs, which collectively amount to additional unamortized debt of $174,506 at December 31, 2023 (dollars in thousands).

	December 31, 2023	2023* proforma for 2024 financing
NJHCFFA:		
RWJBarnabas Health, Series 2024B[1]	$ -	250,070
RWJBarnabas Health, Series 2024A[1]	-	355,515
RWJBarnabas Health, Series 2021A	714,265	714,265
RWJBarnabas Health, Series 2019A	10,950	10,950
RWJBarnabas Health, Series 2019B-1[2]	69,725	-
RWJBarnabas Health, Series 2019B-2	70,555	70,555
RWJBarnabas Health, Series 2019B-3	70,550	70,550
RWJBarnabas Health, Series 2016A	663,925	663,925
Barnabas Health System, Series 2014A[2]	129,925	-
Robert Wood Johnson University Hospital, Series 2014A[2]	55,925	-
Robert Wood Johnson University Hospital, Series 2013A[2]	93,285	-
Total NJHCFFA	**1,879,105**	**2,135,830**
Taxable/Other Debt:		
RWJBarnabas Health, Series 2024 Taxable Commercial Paper[1]	-	50,000
RWJBarnabas Health, Taxable Revenue Bonds, Series 2019	302,333	302,333
RWJBarnabas Health, Private Placement Taxable Notes	300,000	300,000
RWJBarnabas Health, Taxable Revenue Bonds, Series 2016	494,952	494,952
Barnabas Health System, Taxable Revenue Bonds, Series 2012	81,240	81,240
Reduction in Outstanding Taxable Debt[3]	-	(330,000)
Finance Leases	263,376	263,376
Notes Payable	1,567	1,567
Total Taxable Other Debt	**1,443,468**	**1,163,468**
Total Outstanding Debt	**$ 3,322,573**	**3,299,298**

* Preliminary and subject to change.

[1] The Parent continues to evaluate the appropriate size and form of the Series 2024A, Series 2024B, and Series 2024 Taxable Commercial Paper transactions. The Series 2024A Bonds, Series 2024B Bonds, and Series 2024 Taxable Commercial Paper transactions, if and when issued, would be issued under separate financing documents and offered pursuant to separate offering documents. No assurance is given that the Series 2024A Bonds, Series 2024B Bonds, or Series 2024 Taxable Commercial Paper will be issued, or what form they may take.

[2] Assumes Robert Wood Johnson University Hospital, Series 2013A Bonds, Robert Wood Johnson University Hospital, Series 2014A Bonds, Barnabas Health System, Series 2014A Bonds, and RWJBarnabas Health, Series 2019B-1 Bonds are refunded as part of the 2024 Financing.

[3] The Parent is considering refundings, refinancings, and defeasances of select series of taxable debt. As of the date of this document, a determination around which components of the outstanding taxable debt portfolio to address has not yet been made.

Capitalization

The following table sets forth the System's historical capitalization ratios as of December 31, 2023, 2022 and 2021, and the pro forma capitalization ratio as of December 31, 2023 assuming the issuance of the Series 2024 Bonds.

Capitalization
(In Thousands)

	As of December 31,			
	2021	**2022**	**2023**	**2023* proforma for 2024 financing**
Long Term Debt:				
Pro Forma 2024 Financing [1]	$ -	-	-	684,955
Existing [2]	3,366,403	3,443,867	3,497,079	2,818,219
Total	**$ 3,366,403**	**3,443,867**	**3,497,079**	**3,503,174**
Net Assets without donor restrictions	5,118,887	4,609,662	5,069,808	5,069,808
Total Capitalization	**$ 8,485,290**	**8,053,529**	**8,566,887**	**8,572,982**
Percentage of Long Term Debt to Capitalization	**39.7%**	**42.8%**	**40.8%**	**40.9%**

* Preliminary and subject to change.

[1] The 2024 financing includes $685.0 million representing $691.1 million in proceeds less deferred financing costs relating to the financing of $6.1 million. The Parent continues to evaluate the appropriate size and form of the 2024 Financing. The 2024 Financing, if and when issued, would be issued under separate financing documents and offered pursuant to separate offering documents. No assurance is given that any component of the 2024 Financing will be issued, or what form they may take.

[2] Assumes Robert Wood Johnson University Hospital, Series 2013A Bonds, Robert Wood Johnson University Hospital, Series 2014A Bonds, Barnabas Health System, Series 2014A Bonds, and RWJBarnabas Health, Series 2019B-1 Bonds are refunded as part of the 2024 Financing. The Parent is considering refundings, refinancings, and defeasances of select series of taxable debt. As of the date of this document, a determination around which components of the outstanding taxable debt portfolio to address has not yet been made.

Coverage of Debt Service

The following table sets forth the System's historic debt service coverage ratio for the three years ended December 31, 2021, 2022 and 2023 and pro forma debt service coverage ratio for the year ended December 31, 2023, inclusive of the impact of the issuance of the Series 2024 Bonds, calculated pursuant to the Master Indenture.

Debt Service Coverage Ratio
(In Thousands)

	Years ended December 31,			
	2021	**2022**	**2023**	**2023* proforma for 2024 financing**
Funds Available for Debt Service:				
Excess (deficiency) of revenue over expenses	$ 417,116	(599,765)	397,660	397,660
Plus: Interest	100,983	106,486	102,327	102,327
Plus: Depreciation and amortization	271,024	303,225	324,334	324,334
Plus: Work stoppage costs	-	-	183,783	183,783
Less: Contribution received in acquisition	-	(264,636)	-	-
Plus (less): Unrealized losses (gains) on investments	11,113	779,674	(360,873)	(360,873)
Less: Other items	(4,570)	(6,365)	(11,844)	(11,844)
Total Funds Available for Debt Service	**$795,666**	**318,619**	**635,387**	**635,387**
Maximum Annual Debt Service [1]	$ 181,949	190,287	188,775	195,000
Debt Service Coverage Ratio	**4.37x**	**1.67x**	**3.37x**	**3.26x**

*Preliminary and subject to change.

[1] Proforma Maximum Annual Debt Service includes impact of Series 2024 Financing. The Parent continues to evaluate the appropriate size and form of the 2024 Financing. The 2024 Financing, if and when issued, would be issued under separate financing documents and offered pursuant to separate offering documents. No assurance is given that any component of the 2024 Financing will be issued, or what form they may take.

Debt to EBITDA

The following table sets forth the System's historical debt to EBITDA (as defined in the table below) ratio for the year ended December 31, 2023 and the pro forma debt to EBITDA ratio for the year ended December 31, 2023 assuming the issuance of the Series 2024 Bonds.

Debt to EBITDA
(In Thousands)

	As of and for years ended December 31,			
	2021	2022	2023	2023* proforma for 2024 financing
Long Term Debt:				
Pro Forma 2024 Financing [1]	$ -	-	-	684,955
Existing [2]	3,366,403	3,443,867	3,497,079	2,818,219
Total Long Term Debt	**$ 3,366,403**	**3,443,867**	**3,497,079**	**3,503,174**
Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA):				
Excess (deficiency) of revenue over expenses	$ 417,116	(599,765)	397,660	397,660
Plus: Interest	100,983	106,486	102,327	102,327
Plus: Depreciation and amortization	271,024	303,225	324,334	324,334
Plus: Work stoppage costs	-	-	183,783	183,783
Plus (less): Unrealized losses (gains) on investments	11,113	779,674	(360,873)	(360,873)
Total EBITDA	**$ 800,236**	**589,620**	**647,231**	**647,231**
Debt to EBITDA	**4.21x**	**5.84x**	**5.40x**	**5.41x**

* Preliminary and subject to change.

[1] The 2024 Financing includes $685.0 million representing $691.1 million in proceeds less deferred financing costs relating to the financing of $6.1 million. The Parent continues to evaluate the appropriate size and form of the 2024 Financing. The 2024 Financing, if and when issued, would be issued under separate financing documents and offered pursuant to separate offering documents. No assurance is given that any component of the 2024 Financing will be issued, or what form they may take.

[2] Assumes Robert Wood Johnson University Hospital, Series 2013A Bonds, Robert Wood Johnson University Hospital, Series 2014A Bonds, Barnabas Health System, Series 2014A Bonds, and RWJBarnabas Health, Series 2019B-1 Bonds are refunded as part of the 2024 Financing. The Parent is considering refundings, refinancings, and defeasances of select series of taxable debt. As of the date of this document, a determination around which components of the outstanding taxable debt portfolio to address has not yet been made.

Investment Management

The Investment Committee of the Board approves the System's Investment Policy Statement ("IPS") and delegates management of the Unrestricted Cash and Investments ("UCI") to Senior Management. The IPS establishes the UCI objectives and guidelines including those related to strategic asset allocation, manager due diligence and selection and risk management. Management is responsible for the tactical asset allocation of the UCI within the constraints of the IPS. Since 2020, the UCI has been managed in two pools, (i) the Capital Reserve Portfolio ("CRF") and (ii) the Long-Term Investment Portfolio ("LTIP"). The CRF supports the System's operational and financial strategy over a rolling 12-18 month period through an enhanced cash strategy with the objective to preserve principal while generating additional yield over the traditional prime money market rate. The LTIP seeks to maximize risk adjusted returns to support the System's longer term strategic initiatives and overall mission while maintaining prudent levels of liquidity for compliance with financial covenants and credit agreements of the System. A

policy benchmark for the LTIP approved by the Investment Committee is used to measure and monitor the portfolio's risk and return. Assets are managed by external investment managers. The Investment Committee monitors both the portfolios' performance and compliance to the IPS. As of December 31, 2023, 78% of the UCI assets have daily liquidity. All investment processes adhere to the IPS. As of December 31, 2023 and as set forth in the table below, total unrestricted cash and investments totaled approximately $4.3 billion.

Unrestricted Cash and Investments
(In Thousands)

	December 31, 2023	
Cash and cash equivalents*	$	423,474
Equity		1,366,151
Fixed Income		1,389,502
Alternatives		1,088,945
Total UCI	$	4,268,072

** Includes cash for working capital*

Retirement Plans

The System maintains various qualified and non-qualified defined contribution retirement plans, most notably a 401(k) and a 403(b) plan, covering the majority of the System employees, administered by primarily by Fidelity and a subset by MetLife. The 401(k) and 403(b) are qualified plans under the Internal Revenue Code and are subject to the Employee Retirement Income Security Act ("ERISA"). The 457(b) non-qualified plans are also administered by Fidelity.

The System maintains one frozen defined benefit plan that covers a specified group of employees. It is frozen to new members. This plan is subject to ERISA and is being funded in accordance with regulatory requirements. The System utilizes an actively managed liability matching strategy ("LDI") with the primary objective of providing a source of retirement income for its participants and beneficiaries. As of December 31, 2023, the plan has a funded status of 93%. The IPS establishes the LDI de-risking strategy objectives as well as the asset allocation levels where 85% of assets are dedicated to the LDI strategy and 15% to alternative investments. The alternative sleeve is implemented to achieve additional alpha and to cover plan administrative expenses. Since implementation and subsequent merging in of other frozen defined benefits plans, the strategy has achieved its objective of stabilizing and increasing the funded status of the plan and is on the pathway to achieving the System's ultimate goal of terminating the plan.

Future Capital Plans

System capital spending, as a percentage of depreciation, was 284%, 237%, and 226% for the years ended December 31, 2023, 2022 and 2021, respectively. The System has established a robust capital budgeting and approval process that ensures dollars are allocated to routine capital spending as well as strategic initiatives. Larger projects are reviewed to ensure appropriate return on investment and strategic value before being approved, and long-term capital plans are considered in establishing funding for routine projects. Management believes that cash flows from operations, philanthropic efforts and potential debt financing will meet future capital needs.

Fundraising

Fundraising for RWJBH is organized through a team comprised of relationship-driven staff at local affiliates and a group of centralized subject-matter experts that effectively support other required services and strategies at each of the affiliates.

Several of the System's affiliates are in the process of conducting capital campaigns supporting capital and programmatic efforts as noted below:

- CBMC is entering the final Phase of its capital campaign, having increased its working goal to $300 million. CBMC has raised $255 million to date, with the support of an active board and the recent addition of a 'young professionals' group that is helping to identify and nurture new leaders. CBMC concluded 2023 with a new commitment of $30 million that will be recognized through the naming of its new cancer center.

- The donor who committed $50 million to MMC Main in 2020 increased that gift by an additional $10 million in 2022, and MMC has continued to secure additional million-dollar gifts from other supporters each year. MMC has increased its capital campaign expectations to a new working goal of $150 million, having raised a total of $91 million through December 31, 2023.

- Additionally, over the past twenty-four months RWJUH New Brunswick received a $10 million bequest and a $30 million commitment from a generous board member, indicative of the growth in capabilities and capacity of System hospitals, especially as a hub of cancer and pediatric activity for RWJBH.

As noted above, these gifts have been secured in partnership with local leaders, with over $300 million in new pledges and gifts realized over the past three years.

OTHER INFORMATION

Cybersecurity

The System has a formal information security program that includes IT Risk Management and Cyber Security. The programs are based on the National Institute of Standard and Technology (NIST) Risk Management and Cyber Security frameworks. Investments are made to focus on implementation of the NIST Cyber Security framework with focus on Protect, Detect, and Respond to achieve Zero Trust Architecture and mature controls to build cyber resilience. Routine cyber exercises are conducted to assess, improve and mature the capabilities.

Program oversight is managed through monthly Cyber Security Oversight Committee reviews and reports to the System's Audit Committee on a semi-annual basis.

Some of the security programs in place include, but are not limited to, security awareness and education, strong identity and access controls, perimeter security, endpoint detection and response, threat detection, assessment and management, and vendor risk management. Additionally, RWJBH maintains cyber security insurance with insurers that are A-rated or better.

The System has continuous monitoring for cyber threats and attacks, tools are in place to detect, alert and block threats for endpoint security, email security, web security and Distributed Denial of Services protection.

The System engages partners to conduct assessment and testing of the controls and identify areas of opportunities for improvements. As partners identify such areas for improvement, plans are developed to implement the recommendations.

Enterprise Risk Management

The System's Enterprise Risk Management Program ("ERM Program") is based on multiple frameworks to identify and mitigate organizational risks. The ERM Program evaluates key risks that are systematically identified and managed following enterprise risk management principles across multiple areas, facilitating regulatory compliance and achievement of business objectives. The ERM Program seeks to identify, manage and monitor risks that could most significantly impact the System including but not limited to, cybersecurity and system availability, financial risks, operations (including supply chain disruptions), provider engagement, quality, patient experience and reputation, legal and regulatory compliance, research, employee and workforce maters.

The ERM Program is led by the Executive Vice President for Compliance and Audit, with significant input from System's senior management and leadership team. The ERM Program is also aligned with RWJBH's internal audit plan, providing the Audit and Compliance Committees of the RWJBH board transparency as to management's risk management activities. The ERM Program also identifies members of the management team with responsibility for managing key enterprise risks and the respective board or board committee with oversight for key risk areas.

Licenses and Accreditations

Each of RWJBH's acute care hospitals and ambulatory care facilities is accredited by The Joint Commission (with the exception of JCMC, which is accredited by Det Norske Veritas), appropriately certified for Medicare and Medicaid reimbursement and licensed by the New Jersey Department of Health. The licensed ambulatory care facilities are licensed by applicable state licensing agencies and appropriately certified for Medicare and Medicaid reimbursement.

Litigation

In the opinion of Management, there is no litigation pending or threatened against any Member of the Obligated Group or any other System affiliate that would materially adversely affect the Obligated Group's ability to meet its obligations with respect to the Series 2024 Bonds in the event of an adverse result. Claims for professional liability, general liability, discrimination, and/or wrongful termination against the members of the Obligated Group and other System Affiliates are covered by the System Health Self Insurance Program and by commercial excess insurance.

Staffing and Labor Action

The System is challenged by the industry wide shortages in certain clinical specialties and other factors that have resulted in increased labor costs and investments in employee retention and other programs. The demand for healthcare in the State and across the country continues to increase. Nurses continue to be in high demand and in short supply. RWJBH has implemented a refinement to internal hiring processes to expedite its ability to acquire top nursing talent and stabilize the workforce. The System has instituted nurse retention programs that focus on professional development through enhanced tuition assistance programs, implemented more flexible work schedules to provide work/life balance, and provided retention and sign-on bonuses to address the staffing needs. These refinements further advance the competitiveness of the total compensation package following significant market adjustments in 2022. The

System's strategy is to remain top tier in a competitive compensation market and to remain at the forefront of the communities it serves.

Early in 2023, RWJUH New Brunswick began negotiations with representatives from the United Steel Workers Local 4-200 ("USW"), which represents approximately 1,700 nurses. After a series of negotiating sessions between the hospital and the USW, a Memorandum of Agreement was reached and put to a membership vote on July 20, 2023. On July 21, 2023, the union membership rejected the contract which had been agreed to, and recommended by, its union leadership. As a precaution, RWJUH New Brunswick had been concurrently planning a strike contingency plan designed to ensure uninterrupted operations for the facility, including the recruitment of more than 1,000 replacement nurses in the event the hospital was issued a strike notice. The USW nurses elected to strike the morning of August 4, 2023. Despite the strike, staffing levels throughout the hospital were appropriately maintained across all units and all shifts when considering both patient volume and acuity.

On December 15, 2023, the union ratified a new, three-year collective bargaining contract, ending the strike. In early January 2024, the RWJUH New Brunswick nurses were reintegrated into the work force without interruption to patient care. Incremental costs incurred, net of savings, were $183,783 through December 31, 2023.

The System has also successfully concluded negotiations with the registered nurses at CBMC, represented by the New Jersey Nurses Union CWA Local 1091, without work stoppages. The current contract expires in November 2026.

Insurance

The System has an offshore insurance company: Commercial Professional Insurance Company, Ltd. ("CPIC"), which commenced operation in Bermuda in 1997. CPIC is not a Member of the Obligated Group. CPIC plans to provide the first layer of self-insurance retention limits for various exposures including professional liability, general liability, directors and officer's liability, auto liability and employer's practices liability programs as part of an overall strategy of controlling insurance cost. CPIC also provides excess insurance for professional liability, general liability and auto liability, which excess insurance is reinsured by commercial carriers.

RWJBH also self-insures the first layer of its workers compensation exposure and maintains commercial insurance with various limits and deductibles, including property, workers compensation and automobile insurance, and various bonds for operations.

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APPENDIX B

Audited Consolidated Financial Statements and Supplementary Information of RWJ Barnabas Health, Inc., as of and for the Years Ended December 31, 2023 and December 31, 2022

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RWJ BARNABAS HEALTH, INC.

Consolidated Financial Statements and
Supplementary Information

December 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

RWJ BARNABAS HEALTH, INC.

Table of Contents

KPMG LLP
Suite 4000
150 John F. Kennedy Parkway
Short Hills, NJ 07078-2702

Independent Auditors' Report

The Board of Trustees
RWJ Barnabas Health, Inc.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of RWJ Barnabas Health, Inc. (the Corporation), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2023 and 2022 consolidating financial information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Short Hills, New Jersey
April 16, 2024

RWJ BARNABAS HEALTH, INC.

Consolidated Balance Sheets

December 31, 2023 and 2022

(In thousands)

Assets	2023	2022
Current assets:		
Cash and cash equivalents	$ 177,312	267,525
Short-term investments	543,380	434,257
Assets limited or restricted as to use	97,016	98,259
Patient accounts receivable	883,795	780,089
Estimated amounts due from third-party payors	302,468	185,029
Other current assets	314,575	309,288
Total current assets	2,318,546	2,074,447
Assets limited or restricted as to use, noncurrent portion	460,335	567,624
Investments	3,547,380	3,898,462
Property, plant, and equipment, net	4,336,734	3,590,972
Right-of-use assets	315,922	262,886
Other assets, net	1,242,879	920,235
Total assets	$ 12,221,796	11,314,626
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 667,643	541,871
Accrued expenses and other current liabilities	1,410,171	1,299,590
Estimated amounts due to third-party payors	22,384	18,306
Long-term debt	51,314	42,948
Lease obligations	52,731	47,693
Self-insurance liabilities	114,303	124,039
Total current liabilities	2,318,546	2,074,447
Estimated amounts due to third-party payors, net of current portion	125,092	132,203
Self-insurance liabilities, net of current portion	403,573	358,435
Long-term debt, net of current portion	3,445,765	3,400,919
Lease obligations, net of current portion	289,678	236,923
Accrued pension liability	55,387	53,326
Other liabilities	177,703	158,714
Total liabilities	6,815,744	6,414,967
Net assets:		
Without donor restrictions:		
Controlling interest	5,034,583	4,583,671
Noncontrolling interest	35,225	25,991
Total net assets without donor restrictions	5,069,808	4,609,662
With donor restrictions	336,244	289,997
Total net assets	5,406,052	4,899,659
Total liabilities and net assets	$ 12,221,796	11,314,626

See accompanying notes to consolidated financial statements.

RWJ BARNABAS HEALTH, INC.

Consolidated Statements of Operations

Years ended December 31, 2023 and 2022

(In thousands)

	2023	2022
Revenue:		
Patient service revenue	$ 7,941,659	6,993,909
CARES Act grant revenue	—	48,143
Other revenue, net	645,700	555,436
Total revenue	8,587,359	7,597,488
Expenses:		
Salaries and wages	3,270,096	3,031,080
Physician fees and salaries	1,093,782	950,617
Employee benefits	660,256	598,017
Supplies	1,418,051	1,321,661
Other	1,620,768	1,497,484
Interest	102,327	106,486
Depreciation and amortization	324,334	303,225
Total expenses	8,489,614	7,808,570
Income (loss) from operations before work stoppage costs	97,745	(211,082)
Work stoppage costs	183,783	—
Loss from operations	(86,038)	(211,082)
Nonoperating revenue (expenses):		
Investment income (loss), net	484,624	(664,428)
Contribution received in acquisition	—	264,636
Other, net	(926)	11,109
Total nonoperating revenue (expenses), net	483,698	(388,683)
Excess (deficiency) of revenue over expenses	397,660	(599,765)
Other changes:		
Pension changes other than net periodic benefit cost	50	(5,033)
Net assets released from restriction for purchases of property and equipment	34,317	49,725
Other, net	28,119	45,848
Increase (decrease) in net assets without donor restrictions	$ 460,146	(509,225)

See accompanying notes to consolidated financial statements.

RWJ BARNABAS HEALTH, INC.

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2023 and 2022

(In thousands)

	Controlling interest	Noncontrolling interest	Without donor restrictions	With donor restrictions	Total net assets
Net assets at December 31, 2021	$ 5,118,766	121	5,118,887	269,662	5,388,549
Changes in net assets:					
(Deficiency) excess of revenue over expenses	(600,231)	466	(599,765)	—	(599,765)
Contribution received in acquisition	—	—	—	12,019	12,019
Pension changes other than net periodic benefit cost	(5,033)	—	(5,033)	—	(5,033)
Change in interest in restricted net assets of unconsolidated foundation	—	—	—	7,042	7,042
Net assets released from restriction	49,725	—	49,725	(53,223)	(3,498)
Restricted contributions	—	—	—	55,188	55,188
Investment loss on restricted investments, net	—	—	—	(631)	(631)
Acquisition of noncontrolling interest	—	25,742	25,742	—	25,742
Distributions from noncontrolling interest	—	(338)	(338)	—	(338)
Other	20,444	—	20,444	(60)	20,384
Change in net assets	(535,095)	25,870	(509,225)	20,335	(488,890)
Net assets at December 31, 2022	4,583,671	25,991	4,609,662	289,997	4,899,659
Changes in net assets:					
Excess of revenue over expenses	395,869	1,791	397,660	—	397,660
Pension changes other than net periodic benefit cost	50	—	50	—	50
Change in interest in restricted net assets of unconsolidated foundation	—	—	—	(2,275)	(2,275)
Net assets released from restriction	34,317	—	34,317	(56,733)	(22,416)
Restricted contributions	—	—	—	105,306	105,306
Investment loss on restricted investments, net	—	—	—	1,050	1,050
Contributions from noncontrolling interest	—	8,100	8,100	—	8,100
Distributions to noncontrolling interest	—	(657)	(657)	—	(657)
Other	20,676	—	20,676	(1,101)	19,575
Change in net assets	450,912	9,234	460,146	46,247	506,393
Net assets at December 31, 2023	$ 5,034,583	35,225	5,069,808	336,244	5,406,052

See accompanying notes to consolidated financial statements.

RWJ BARNABAS HEALTH, INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2023 and 2022

(In thousands)

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 506,393	(488,890)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contribution received in acquisitions	—	(276,655)
Acquisition of noncontrolling interest	—	(25,742)
Pension changes other than net periodic benefit cost	(50)	5,033
Depreciation and amortization expense	324,334	303,225
Amortization of bond financing costs, premiums, and discounts	(11,586)	(12,019)
Net change in unrealized (gains) losses on investments	(360,873)	779,674
Realized gains on investments	(15,733)	(20,657)
Unrealized gain on interest rate swaps	(2,688)	(30,395)
Equity in income of joint ventures	(115,415)	(92,991)
Distributions received from investments in joint ventures	88,304	77,623
Contributions from noncontrolling interests	(8,100)	—
Distributions to noncontrolling interests	657	338
Impairment of intangible asset	—	45,000
Gain on sale of assets	(657)	(1,635)
Gain on acquisition of subsidiary	(8,498)	(32,540)
Contributions restricted for long-term use	(45,897)	(29,580)
Loss on early extinguishment of debt, net	—	2,551
Changes in operating assets and liabilities:		
Patient accounts receivable	(95,590)	(61,961)
Reduction in the carrying amount in the right-of-use assets	65,300	56,576
Other assets	(18,281)	78,717
Accounts payable, accrued expenses, and other current liabilities	196,580	149,146
Estimated amounts due from and to third-party payors	(120,472)	(440,540)
Accrued pension liability	2,111	19,275
Lease obligation, self-insurance, and other long-term liabilities	(8,051)	(23,565)
Net cash provided by (used in) operating activities	371,788	(20,012)
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(920,660)	(719,851)
Purchases of investments	(9,563,893)	(9,711,346)
Proceeds from the sale of investments	10,116,301	10,399,895
Investments in equity method and cost method joint ventures	(229,282)	(72,974)
Cash (paid) received in acquisition of subsidiaries, net	(50,741)	94,215
Proceeds from sale of assets	1,116	2,164
Net cash used in investing activities	(647,159)	(7,897)
Cash flows from financing activities:		
Repayments of long-term debt	(49,762)	(160,216)
Contributions from noncontrolling interests	8,100	—
Distributions to noncontrolling interests	(657)	(338)
Proceeds from contributions restricted for long-term use	45,897	29,580
Proceeds from conditional grants and contributions for long-term use	6,891	4,778
Net cash provided by (used in) financing activities	10,469	(126,196)
Net decrease in cash and cash equivalents	(264,902)	(154,105)
Cash, cash equivalents, and restricted cash at beginning of year	522,888	676,993
Cash, cash equivalents, and restricted cash at end of year	$ 257,986	522,888
Cash and cash equivalents	$ 177,312	267,525
Restricted cash included in assets limited or restricted as to use	80,674	255,363
Total cash, cash equivalents, and restricted cash	$ 257,986	522,888
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 111,074	99,841
Finance lease obligations incurred	112,710	129,243
Supplemental disclosures of noncash investing and financing activities:		
Change in noncash acquisitions of property, plant, and equipment	$ 27,130	18,615

See accompanying notes to consolidated financial statements.

(1) Organization

RWJ Barnabas Health, Inc. (the Corporation) is a not-for-profit, tax-exempt corporation located in West Orange, New Jersey. RWJ Barnabas Health, Inc. is the sole corporate member or sole shareholder of the Corporation's affiliated organizations. The Corporation was organized to develop and operate a multihospital healthcare system providing a comprehensive spectrum of healthcare services, principally to the residents of New Jersey and surrounding areas.

The services and facilities of the Corporation include 12 acute care hospitals, (including an academic medical center), 3 acute care children's hospitals, a pediatric rehabilitation hospital with a network of outpatient centers, a freestanding 100-bed behavioral health center, two trauma centers, a satellite emergency department, ambulatory care centers, geriatric centers, the state's largest behavioral health network, comprehensive home care and hospice programs, fitness and wellness centers, physical therapy services, retail pharmacy services, medical groups, multi-site imaging centers, an accountable care organization, a burn treatment facility, comprehensive cancer services, breast centers, and comprehensive cardiac surgery services, including a heart transplant center, a lung transplant center, and kidney transplant centers.

(a) Trinitas Regional Medical Center Acquisition

The Corporation, Trinitas Regional Medical Center (Trinitas) and Trinitas Health (TH) closed on an affiliation transaction, effective January 1, 2022 (Trinitas Acquisition Date), whereby the Corporation has replaced TH as the sole member of Trinitas. TH merged with, and into Trinitas, with Trinitas as the surviving merger entity. Trinitas is a 554 bed, Catholic, acute care teaching hospital, headquartered in Elizabeth, New Jersey. Under the terms of the Definitive Agreement, dated November 11, 2020, the role of Trinitas as a full service, Catholic provider of acute healthcare services for the eastern Union County community will be enhanced. Together, both organizations have been able to increase access to high-quality healthcare in the northern and central New Jersey regions, and expand outreach to underserved communities. This includes a specific focus on cardiac care, oncology, emergency services, renal care/dialysis, women's health and wound care, as well as behavioral health services and others.

No cash consideration was exchanged at the closing of the transaction. The Corporation accounted for this business combination by applying the acquisition method, consistent with Financial Accounting Standards Codification (ASC) Topic 954-805 Health Care Entities Business Combinations (Topic 954-805), and accordingly, the inherent contribution received was valued as the excess of the fair value of the assets acquired over the fair value of the liabilities assumed. The results of Trinitas' operations have been included in the consolidated financial statements commencing on the Trinitas Acquisition Date.

(In thousands)

The estimated fair value of the assets acquired and liabilities assumed as of the Trinitas Acquisition Date is as follows:

		January 1, 2022
Current assets	$	196,174
Noncurrent assets (including property, plant and equipment)		322,915
Total assets acquired		519,089
Current liabilities		84,160
Noncurrent liabilities		158,274
Total liabilities assumed		242,434
Contribution received in acquisition	$	276,655
Net assets:		
Without donor restrictions	$	264,636
With donor restrictions		12,019
Total net assets	$	276,655

(b) JAG-ONE Acquisition

On July 1, 2022 (JAG-ONE Acquisition Date), the Corporation acquired an additional 33.55% voting interest in JAG-ONE, a comprehensive outpatient physical and occupational therapy company which provides rehabilitative care, for a purchase price of $73,688. Upon completion of the transaction, the Corporation owned 86.19% of JAG-ONE and obtained operational control. As the controlling interest in the joint venture was obtained in the transaction, the Corporation accounted for this as a business combination under the acquisition method, consistent with ASC Topic 954-805. The fair value of the noncontrolling interest and the previously held equity interest in JAG-ONE was estimated by applying the income approach and market approach. The goodwill of $206,044 arising from the transaction relates to the estimated future economic benefits associated with assembled workforce as well as synergies and cost reductions expected to be achieved. The Corporation also recognized an intangible asset related to the JAG-ONE trade name of $13,813. The goodwill and intangible asset are included in other noncurrent assets, net in the consolidated balance sheets.

(Continued)

(In thousands)

The following table summarizes the consideration paid for the acquisition and the estimated fair value of the assets acquired and liabilities assumed, the fair value of previously held equity interest, as well as the fair value of the noncontrolling interest at the JAG-ONE Acquisition Date:

		July 1, 2022
Cash consideration	$	73,688
Fair value of equity interest before the business combination		86,970
Fair value of consideration	$	160,658
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Current assets	$	17,984
Noncurrent assets		46,826
Current liabilities		(21,290)
Noncurrent liabilities		(76,977)
Total identifiable net liabilities assumed		(33,457)
Goodwill and intangible assets		219,857
Fair value of noncontrolling interest		(25,742)
Total	$	160,658

Included in the acquired noncurrent assets are right-of-use assets of $38,221. Acquired current liabilities include operating lease obligations of $10,723 and noncurrent liabilities include operating lease liabilities of $28,911. Additionally, included in noncurrent liabilities was $48,066 of long-term debt which was immediately repaid by the Corporation.

The Corporation recognized a gain of $32,540 as a result of the remeasuring to fair value its 52.64% equity interest in JAG-ONE held before the business combination. The gain is included within other, net within nonoperating (expenses) revenue in the consolidated statement of operations for the year ended December 31, 2022.

(Continued)

(In thousands)

The following table summarizes the amounts attributable to Trinitas and JAG-ONE since their respective Acquisition Dates that are included in the accompanying consolidated financial statements:

	Trinitas January 1, 2022 – December 31, 2022	JAG-ONE July 1, 2022 – December 31, 2022	Combined 2022
Total operating revenue	$ 312,384	58,297	370,681
Total operating expenses	342,264	56,715	398,979
(Loss) income from operations	(29,880)	1,582	(28,298)
Total nonoperating expenses, net	(10,475)	—	(10,475)
(Deficiency) excess of revenue over expenses	(40,355)	1,582	(38,773)
Other changes in net assets:			
Without donor restrictions	7,245	—	7,245
With donor restrictions	(1,706)	—	(1,706)
Change in net assets	5,539	—	5,539
(Decrease) increase in net assets	$ (34,816)	1,582	(33,234)

(c) Other Acquisitions

In 2023, as a part of the Corporation's diversified growth strategy, the Corporation acquired four additional physical therapy companies, an ambulance services company and a radiology company for $53,767. As a result of these acquisitions, the Corporation recognized goodwill of $64,158 for the year ended December 31, 2023.

(2) Significant Accounting Policies

(a) Basis of Accounting of Financial Statement Presentation

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

(Continued)

(b) Use of Estimates

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

(c) Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The main objective of ASU 2016-13 and related ASU updates is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. This guidance is effective for fiscal years beginning after December 15, 2022. The adoption of this guidance did not materially impact the Corporation's financial position or results of operation.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. This standard eliminates Step 2 from the goodwill impairment test by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. This guidance is effective for fiscal years beginning after December 15, 2022. The adoption of this guidance did not materially impact the Corporation's financial position or results of operation.

(d) Cash and Cash Equivalents

Cash and cash equivalents include investments in money market funds and highly liquid debt instruments with original maturities of three months or less, excluding assets limited or restricted as to use.

Cash and cash equivalents are maintained with domestic financial institutions with deposits, which exceed federally insured limits. It is the Corporation's policy to monitor the financial strength of these institutions.

(e) Patient Accounts Receivable

The Corporation has agreements with third-party payors that provide for payment at amounts different from its established charges. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Management regularly reviews accounts and contracts to record explicit price concessions that are netted against patient accounts receivable in the consolidated balance sheets. The Corporation grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor

(In thousands)

arrangements. The concentration of patient accounts receivable as of December 31, 2023 and 2022 was as follows:

	December 31	
	2023	**2022**
Medicare	25 %	24 %
Medicaid	13	14
Blue Cross	19	20
Commercial and managed care	29	28
Self-pay patients and other	14	14
	100 %	100 %

(f) Revenue

(i) Patient Service Revenue

The Corporation's patient service revenue is recognized at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing patient care. These amounts are due from patients and third-party payors and include an estimate of variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Corporation bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from a facility.

Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Corporation. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Corporation believes that this method provides a reasonable representation of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Corporation measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Corporation has elected to apply the optional exemption to not disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at year-end, which primarily relate to acute care patients (in-house). The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of year-end.

The majority of the Corporation's services are rendered to patients with third-party payor insurance coverage. Reimbursement under these programs for all payors is based on a combination of prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Amounts received under Medicare and Medicaid programs are subject to review and final determination by program intermediaries or their agents and the contracts the Corporation has with

commercial payors also provide for retroactive audit and review of claims. Agreements with third-party payors typically provide for payments at amounts less than established charges. For further discussion on third-party reimbursement, refer to note 5. Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Corporation also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Corporation estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Implicit price concessions are determined based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change and are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Adjustments arising from a change in the transaction price were not significant for the years ended December 31, 2023 or 2022. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. There was no bad debt expense for the years ended December 31, 2023 or 2022.

Consistent with the Corporation's mission, care is provided to patients regardless of their ability to pay. The Corporation has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (e.g., co-pays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Corporation expects to collect based on its collection history with those patients. Patients who meet the Corporation's criteria for charity care are provided care without charge or at amounts less than established charges. The Corporation has determined that it has provided sufficient implicit price concessions for these accounts. Price concessions, including charity care, are not reported as revenue.

The Corporation has elected the financing component practical expedient and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Corporation's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payors pays for that service will be one year or less. However, the Corporation does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The Corporation has determined that the nature, amount, timing, and uncertainty of patient service revenue and cash flows are affected by payors and service lines. The following tables reflect

(In thousands)

patient service revenue from third-party payors, government subsidies, and others (including uninsured patients) for the years ended December 31, 2023 and 2022:

	2023		
	Inpatient	Outpatient	Total
Medicare	$ 1,571,037	1,005,782	2,576,819
Medicaid	768,346	729,993	1,498,339
Blue Cross	787,613	949,078	1,736,691
Commercial and managed care	806,300	823,365	1,629,665
Self-pay patients and other	162,566	215,684	378,250
State of New Jersey subsidy revenue	121,895	—	121,895
Total patient service revenue	$ 4,217,757	3,723,902	7,941,659

	2022		
	Inpatient	Outpatient	Total
Medicare	$ 1,461,615	868,797	2,330,412
Medicaid	649,432	569,120	1,218,552
Blue Cross	745,621	897,358	1,642,979
Commercial and managed care	726,236	650,206	1,376,442
Self-pay patients and other	140,949	170,974	311,923
State of New Jersey subsidy revenue	113,601	—	113,601
Total patient service revenue	$ 3,837,454	3,156,455	6,993,909

(ii) Other Revenue, Net

Other revenue, net includes income from grants, equity in the income of healthcare joint ventures, gain on sale of a business, unrestricted contributions, net assets released from restriction for operations, cafeteria sales, and parking. Grant revenue and contributions of the Corporation are nonexchange transactions in which no commensurate value is exchanged. In such cases, contribution accounting is applied under ASC Topic 958-605, *Not-for-Profit Entities, Revenue Recognition*. See note 3 for grant funding received under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Federal Emergency Management Agency (FEMA). Equity in the income of joint ventures is evaluated under ASC Topic 323, *Investments – Equity Method and Joint Ventures*.

Additionally, pharmacy sales and other contracts related to healthcare services are included in other revenue and consist of contracts, which vary in duration and in performance. Revenue is

recognized when the performance obligations identified within the individual contracts are satisfied and collections are probable.

(g) Supplies

Supplies are carried at the lower of cost, determined principally on an average cost basis, or net realizable value. Supplies, totaling $122,743 and $116,483, are included in other current assets in the consolidated balance sheets at December 31, 2023 and 2022, respectively.

(h) Assets Limited or Restricted as to Use

Assets limited or restricted as to use include assets held by trustees under bond indenture agreements, assets restricted for self-insurance, assets held for supplemental retirement benefits, and assets restricted by donors for specific purposes or endowment. Amounts required to meet current liabilities of the Corporation are classified as current assets. Restricted cash of $80,674 and $255,363 as of December 31, 2023 and 2022, respectively, is included in assets limited or restricted as to use and assets limited or restricted as to use, noncurrent portion, in the consolidated balance sheets. The balance as of December 31, 2022 includes the construction fund from the issuance of the Series 2021A bonds (note 10).

(i) Investments and Investment Income

A significant portion of the Corporation's investments are held in an investment portfolio maintained for the benefit of the Corporation and its affiliates. Debt securities are designated as trading. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value, based on quoted market prices. Donated investments are recorded at their fair value, based on quoted market prices at the date of receipt.

Alternative investments (nontraditional, not readily marketable asset classes) within the investment portfolio are structured such that the Corporation holds interests in private investment funds, consisting of hedge funds, private equity funds, and real estate funds. These investments are reported at fair value as estimated and reported by general partners, based upon the underlying net asset value (NAV) of the fund or partnership as a practical expedient. Because of inherent uncertainty in these valuations, those estimated values may significantly differ from the values that would have been used had a ready market for the investments existed, and differences could be material.

Investment income not restricted by donors including realized and unrealized gains and losses on investments and changes in the fair value of alternative investments are included in nonoperating (expenses) revenue. Investment income and realized gains and losses on assets restricted by donors for specific purposes or endowment are included in net assets with donor restrictions.

(j) Property, Plant, and Equipment

Property, plant, and equipment expenditures are recorded at cost or, if donated or impaired, at fair value at the date of donation or impairment. Finance leases are recorded at the present value of the future minimum lease payments at the inception of the lease and are included in property, plant, and equipment.

Depreciation expense is computed on a straight-line basis using estimated useful lives of the assets, ranging from 2 to 40 years. Real estate and equipment held under finance leases and leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the related lease term. Such amortization is included in depreciation expense. Gifts of long-lived assets, such as land, buildings, or equipment, are reported as net assets without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used, and are excluded from the excess of revenue over expenses in the consolidated statements of operations. 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 net assets with donor restrictions. Absent explicit 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.

(k) Leases

The Corporation determines if an arrangement is a lease at inception. Leases are included in right-of-use (ROU) assets and lease obligations, current and long-term, in the consolidated balance sheets. ROU assets and liabilities are recognized based on the present value of the future minimum lease payments over the lease term using the Corporation's incremental borrowing rate. The ROU asset also includes any prepaid rent while excluding lease incentives and initial direct costs incurred.

Lease expense for operating minimum lease payments is recognized on a straight-line basis over the full lease term. Finance leases are included in property, plant, and equipment and long-term debt in the consolidated balance sheets. Finance lease assets and liabilities are recognized based on the present value of the future minimum lease payments over the lease term using the explicit interest rate, when available. If an explicit interest rate is not available, the Corporation applies its incremental borrowing rate. Finance lease assets are amortized on a straight-line basis over the full lease term and presented in depreciation and amortization in the consolidated statement of operations. Interest on lease payments is calculated using the effective interest method and presented in interest expense in the consolidated statement of operations.

(l) Investments in Unconsolidated Organizations

The Corporation maintains noncontrolling interests in various joint ventures that do not require consolidation. The majority of these investments are accounted for using the equity method of accounting, as the Corporation has significant influence, but does not have control, over the operating and financial policies of the investee. The Corporation classifies distributions from an investee on the cash flow statement by evaluating the facts, circumstances and nature of each distribution. Investments in unconsolidated organizations are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of the investment might not be recoverable.

(m) Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as donor-restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends and/or purpose restriction is accomplished, net assets with donor

(In thousands)

restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated statements of operations.

Pledges receivable represent an unconditional promise to give cash and other assets to the Corporation's affiliates over a period not greater than 20 years. Such amounts are recorded at their present value at the date the promise is received, net of an allowance for uncollectible pledges. Such amounts are included as externally designated or restricted noncurrent assets limited as to use in the consolidated balance sheets.

(n) Net Assets including Noncontrolling Interest

Resources are classified for reporting purposes as net assets without donor restrictions and net assets with donor restrictions, according to the absence or existence of donor-imposed restrictions. Resources arising from the results of operations or assets set aside by the Board of Trustees are not considered to be donor-restricted. Net assets with donor restrictions represent funds, including contributions and accumulated investment returns, whose use has been restricted by donors to a specific period or purpose or that have been restricted by donors to be maintained in perpetuity to provide a permanent source of income. Generally, the donors of these donor-restricted assets permit the use of part of the income earned on related investments for specific purposes.

The consolidated financial statements include all assets, liabilities, revenues, and expenses of less than 100% owned entities that the Corporation controls in accordance with the applicable accounting guidance. Accordingly, the Corporation has reflected a noncontrolling interest for the portion of the Corporation's revenue and expenses not controlled by the Corporation, separate in the consolidated balance sheets and consolidated statements of changes in net assets.

Net assets without and with donor restrictions are available for the following purposes:

	December 31	
	2023	**2022**
Without donor restrictions:		
Undesignated	$ 5,069,808	4,609,662
With donor restrictions:		
Perpetual in nature	33,254	33,221
Purpose restricted	223,894	177,570
Time restricted	79,096	79,206
Net assets	$ 5,406,052	4,899,659

(o) Work Stoppage Costs

During 2023, Robert Wood Johnson University Hospital (RWJUH) began negotiations with representatives from the United Steel Workers Local 4-200 (USW), which represents approximately

1,700 nurses. The USW nurses elected to strike on August 4, 2023 and RWJUH executed a strike contingency plan to ensure uninterrupted operations for the facility, including the recruitment of more than 1,000 replacement nurses. On December 15, 2023, the USW ratified a new, three-year collective bargaining contract and effective January 8, 2024, the nurses were reintegrated into the workforce. Incremental costs incurred, net, were $183,783 through December 31, 2023, which are reported in work stoppage costs in the statement of operations. The costs are comprised of agency costs of $250,468 and other costs of $27,490, offset by salary and benefit savings of $94,175.

Operating income (loss) before work stoppage costs includes the financial results of operating entities, but excludes work stoppage costs that are considered to be nonrecurring in nature.

(p) Performance Indicator

The consolidated statements of operations include a performance indicator, which is the excess (deficiency) of revenue over expenses. Changes in net assets without donor restrictions, which are excluded from excess (deficiency) of revenue over expenses, include certain changes in pension obligations, capital contributions, and other transactions.

The Corporation differentiates its ongoing operating activities by providing income from operations as a sub performance indicator. Investment income, net, contribution received in acquisition, and other, net which is inclusive of net periodic benefit costs other than service costs, interest rate swap mark-to-market adjustments, gains and losses on early extinguishment of debt, gain on equity investment, termination of definitive agreement fees and other transactions, which are not considered to be components of the Corporation's ongoing activities, are excluded from (loss) income from operations and reported as nonoperating (expenses) revenue in the consolidated statements of operations. Investment income earned on assets limited as to use under bond indenture agreements is included in other revenue in the consolidated statements of operations.

(q) Income Taxes

The Corporation and its affiliates, excluding its for-profit subsidiaries and nominee owned captive professional medical services corporation, are not-for-profit corporations and are exempt from federal and state income taxes on related income under existing provisions of the Internal Revenue Code and State of New Jersey statutes.

The Corporation's for-profit subsidiaries have recorded various deferred income tax assets and liabilities that reflect temporary differences between the amounts of assets and liabilities used for financial reporting purposes and the amounts used for income tax purposes. These amounts, where applicable, to the Corporation are included as other assets or other liabilities in the consolidated balance sheets as appropriate. In addition, the provision for income taxes recorded by the Corporation's for-profit subsidiaries, where applicable, have been made for in the consolidated results of operations of the Corporation and is included in other expenses in the consolidated statement of operations.

Certain for-profit subsidiaries have federal net operating loss (NOL) carryforwards of $23,376 that expire through 2037 and State of New Jersey NOL carryforwards of $81,789 that also expire through 2043. Certain for-profit subsidiaries have federal NOL carryforwards of $64,302 that expire indefinitely.

At December 31, 2023 and 2022, all deferred tax assets related to these NOL carryforwards have been fully reserved due to the uncertainty of realizing the tax benefits associated with these amounts.

The Corporation and its affiliates recognize the financial statements effects of tax positions when they are more likely than not, based on technical merits, that the positions will be sustained upon examination by the tax authorities. Benefits from tax positions that meet the more-likely-than-not recognition threshold are measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. The Corporation does not have any significant uncertain tax positions as of December 31, 2023 and 2022.

(r) Self-Insurance

Under the Corporation's self-insurance programs, claims are recorded based upon actuarial estimation, including both reported and incurred but not reported claims, taking into consideration the severity of incidents and the expected timing of claim payments (note 13a, b, and c).

(s) Impairment of Long-Lived Assets

Management routinely evaluates the carrying value of its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of assets, or a related group of assets, may not be recoverable from estimated undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds its estimated recoverability, an asset impairment charge is recognized for the difference between the fair value and carrying value of the asset.

In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining useful lives of its long-lived assets. If estimates are changed, the carrying value of affected assets is allocated over the remaining useful lives. In estimating the future cash flows for determining whether an asset is impaired, the Corporation groups its assets at the lowest level for which there are identifiable cash flows independent of other groups of assets. No impairment charge was recorded during the year ended December 31, 2023 or 2022.

(t) Goodwill and Intangible Assets

Goodwill and intangible assets are accounted for under ASC Topic 350, *Intangibles – Goodwill and Other*. Goodwill represents the excess of the aggregate purchase price over the fair value of net assets acquired in business combinations. Identifiable intangible assets are initially recorded at fair value at the time of acquisition using the income approach. Goodwill and intangible assets have indefinite useful lives and are not amortized, but are subjected to impairment tests. The Corporation performs impairment testing at least annually or more frequently if events or circumstances change creating a reasonable possibility that an impairment may exist.

(In thousands)

The following is the carrying amount and changes in the carrying amount of goodwill and intangible assets for the years ending December 31, 2023 and 2022:

	Goodwill	Intangible assets	Total
December 31, 2021	$ 6,987	45,000	51,987
Goodwill and intangible assets related to acquisitions	206,044	13,813	219,857
Impairment of intangible asset	—	(45,000)	(45,000)
December 31, 2022	213,031	13,813	226,844
Goodwill related to acquisitions	64,158	—	64,158
December 31, 2023	$ 277,189	13,813	291,002

As of December 31, 2022, the Corporation impaired its intangible asset related to the Rutgers Health brand name.

(3) CARES Act and FEMA

The CARES Act provided financial relief under several programs including a funding advance of Medicare payments, deferral of the employer portion of payroll taxes and establishment of the Provider Relief Fund (PRF). Under the PRF, the Corporation recognized approximately $48,143 for the year ended December 31, 2022. As of December 31, 2022, all relief funds have been recognized as revenue and the total amount received from the period of 2020 through 2022 was approximately $684,000.

The Corporation is eligible under the CARES Act to receive an employee retention credit (ERC) against the employer portion of Social Security taxes for certain wages during the early part of the COVID-19 pandemic. During the year ended December 31, 2023, the Corporation recognized approximately $17,000 in other revenue under the ERC program.

The Corporation continues to pursue opportunities for additional federal relief funding, including funding from FEMA. Included in other revenue in the consolidated statements of operations for the years ended December 31, 2023 and 2022 is $19,907 and $29,253, net, respectively, for incremental prior year COVID-19 related costs. The Corporation has a balance due from FEMA of $19,417 and $28,261 in other current assets in the consolidated balances sheets as of December 31, 2023 and 2022, respectively.

(4) Charity Care and Community Benefit

In accordance with the Corporation’s mission and philosophy, the Corporation’s hospitals and affiliates commit substantial resources to both the indigent population and the broader community. The Corporation’s charity care policy is to provide care without regard to the patient’s ability to pay for services rendered. To the extent that patients do not have the ability to pay, services rendered to those patients are reported as charity care.

(Continued)

The Corporation's hospitals utilize a cost to charge ratio methodology to convert charity care to cost. The cost to charge ratio is calculated utilizing the Corporation's cost accounting system or filed cost reports.

The amount of charity care at estimated cost, net of state subsidy funding, the Corporation provided to the indigent population and broader community for the years ended December 31, 2023 and 2022 was $161,283 and $144,792, respectively.

The State of New Jersey's regulations provide for the distribution of funds from a Charity Care Fund, which is intended to partially offset the cost of services provided to the uninsured. For the years ended December 31, 2023 and 2022, the Corporation's hospitals recorded distributions from the Charity Care Fund of $69,345 and $57,379, respectively, which are included in patient service revenue.

(5) Healthcare Reimbursement System

(a) The Corporation records patient service revenue at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing patient care. Patient service revenue consists of amounts charged for services rendered less estimated discounts for contractual and other allowances for patients covered by Medicare, Medicaid, and other health plans and discounts offered to patients under the Corporation's uninsured discount program.

The Medicare program currently pays for most services at predetermined rates; however, certain services and specified expenses continue to be reimbursed on a cost basis. The Medicaid program also currently reimburses the Corporation at predetermined rates for inpatient services and on a cost reimbursement methodology for outpatient services. Regulations require annual retroactive settlements for cost-based reimbursement and other payment arrangements through cost reports filed by the Corporation.

The Corporation has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. These agreements have retrospective audit clauses, allowing the payor to review and adjust claims subsequent to initial payment.

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

During the years ended December 31, 2023 and 2022, certain of the Corporation's prior year third-party cost reports were audited and settled, or tentatively settled by third-party payors. Adjustments resulting from such audits, settlements, and management reviews are reflected as adjustments to patient service revenue in the period that the adjustments become known. Accordingly, the Corporation evaluated the results of these settlements on its open cost reports. The effect of cost report settlements and other adjustments increased patient service revenue by $34,529 and $22,728

for the years ended December 31, 2023 and 2022, respectively. Although certain other prior year cost reports submitted to third-party payors remain subject to audit and retroactive adjustment, management does not expect any material adverse settlements. Medicare cost reports for all years prior to 2019 have been audited and settled with the exception of four acute care hospitals whose 2019 cost reports remain open. Medicaid cost reports for all years prior to 2021 have been audited and settled for all acute care hospitals. For the pediatric rehabilitation hospital, Medicaid cost reports have been audited by the fiscal intermediary through 2021. Settlement has been finalized through 2021. The fiscal intermediary may reopen certain years related to specific settlement items in the cost report year.

The Corporation has a compliance program to monitor conformity with applicable laws and regulations, but the possibility of future government review and interpretation exists. The Corporation is not aware of any significant pending or threatened investigations involving allegations of potential wrongdoing.

(b) The Corporation and others in the healthcare industry are subject to certain inherent risks, including the following:

- Substantial dependence on revenue derived from reimbursement by the Federal Medicare and State Medicaid programs that have been reduced in recent years and which entail exposure to various healthcare fraud statutes;
- Government regulations, government budgetary constraints, and proposed legislative and regulatory changes.

Such inherent risks require the use of certain management estimates in the preparation of the Corporation’s consolidated financial statements, and it is reasonably possible that a change in such estimates may occur. Management of the Corporation believes that adequate provision has been made in the consolidated financial statements for the matters discussed above and their ultimate resolution will not have a material effect on the consolidated financial statements.

(In thousands)

(6) Investments and Assets Limited or Restricted as to Use

Investments and assets limited or restricted as to use consist of the following:

	December 31	
	2023	2022
Investments and assets limited or restricted as to use:		
Cash and cash equivalents and money market funds	$ 406,732	659,272
Government obligations/municipal bonds	377,482	423,180
Corporate bonds	506,186	665,822
Mutual funds	1,361,564	1,291,452
Equity securities	575,884	518,104
Unit investment trusts	1,076	1,215
Asset-backed securities	207,652	255,350
Mortgage-backed securities	48,441	93,104
Alternative investments	924,886	943,695
Pledges receivable, net	192,118	134,668
Other investments	34,253	2,293
Accrued interest	11,837	10,447
Total investments and assets limited or restricted as to use	$ 4,648,111	4,998,602

These amounts are reflected in the consolidated balance sheets as follows:

	December 31	
	2023	2022
Current portion:		
Investments	$ 543,380	434,257
Assets limited or restricted as to use	97,016	98,259
Noncurrent assets limited or restricted as to use	460,335	567,624
Investments	3,547,380	3,898,462
	$ 4,648,111	4,998,602

(Continued)

(In thousands)

Investments and assets limited or restricted as to use are classified as follows:

	December 31	
	2023	**2022**
Investments	$ 4,090,760	4,332,719
Self-insurance funds	25,488	25,968
Donor-restricted funds and pledges receivable, net	290,837	259,992
Funds held by bond trustees under bond indenture agreements	64,647	253,653
Internally designated funds for specific use	2,870	2,870
Other limited use funds	173,509	123,400
	$ 4,648,111	4,998,602

Assets held under bond indenture agreements are maintained for the following purposes:

	December 31	
	2023	**2022**
Capital project funds	$ —	188,118
Interest funds	64,602	65,535
Principal funds	45	—
	$ 64,647	253,653

The Corporation's investments are exposed to various kinds and levels of risk. Fixed income securities, including fixed income mutual funds, expose the Corporation to interest rate risk, credit risk, and liquidity risk. As interest rates change, the values of many fixed income securities are affected. Credit risk is the risk that the obligor of the security will not fulfill its obligation. Liquidity risk is a risk that a financial asset may not be readily sold.

Corporate bonds, equity mutual funds, equity securities, and commercial mortgage-backed securities expose the Corporation to market risk, performance risk, and liquidity risk. Market risk is the risk associated with major movements of the equity markets, both foreign and domestic. Performance risk is the risk associated with a particular fund's operating performance. Liquidity risk, as previously defined, tends to be higher for international funds and small capitalization equity funds.

The Corporation has incorporated an Investment Policy Statement (IPS) into its investment program. The IPS, which has been formally adopted by the Board of Trustees, contains standards designed to ensure adequate diversification by asset category and geography. The IPS also limits fixed income investments by credit rating, which serves to further mitigate the risk associated with the investment program. At December 31, 2023 and 2022, management believes that its investment positions are in accordance with guidelines established by the IPS.

(Continued)

(In thousands)

(7) Liquidity and Availability of Resources

Financial assets available within one year of the balance sheet date for general expenditures such as operating expenses and construction costs not financed with debt are as follows:

	December 31	
	2023	2022
Cash and cash equivalents	$ 177,312	267,525
Short-term investments	543,380	434,257
Patient accounts receivable	883,795	780,089
Estimated amounts due from third party payors and other current assets	405,689	299,521
	$ 2,010,176	1,781,392

Current financial assets not available for general use because of contractual or donor-imposed restrictions were $97,016 and $98,259 at December 31, 2023 and 2022, respectively. Amounts not available for general use include amounts set aside for scheduled principal payments on debt, self-insurance funds, and perpetual, time, and purpose-restricted assets.

As of December 31, 2023, the Corporation has unrestricted cash and investments on hand to cover 187 days of operating expenses. The Corporation's practice is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Corporation invests cash in excess of daily requirements in short-term investments. Besides short-term investments, the Corporation has $3,547,380 classified as long-term investments at December 31, 2023, of which most is available for general use. In the event of an unanticipated liquidity need, the Corporation could draw upon a $100,000 secured revolving promissory note (note 10).

(8) Fair Value Measurements

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

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

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. government and agency mortgage-backed debt securities and corporate bonds.

(Continued)

(In thousands)

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. The Corporation currently holds no Level 3 investments.

The following tables present the Corporation's fair value hierarchy for those assets measured at fair value on a recurring basis, and exclude pledges receivable, net, other investments, and accrued interest receivable as of December 31, 2023 and 2022:

	December 31, 2023				
	Fair value	Level 1	Level 2	Level 3	NAV
Investment categories:					
Cash and cash equivalents and money market funds	$ 406,732	406,732	—	—	—
Equity securities	575,884	575,884	—	—	—
Equity mutual funds	983,361	983,361	—	—	—
Fixed income mutual funds	378,202	378,202	—	—	—
Unit investment trusts	1,076	1,076	—	—	—
Commercial mortgage-backed securities	48,441	—	48,441	—	—
Corporate bonds	506,186	—	506,186	—	—
Asset-backed securities	207,652	—	207,652	—	—
Government bonds	179,346	—	179,346	—	—
Government mortgage-backed securities	184,884	—	184,884	—	—
Municipal bonds	13,253	—	13,253	—	—
Alternative investments	924,886	—	—	—	924,886
Total	$ 4,409,903	2,345,255	1,139,762	—	924,886

(Continued)

(In thousands)

	December 31, 2022				
	Fair value	Level 1	Level 2	Level 3	NAV
Investment categories:					
Cash and cash equivalents and money market funds	$ 659,272	659,272	—	—	—
Equity securities	518,104	518,104	—	—	—
Equity mutual funds	926,074	903,081	22,993	—	—
Fixed income mutual funds	365,378	365,378	—	—	—
Certificates of deposit	—	—	—	—	—
Unit investment trusts	1,215	1,215	—	—	—
Commercial mortgage-backed securities	93,104	—	93,104	—	—
Corporate bonds	665,822	—	665,822	—	—
Asset-backed securities	255,350	—	255,350	—	—
Government bonds	207,059	—	207,059	—	—
Government mortgage-backed securities	186,872	—	186,872	—	—
Municipal bonds	29,249	—	29,249	—	—
Alternative investments	943,695	—	—	—	943,695
Total	$ 4,851,194	2,447,050	1,460,449	—	943,695

The following discussion describes the valuation methodologies used for financial assets measured at fair value for investment and pension plan assets. The techniques utilized in estimating the fair values are affected by the assumptions used, including discount rates and estimates of the amount and timing of future cash flows.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. The disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed. Care should be exercised in deriving conclusions about the Corporation's business, its value, or consolidated financial position based on the fair value information of financial assets presented.

Fair values for the Corporation's fixed income securities are based on prices provided by its investment managers and its custodian bank. Both the investment managers and the custodian bank use a variety of pricing sources to determine market valuations. Inputs include direct or indirectly observable inputs (other than Level 1 inputs) such as quoted prices for similar assets or liabilities exchanged in active or inactive markets and quoted prices for identical assets or liabilities in inactive markets; other inputs that may be considered in fair value determination include interest rates and yield curves, volatilities, and credit risk. Pricing evaluations generally reflect discounted expected future cash flows, which incorporate yield curves for instruments with similar characteristics, such as credit rating, duration, and yields. Each designates

(Continued)

(In thousands)

specific pricing services or indexes for each sector of the market based upon the provider's expertise. The Corporation's fixed income securities portfolio is highly liquid, which allows for a high percentage of the portfolio to be priced through pricing services.

Fair values of equity securities have been determined by the Corporation from observable market quotations, when available.

Mutual funds and unit investment trusts are valued at the NAV of shares held at year-end, based on published market quotations on active markets.

Fair values of commercial mortgage-backed securities and asset-backed securities have been determined by the Corporation based on a discounted future cash flows methodology, using current market interest rate data adjusted for inherent credit risk, or quoted market prices and recent transactions, when available.

Fair values of U.S. government bonds/municipal bonds and corporate bonds have been determined by the Corporation from observable market quotations, when available. Because of the nature of these assets, carrying amounts approximate fair values, which have been determined from public quotations, when available.

Fair values of bank loans are determined by the Corporation using quoted prices of securities with similar coupon rates and maturity dates or discounted cash flows.

The following tables summarize redemption terms and the Corporation's commitments for the hedge funds and others as of December 31, 2023 and 2022:

	2023			
Description of investment	**Carrying value**	**Unfunded commitment**	**Redemption frequency**	**Redemption notice required**
Hedge funds	$ 224,526	—	Monthly – annually	45–90 days written notice
Private equity	188,839	84,372	—	—
Real estate	236,921	6,305	Quarterly	90 days written notice
Other	274,600	11,772	—	—
	$ 924,886	102,449		

(Continued)

(In thousands)

	2022			
Description of investment	Carrying value	Unfunded commitment	Redemption frequency	Redemption notice required
Hedge funds	$ 271,582	—	Monthly – annually	45–90 days written notice
Private equity	176,679	69,189	—	—
Real estate	249,709	9,553	Quarterly	90 days written notice
Other	245,725	14,729	—	—
	$ 943,695	93,471		

Investments in hedge funds, interests in investment funds with complex portfolio-construction and risk management techniques, are typically carried at estimated fair value based on the NAV of the shares in each investment company or partnership. Changes in unrealized gains or losses on investments, including those for which partial liquidations were effected in the course of the year, are calculated as the difference between the NAV of the investment at year-end less the NAV of the investment at the beginning of the year, as adjusted for contributions and redemptions made during the year. At December 31, 2023, the Corporation holds $56,863 of investments in hedge funds which are subject to semi-annual redemptions with a 20% withdrawal limitation on the invested balance. Generally, no dividends or other distributions are paid.

Investments in private equity funds, typically structured as limited partnership interests, are carried at fair value estimated using NAV or equivalent as determined by the general partner in the absence of readily ascertainable market values. Distributions under this investment structure are made to investors through the liquidation of the underlying assets. Voluntary redemptions are generally not permitted by limited partners and investments in these partnership interests are through the life of the fund. The fair value of limited partnership interests is generally based on fair value capital balances reported by the underlying partnerships, subject to management review and adjustment.

Real estate funds invest primarily in institutional quality commercial and residential real estate assets within the U.S. and investments in publicly traded real estate investment trusts. Fair value is estimated based on the NAV of the shares in each partnership. The Partnership distributes current income to the partners on a quarterly basis based on each partners' interest. Partners can choose to participate in a reinvestment plan in which all distributions are automatically invested in additional units. Redemptions can generally be made quarterly with 90 days' prior written notice after an initial lock-up period expires.

Investments in other alternative investments consist of private debt funds structured as a limited partnership interest with ability to invest in short-term opportunities, and are carried at fair value estimated using NAV or equivalent as determined by the general partner in the absence of readily ascertainable market values. Distributions under this investment structure are made to investors through the liquidation of the underlying assets. Voluntary redemptions are not permitted and investment is through the life of the fund. The Corporation also invests in certain venture capital funds. Investments in venture capital funds,

(Continued)

(In thousands)

typically structured as limited partnerships, consist of ownership stakes in small to medium sized start-up firms. These firms generally have high growth potential and are characterized by higher risk/reward profiles. Distributions under this investment structure are typically made to investors through the liquidation of the underlying assets. Voluntary redemptions are generally not permitted by limited partners and investments in these partnership interests are through the life of the fund.

(9) Property, Plant, and Equipment

Property, plant, and equipment consist of the following as of December 31, 2023 and 2022:

	2023	2022
Land and improvements	$ 180,427	179,701
Buildings and leasehold improvements	3,898,622	3,593,412
Fixed equipment	499,197	445,450
Major movable equipment	2,935,755	2,452,854
Real estate and equipment under finance leases	295,340	186,130
	7,809,341	6,857,547
Less accumulated depreciation and amortization (including accumulated amortization of real estate and equipment under finance leases of $42,842 and $31,744)	4,481,558	4,168,592
	3,327,783	2,688,955
Construction in progress	1,008,951	902,017
Property, plant, and equipment, net	$ 4,336,734	3,590,972

The Corporation is constructing a new clinical and research building for the Rutgers Cancer Institute of New Jersey (CINJ). The new building is adjacent to, and integrated with, RWJUH New Brunswick. In June 2021, the Corporation broke ground on the free-standing cancer hospital. The estimated cost is expected to be approximately $906,000. From inception of the project through December 31, 2023, approximately $538,000 has been incurred related to this project.

As of December 31, 2023, the Corporation had committed approximately $588,000 to complete the construction of the CINJ project noted above and other renovation and expansion projects at various affiliates of the Corporation as well as amounts committed for the EPIC project (note 13e).

(Continued)

(In thousands)

(10) Long-Term Debt

Long-term debt consists of the following:

	December 31	
	2023	**2022**
Master Trust indebtedness:		
New Jersey Health Care Facilities Financing Authority (NJHCFFA) Revenue and Refunding Bonds:		
RWJ Barnabas Health Obligated Group Issue, 2021A $313,775 serial bonds maturing through July 1, 2045 with interest rates ranging from 4.00% to 5.00%; $400,490 of term bonds maturing July 1, 2051 with interest rates ranging from 2.040% to 2.625%	$ 714,265	740,095
RWJ Barnabas Health Obligated Group Issue, Series 2019A Serial Bonds maturing through July 1, 2029 with an interest rate of 5.00%	10,950	13,265
RWJ Barnabas Health Obligated Group Issue, Series 2019B-1 Five Year Put Bonds maturing on July 1, 2043 with an interest rate of 5.00%	69,725	69,725
RWJ Barnabas Health Obligated Group Issue, Series 2019B-2 Six Year Put Bonds maturing on July 1, 2042 with an interest rate of 5.00%	70,555	70,555
RWJ Barnabas Health Obligated Group Issue, Series 2019B-3 Seven Year Put Bonds maturing on July 1, 2045 with an interest rate of 5.00%	70,550	70,550
RWJ Barnabas Health Obligated Group Issue, Series 2017A (previously Children's Specialized Hospital Issue, Series 2013A) maturing on July 1, 2036 with an interest rate of 3.03%	—	7,033
RWJ Barnabas Health Obligated Group Issue, Series 2016A $384,355 serial bonds maturing through July 1, 2036 with interest rates ranging from 3.50% to 5.00%; $279,570 of term bonds maturing on July 1, 2043 with interest rates ranging from 4.00% to 5.00%	663,925	670,615
Barnabas Health Issue, Series 2014A term bonds $100,000 maturing on July 1, 2044 with an interest rate of 5.00%; $29,925 maturing on July 1, 2044 with an interest rate of 4.25%	129,925	129,925

(Continued)

(In thousands)

	December 31	
	2023	**2022**
Robert Wood Johnson University Hospital Issue, Series 2014A $11,075 serial bonds maturing through 2034 with an interest rate of 5.00%; $44,850 term bonds maturing from 2039 to 2043 with an interest rate of 5.00%	$ 55,925	55,925
Robert Wood Johnson University Hospital Issue, Series 2013A term bonds maturing from 2024 to 2043 with interest rates ranging from 5.25% to 5.50%	93,285	95,765
Barnabas Health Issue, Series 2012A serial bonds maturing through 2022 with an interest rate of 5.00%		—
RWJ Barnabas Health, Series 2019 serial bonds maturity through July 1, 2049 with an interest rate of 3.48%	302,333	302,333
RWJ Barnabas Health Private Placement Taxable Notes, Series 2018 maturing through July 1, 2044 with interest rates ranging from 4.04% to 4.40%	300,000	300,000
RWJ Barnabas Health Taxable Revenue Bonds, Series 2016 $100,000 maturing July 1, 2026 with an interest rate of 2.954%; $394,952 maturing July 1, 2046 with an interest rate of 3.949%	494,952	494,952
Barnabas Health System Taxable Revenue Bonds, Series 2012 term bonds maturing on July 1, 2028 with an interest rate of 4.00%	81,240	81,240
Total Master Trust Indebtedness	3,057,630	3,101,978
Notes payable	1,567	34
Finance leases with various interest rates	263,376	155,763
Total long-term debt	3,322,573	3,257,775
Plus unamortized bond premium	192,358	205,371
Less:		
Unamortized bond discount	729	945
Deferred financing costs, net	17,123	18,334
Current portion	51,314	42,948
Long-term portion	$ 3,445,765	3,400,919

Under the terms of the Master Trust Indenture (MTI), Children's Specialized Hospital (CSH), Clara Maass Medical Center, Community Medical Center, Jersey City Medical Center, Monmouth Medical Center,

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Newark Beth Israel Medical Center, RWJ Barnabas Health, Inc., RWJBH Corporate Services (fka Barnabas Health, Inc.), RWJUH, Robert Wood Johnson University Hospital at Hamilton, Robert Wood Johnson University Hospital Rahway, and Cooperman Barnabas Medical Center (CBMC), are members of an Obligated Group. Substantially all of the Corporation's debt is subject to the provisions of the MTI.

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

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

The Corporation's Obligated Group is required to maintain certain financial covenants in connection with the NJHCFFA and credit arrangements with a consortium of banks, including JPMorgan Chase Bank, N.A. (JPMorgan) and U.S. Bank.

On January 27, 2022, in connection with the Definitive Agreement, the Corporation legally defeased all of the outstanding NJHCFFA Refunding and Revenue Bonds, Trinitas Regional Medical Center Obligated Issue, Series 2016A and all of the outstanding NJHCFFA Refunding Bonds, Trinitas Regional Medical Center Obligated Issue, Series 2017A. The total payment for the defeased bonds was $72,252. The transaction resulted in a loss on extinguishment of debt of $2,551 which is recorded in other, net within nonoperating (expenses) revenue.

On August 1, 2023, the Corporation paid the outstanding balance of $6,790 of RWJ Barnabas Health Obligated Issue, Series 2017A bonds (previously Children's Specialized Hospital Issue, Series 2013A).

The Corporation has entered into forward interest rate swap agreements with JPMorgan, Bank of America, and U.S. Bank, respectively. The total notional amount of all swap agreements is $281,960. Under the terms of these agreements, the Corporation is paying fixed interest rates ranging from 0.90275% to 1.3625% in exchange for variable rate payments equal to 70% of the effective Federal funds rate. The notional amounts on these swap agreements are tied to the outstanding principal on the underlying bond series. The Corporation has the option to terminate the interest rate swap agreements on or before July 1, 2034. As of December 31, 2023 and 2022, the fair value of the interest rate swap agreements, net of a credit value adjustment of $2,433 and $4,231, was $39,228 and $36,540, respectively, and is included in other assets, net.

On March 31, 2023, the Corporation entered into a secured revolving promissory note (the Note) for the principal amount of $50,000 with JPMorgan for routine working capital needs. The terms of the Note include a commitment fee of 0.12%. The interest rate is based on Secured Overnight Financing Rate (SOFR) and an adjusted term SOFR fixed rate of 0.10% for the interest period plus 0.55% per annum. As of December 31, 2023, $5,025 of the Note was used in the form of standby letters of credit (LOC) that provides liquidity support for the Corporation's self-insured workers' compensation and other programs. There was no cash drawn from the Note during the term. The Note expired on April 1, 2024 and was

(Continued)

(In thousands)

replaced with a $100,000 secured revolving promissory note (New Note) with JPMorgan expiring on March 28, 2025. All other terms of the New Note have not changed from the prior Note.

Scheduled maturities on long-term debt and future minimum payments on finance lease obligations at December 31, 2023 are as follows:

	Long-term debt	Finance leases	Total
2024	$ 45,767	16,163	61,930
2025	46,123	16,267	62,390
2026	132,667	16,463	149,130
2027	52,905	15,523	68,428
2028	59,105	14,784	73,889
Thereafter	2,722,630	381,572	3,104,202
Total	3,059,197	460,772	3,519,969
Plus unamortized bond premium	192,358	—	192,358
Less:			
Amount representing interest on finance lease obligations	—	197,396	197,396
Unamortized bond discount	729	—	729
Deferred financing costs, net	17,123	—	17,123
Current portion	45,767	5,547	51,314
Long-term portion	$ 3,187,936	257,829	3,445,765

(11) Employee Benefit Plans

The Corporation maintains a single noncontributory defined-benefit plan, the RWJ Barnabas Health Retirement Income Plan (the RWJBH Plan). Participation in the RWJBH Plan is closed to new entrants and is currently frozen to future benefit accruals. Benefits under the RWJBH Plan are substantially based on years of service and employee's career earnings. The Corporation will contribute to the RWJBH Plan based on actuarially determined amounts necessary to provide assets sufficient to meet anticipated benefit payments to plan participants and to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended by the Pension Protection Act of 2006, and Internal Revenue Service regulations.

In March 2022, the Administrative Committee of the Board of Trustees approved a plan to offer a single payment (lump sum), in lieu of the annuity benefit, to former vested employees in the RWJBH Plan with accrued benefits. ASC 715, *Compensation – Retirement Benefits*, requires settlement accounting when lump sum payments exceed the sum of service cost and interest cost for the plan year. When applying settlement accounting, the plan must recognize a portion of the unrecognized gains or losses as a one-time charge. The portion of the unrecognized gain or loss that is recognized immediately is equal to the

(In thousands)

percentage of the obligation that is settled. Since the RWJBH Plan's lump sum payments of $49,211 exceeded the 2022 service and interest cost of $31,990, settlement accounting was required for the 2022 plan year. As a result, there was a one-time charge to non-operating expenses of $15,654 in 2022.

GAAP requires recognition on the balance sheet of the funded status of defined-benefit pension plans and the recognition in net assets without donor restrictions of unrecognized actuarial gains and losses and prior service costs and credits. The funded status is measured as the difference between the fair value of the RWJBH Plan's assets and the projected benefit obligation of the RWJBH Plan.

Included in net assets without donor restrictions at December 31, 2023 and 2022 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized prior service cost of approximately $2,193 and $2,312, respectively, and unrecognized actuarial losses of approximately $261,897 and $261,491, respectively. Unrecognized prior service cost is the impact of changes in plan benefits applied retrospectively to employee service previously rendered. Unrecognized actuarial losses represent unexpected changes in the projected benefit obligation and plan assets over time, primarily due to changes in assumed discount rates and investment experience. Using the measurement date of December 31, the following table sets forth the funded status of the RWJBH Plan and the amounts recognized in the Corporation's consolidated financial statements:

.	December 31	
	2023	**2022**
Changes in benefit obligation:		
Benefit obligation at beginning of period	$ 823,281	1,072,292
Interest cost	45,822	31,990
Actuarial losses (gains)	26,731	(186,554)
Benefits paid and expenses	(66,088)	(45,236)
Settlements	—	(49,211)
Benefit obligation at end of year	829,746	823,281
Change in plan assets:		
Fair value of plan assets at beginning of period	769,955	1,043,274
Actual return on plan assets	60,492	(178,872)
Employer contributions	10,000	—
Benefits paid and expenses	(66,088)	(45,236)
Settlements	—	(49,211)
Fair value of plan assets at end of year	774,359	769,955
Funded status – accrued pension liability	$ (55,387)	(53,326)

The actuarial loss in 2023 resulted in an overall increase in the December 31, 2023 projected benefit obligation of $26,731, which was primarily attributable to a decrease in the discount rate assumption from 2022 to 2023. The actual return on the fair value of the plan assets since the prior measurement date was

(In thousands)

greater than the expected return on assets which partially offset the impact of the change in the discount rate.

The actuarial gain in 2022 resulted in an overall decrease in the December 31, 2022 projected benefit obligation of approximately $186,554, which was primarily attributable to an increase in the discount rate assumption from 2021 to 2022.

The actuarially computed net periodic pension cost for the years ended December 31, 2023 and 2022 included the following components, which are included in other nonoperating revenue, net:

		2023	2022
Interest costs	$	45,822	31,990
Expected return on plan assets		(42,464)	(35,460)
Amortization of actuarial loss and prior service credit		8,753	7,091
Settlement loss		—	15,654
Net periodic pension cost	$	12,111	19,275

The projected unit credit method is the actuarial cost method used to compute pension expense.

The weighted average assumptions used in determining the net periodic pension cost was discount rates of 5.82% and 3.09%, an expected long-term rate of return on plan assets of 5.82% and 3.55% and the weighted average interest crediting rate for cash balance plans was 4.76% and 2.25% for the years ended December 31, 2023 and 2022, respectively.

The weighted average assumption used in the accounting for the projected benefit obligation was a discount rate of 5.52% and 5.82% and the weighted average interest crediting rate for cash balance plans was 5.16% and 4.79% as of December 31, 2023 and 2022, respectively.

Expected benefit payments by year, as of December 31, 2023, are as follows:

2024	$	72,472
2025		74,249
2026		76,573
2027		74,821
2028		76,179
2029–2033		317,495

The consolidated assets of the RWJBH Plan are managed under a liability-driven investment (LDI) strategy. Under the LDI strategy, the expected rate of return on plan assets at December 31, 2023 is based upon the assumption that plan assets will be invested primarily in fixed income and other related securities based upon their ability to perform similarly to the characteristics of the plan liabilities over time.

(In thousands)

The following tables present the Corporation's fair value hierarchy for those pension plan assets measured at fair value as of December 31, 2023 and 2022. At December 31, 2023 or 2022, the Corporation held no Level 3 assets.

	December 31, 2023				
	Fair value	Level 1	Level 2	Level 3	NAV
Cash and cash equivalents	$ 13,297	13,297	—	—	—
Corporate bonds	383,486	—	383,486	—	—
Government bonds	137,616	—	137,616	—	—
Bond funds	65,777	—	65,777	—	—
Bank loans	3,393	—	3,393	—	—
Other investments	16,250	—	16,250	—	—
Alternative investments	154,540	—	—	—	154,540
	$ 774,359	13,297	606,522	—	154,540

	December 31, 2022				
	Fair value	Level 1	Level 2	Level 3	NAV
Cash and cash equivalents	$ 19,184	19,184	—	—	—
Corporate bonds	361,343	—	361,343	—	—
Government bonds	131,828	—	131,828	—	—
Bond funds	87,133	—	87,133	—	—
Bank loans	6,568	—	6,568	—	—
Other investments	13,535	—	13,535	—	—
Alternative investments	150,364	—	—	—	150,364
	$ 769,955	19,184	600,407	—	150,364

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Alternative investments include private equity investments, hedge funds, and other.

	2023			
Description of investment	Carrying value	Unfunded commitment	Redemption frequency	Redemption notice required
Hedge fund	$ —	—	Semi-annually	90 days
Private equity	71,356	93,850	—	—
Other	83,183	—	—	—
	$ 154,539	93,850		

(Continued)

(In thousands)

	2022			
Description of investment	Carrying value	Unfunded commitment	Redemption frequency	Redemption notice required
Hedge fund	$ 10,172	—	Semi-annually	90 days
Private equity	66,503	82,989	—	—
Other	73,689	—	—	—
	$ 150,364	82,989		

The Corporation maintains multiple defined-contribution retirement plans for its employees. Benefit expense for these plans for the years ended December 31, 2023 and 2022 was $96,947 and $90,459, respectively. The Corporation also has several supplemental executive retirement plans for certain key individuals. The plans were funded during 2023 and 2022 based upon the benefit formula as outlined in the plan documents.

(12) Leases

The following table presents the components of the ROU assets, liabilities, and expenses related to leases and their classification in the consolidated balance sheets and statements of operations as of and for the years ended December 31, 2023 and 2022:

Components of lease balances	Classification in consolidated balance sheets	2023	2022
Assets:			
Operating lease assets	ROU asset	$ 315,922	262,886
Finance lease assets	Property, plant, and equipment, net	252,498	154,386
Total leased assets		$ 568,420	417,272
Liabilities:			
Operating lease liabilities:			
Current	Lease obligations	$ 52,731	47,693
Long term	Lease obligations, net of current portion	289,678	236,923
Total operating lease liabilities		342,409	284,616
Finance lease liabilities:			
Current	Long-term debt	5,547	5,203
Long term	Long-term debt, net of current portion	257,829	150,560
Total finance lease liabilities		263,376	155,763
Total lease liabilities		$ 605,785	440,379

(Continued)

(In thousands)

Components of lease expense	Classification in consolidated statements of operations		2023	2022
Operating lease expense	Other operating expenses	$	65,300	56,576
Finance lease expense:				
Amortization of leased assets	Depreciation and amortization		11,098	8,118
Interest on lease liabilities	Interest		9,708	4,614
Total finance lease expense			20,806	12,732
Variable and short-term lease expense	Other operating expenses		24,146	20,994
Total lease expense		$	110,252	90,302

The Corporation determines if an arrangement is a lease at the inception of the contract. The ROU assets represent the Corporation's right to use the underlying assets for the lease term and the lease liabilities represent the Corporation's obligation to make lease payments arising from the leases. ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. An estimated incremental borrowing rate, which is derived from information available at the lease commencement date, is used to determine the present value of lease payments. The incremental borrowing rates for the portfolio of leases are based upon indicative borrowing rates for taxable debt with terms that correspond to the various lease terms.

The Corporation's operating leases are primarily for real estate, including medical office buildings, and corporate and other administrative offices, as well as medical and office equipment. Finance leases are primarily for real estate and medical equipment. Real estate lease agreements typically have initial terms of 5 to 10 years, and equipment lease agreements typically have initial terms between 2 and 5 years. The Corporation has certain long-term land leases whose original terms range from 50 to 98 years. Leases with an initial term of 12 months or less (short-term leases) are not recorded in the consolidated balance sheets.

Real estate leases may include one or more options to renew, with renewals that can extend the lease term from 1 to 20 years. The Corporation has the option to renew its land leases that can extend the lease term significantly. The exercise of lease renewal options is at the Corporation's sole discretion. Renewal options are assessed at the commencement date, modification date, and when a reassessment event has occurred. The renewal option is included in the lease term when it is reasonably certain to be exercised. Certain leases also include options to purchase the leased property. The useful life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

Certain lease agreements for real estate include payments based on actual common area maintenance expenses. These variable lease payments are recognized in other operating expenses, net, but are not included in the ROU asset or liability balances. Real estate leases generally include rental escalation clauses that are factored into the determination of lease expense when appropriate. Escalations based on an index, such as the Consumer Price Index, are estimated at the commencement date and differences to

(Continued)

(In thousands)

the initial estimate are treated as variable lease payments. The lease agreements do not contain any material residual value guarantees, restrictions, or covenants.

The Corporation has elected the practical expedient that allows lessees to choose to not separate lease and nonlease components by class of underlying asset and is applying this expedient to all real estate asset classes. The Corporation elected the practical expedient package to not reassess at adoption (i) whether expired or existing contracts contain leases under the new definition of a lease, (ii) lease classification for expired or existing leases, or (iii) whether previously capitalized initial direct costs would qualify for capitalization under Topic 842.

Sublease income is included in other revenue in the consolidated statements of operations and amounted to $3,919 and $4,074 for the years ended December 31, 2023 and 2022, respectively.

The weighted average lease terms and discount rates for operating and finance leases at December 31, 2023 and 2022 are presented in the following table:

	2023	2022
Weighted average remaining lease term:		
Operating leases	10.4 years	10.3 years
Finance leases	25.5 years	24.8 years
Weighted average discount rate:		
Operating leases	4.07 %	3.80 %
Finance leases	4.21	3.40

Cash flow and other information related to leases is included in the following table for the years ended December 31, 2023 and 2022:

		2023	2022
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash outflows from operating leases	$	62,238	53,888
Operating cash outflows from finance leases		9,708	4,614
Financing cash outflows from finance leases		5,362	5,647
ROU assets obtained in exchange for lease obligations:			
Operating leases	$	84,780	7,324
Finance leases		112,710	129,243

(Continued)

(In thousands)

Future maturities of lease liabilities at December 31, 2023 are presented in the following table:

		Operating leases	Finance leases	Total
2024	$	61,301	16,163	77,464
2025		53,649	16,267	69,916
2026		48,403	16,463	64,866
2027		43,669	15,523	59,192
2028		36,769	14,784	51,553
Thereafter		195,210	381,572	576,782
Total lease payments		439,001	460,772	899,773
Less imputed interest		96,592	197,396	293,988
Total lease obligations		342,409	263,376	605,785
Less current obligations		52,731	5,547	58,278
Long-term lease obligations	$	289,678	257,829	547,507

(13) Commitments and Contingencies

(a) Professional and General Liabilities

Commercial Professional Insurance Co. Ltd. (CPIC), is an off-shore captive insurance company located in Bermuda, which writes professional liability, comprehensive general liability, and other casualty lines of business for the Corporation and its affiliates. CPIC is a wholly owned affiliate of CBMC and is consolidated in the accompanying consolidated financial statements. Investments and other assets maintained by CPIC are reported in assets limited as to use under externally designated or restricted assets in the consolidated balance sheets. The Corporation has estimated a range of losses for its potential liability for professional liability, comprehensive general liability, and other casualty lines of business related to CPIC based upon its own past experience and industry experience data. These estimates include ultimate costs for unreported incidents and losses not covered by current insurance limits on a present value basis.

For policy years beginning July 1, 2004, CPIC provides payment of claims on a reimbursement basis for the Corporation's self-insurance program. For professional liability, the most recent limits are $1 million for each medical incident with a $3 million aggregate for CSH claims, $10 million for each medical incident with no aggregate for all other facilities, and a buffer layer of $5 million for each medical incident with an annual aggregate limit of $5 million. For general liability, the limit is $1 million for each and every general liability occurrence with no aggregate. Prior to July 1, 2018, the Corporation purchased excess coverage of $150 million from various carriers for amounts in excess of CPIC's retained limits. Beginning July 1, 2018, the excess coverage is funded through CPIC. CPIC purchases reinsurance through various carriers.

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At December 31, 2023 and 2022, total liabilities, which include tail coverage, were $416,578 and $378,320, respectively. The liabilities have been discounted at 2.5% and are included in self-insurance liabilities in the accompanying consolidated balance sheets. The undiscounted liability was $437,132 and $400,304 as of December 31, 2023 and 2022, respectively. The liabilities also include $49,416 and $42,697 of claims at December 31, 2023 and 2022, respectively, which are expected to be reimbursed by CPIC. Such amounts are included in other assets, net, in the accompanying consolidated balance sheets.

(b) Workers' Compensation

The Corporation is self-insured for the majority of workers' compensation benefits and has a commercial insurance policy excess of $1,000 each and every claim. At December 31, 2023 and 2022, the accrual for estimated workers' compensation claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported and totaled $69,606 and $65,315, respectively. The liabilities also include $15,279 and $11,034 of claims as of December 31, 2023 and 2022, respectively, which are expected to be reimbursed by the excess carrier. Such amounts are included in other assets, net. The Corporation's obligation to pay workers' compensation benefits from the runoff of a legacy workers' compensation program, which ended in 2013, is supported by an unsecured letter of credit in the amount of $4,850 (note 10).

(c) Employee Health Insurance

The Corporation maintains self-insured employee health benefit programs to provide coverage for its employees. At December 31, 2023 and 2022, the accrual for estimated employee health insurance claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported of approximately $31,691 and $38,840, respectively, and is included in self-insurance liabilities in the consolidated balance sheets.

(d) Litigation

Various investigations, lawsuits, and claims arising in the normal course of operations are pending or on appeal against the Corporation. While the ultimate effect of such actions cannot be determined at this time, it is the opinion of management that the liabilities that may arise from such actions would not materially affect the consolidated financial position or results of operations of the Corporation.

(e) EHR Platform

The Corporation entered into an agreement with EPIC to deploy an integrated Electronic Health Record (EHR) with supporting revenue cycle, data analytics, and consumer-facing digital capabilities. When completed, this integration will, among other things, establish one EHR across all ambulatory sites to support the ability to manage physicians as one integrated practice and support the consolidation of the various revenue cycle systems to an integrated solution.

The implementation will be done in phases. The first go-live was completed in May 2021. The anticipated completion date of the entire project is September 2024. Through December 31, 2023, the Corporation has incurred approximately $709,000 in capital and operating costs and anticipates spending an additional $91,000 to complete the project.

(In thousands)

(f) Other

Approximately 22% and 23% of the Corporation's employees were covered by collective bargaining agreements for the years ended December 31, 2023 and 2022, respectively, of which 5.6% expire in the next year.

(14) Functional Expenses

The Corporation provides general healthcare services primarily to residents within its geographic area and supports research and educational programs. Expenses are allocated based on estimated time and effort contingent upon the location and/or specialty the expense was incurred. Expenses related to providing these services and supporting functions are as follows for the years ended December 31, 2023 and 2022:

	2023		
	Healthcare services	General and administrative	Total
Salaries and wages	$ 2,674,504	764,312	3,438,816
Physician fees and salaries	984,404	109,378	1,093,782
Employee benefits	520,316	146,756	667,072
Supplies	1,407,643	10,439	1,418,082
Other	1,184,853	444,131	1,628,984
Interest	98,203	4,124	102,327
Depreciation and amortization	286,351	37,983	324,334
Total	$ 7,156,274	1,517,123	8,673,397

	2022		
	Healthcare services	General and administrative	Total
Salaries and wages	$ 2,532,797	498,283	3,031,080
Physician fees and salaries	855,555	95,062	950,617
Employee benefits	502,334	95,683	598,017
Supplies	1,302,740	18,921	1,321,661
Other	1,016,746	480,738	1,497,484
Interest	93,297	13,189	106,486
Depreciation and amortization	259,143	44,082	303,225
Total	$ 6,562,612	1,245,958	7,808,570

(15) Investments in Joint Ventures

Corporation has invested in a number of joint ventures to provide specialty healthcare services. These services include surgical, diagnostic imaging, home care and hospice, rehabilitation, medical

(Continued)

transportation, and fitness and wellness programs. The investments range from 25% to 51% ownership. The Corporation does not exercise operating control over these investments; accordingly, they are recorded under the equity method of accounting and report only the Corporation's share of net income attributable to the investee as equity in earnings in other revenue in the accompanying consolidated statements of operations. Financial information for the equity method investees for the years ended December 31, 2023 and 2022 includes net operating revenue of $1,376,806 and $1,034,026, net income of $318,176 and $252,666, and net income attributable to the Corporation of $115,415 and $92,991, respectively. For the year ended December 31, 2023 and 2022, the Corporation invested capital of $178,320 and $72,974 in joint ventures.

As disclosed in note 1, effective July 1, 2022, the Corporation purchased an additional of 33.55% equity interest in JAG-ONE for $73,688 and obtained operational control over the entity. As a result of the change in control, the equity investment of $54,431 was reversed resulting in a gain of $32,540 which is included in other, net within nonoperating (expenses) revenue. As of December 31, 2023, the Corporation had an 80.33% interest in JAG-ONE. The decrease in ownership resulted from a contribution from a shareholder of $8,100.

During 2023, the Corporation purchased the remaining ownership share of two equity method joint ventures. As a result of the change in control, equity investments of $11,706 were reversed resulting in a gain of $8,498 which is included in other, net within nonoperating (expenses) revenue.

Total investments in joint ventures amounted to $746,524 and $552,799 at December 31, 2023 and 2022, respectively. These amounts are included in other assets, net in the consolidated balance sheets.

(16) Affiliation with Rutgers, The State University of New Jersey

The Corporation, Rutgers, the State University of New Jersey (Rutgers), and Rutgers Health Group (RHG) entered into a Master Affiliation Agreement (MAA) in 2018 with the goal of integrating medical education, advanced research and healthcare delivery.

The MAA requires reciprocal commitments and the alignment of each party's respective strategic, operational, and financial interests, and activities as part of a coordinated and mutually supportive academic health system. The Corporation and Rutgers have executed on strategies contemplated in the MAA including integrating the clinical operations of the Faculty of Robert Wood Johnson Medical School (RWJMS) and the Rutgers CINJ through Integrated Practice Agreements (IPA). Under the terms of these agreements, Rutgers will continue to employ providers and certain support staff, but the Corporation is responsible for the operations of the clinical practices and related financial results. This included establishing a unified medical records system across the Corporation's entire medical group (including RWJMS and CINJ) and creating a unified and integrated patient experience.

As of December 31, 2023 and 2022, the Corporation owed Rutgers $211,275 and $211,935, net, respectively, under the MAA and IPA agreements. These amounts are included in accrued expenses and other liabilities in the consolidated balance sheets.

(17) Affiliations

The Corporation and Saint Peter's Healthcare System (SPHCS) had entered into a Definitive Agreement on September 10, 2020 to integrate the two healthcare systems. On June 14, 2022, the Corporation mutually agreed with the leadership of SPHCS to end the proposed transaction. In accordance with the Definitive Agreement, the Corporation incurred a $30,000 break-up fee in connection with the termination of this transaction. The amount is recorded as nonoperating (expenses) revenue in the consolidated statement of operations.

(18) Subsequent Events

On February 12, 2024, the Corporation entered into a Memorandum of Understanding with the NJHCFFA as a preliminary step towards a potential bond financing with a contemplated issuance date of second quarter 2024. On March 28, 2024, the NJHCFFA approved a contingent bond sale with principal amount not to exceed $760,000 with an interest rate not to exceed 6%. The Corporation anticipates that the proceeds of the potential issue will be used for capital projects of the Corporation. No assurance is given that such a bond issue will occur. The Corporation is currently evaluating the appropriate size of the potential transaction.

Management evaluated all events occurring subsequent to December 31, 2023 and through April 16, 2024, the date the consolidated financial statements were available to be issued. The Corporation did not have any material recognizable subsequent events during the period, except as previously disclosed.

RWJ BARNABAS HEALTH, INC.

Consolidating Schedule – Balance Sheet Information

December 31, 2023

(In thousands)

Assets	Barnabas Health, Inc.	Children's Specialized Hospital	Clara Maass Medical Center	Community Medical Center	Jersey City Medical Center	Monmouth Medical Center	Newark Beth Israel Medical Center	Robert Wood Johnson University Hospital
Current assets:								
Cash and cash equivalents	$ 4,122	1,163	5	10	16	15	344	904
Short-term investments	788,484	—	—	—	—	—	—	—
Assets limited or restricted as to use	60,916	2	—	—	—	—	—	5,110
Patient accounts receivable	4,601	23,381	34,979	49,273	52,046	67,186	99,761	204,127
Due from affiliates	237,252	72,875	62,988	258,354	249	562,296	220,450	626,391
Estimated amounts due from third-party payors	—	1,146	26,269	13,635	35,567	61,707	38,969	66,424
Other current assets	74,806	5,767	10,600	16,767	19,720	24,358	30,023	52,824
Total current assets	1,170,181	104,334	134,841	338,039	107,598	715,562	389,547	955,780
Assets limited or restricted as to use, noncurrent portion	53,320	2,849	3,022	3,405	2,691	4,079	27,081	29,345
Investments	3,287,850	—	—	—	—	—	441	—
Property, plant, and equipment, net	159,636	126,595	141,876	275,004	483,153	251,160	303,775	1,612,555
Right-of-use assets	48,984	19,725	310	23,571	38,398	6,520	1,925	17,699
Due from affiliates	100,525	—	—	—	—	—	—	—
Other assets, net	509,009	29,041	1,081	9,120	3,441	89,436	56	42,973
Total assets	$ 5,329,505	282,544	281,130	649,139	635,281	1,066,757	722,825	2,658,352
Liabilities and Net Assets								
Current liabilities:								
Accounts payable	$ 145,751	2,882	29,276	19,963	29,929	27,741	34,141	196,203
Accrued expenses and other current liabilities	251,289	19,206	31,262	43,892	50,376	51,719	65,719	264,959
Estimated amounts due to third-party payors	89	307	1,501	3,411	558	1,669	4,648	6,311
Long-term debt	415	298	1,380	1,729	4,519	1,848	5,389	28,909
Lease obligations	4,839	1,042	119	1,987	5,766	944	646	1,728
Due to affiliates	3,581,756	—	—	—	10,154	207,203	713	363
Self-insurance liabilities	44,063	—	—	—	—	—	—	—
Total current liabilities	4,028,202	23,735	63,538	70,982	101,302	291,124	111,256	498,473
Estimated amounts due to third-party payors, net of current portion	—	—	5,801	8,397	12,364	4,055	23,387	9,122
Self-insurance liabilities, net of current portion	150,220	—	—	—	—	—	—	—
Long-term debt, less current portion	284,230	32,390	150,294	136,230	318,302	278,778	314,173	1,251,362
Lease obligations, less current portion	46,337	19,185	195	22,156	35,785	5,750	1,843	16,421
Accrued pension liability	55,387	—	—	—	—	—	—	—
Other liabilities	54,557	2,849	4,573	3,405	7,740	4,097	21,728	15,042
Due to affiliates	—	34,802	—	—	—	—	—	—
Total liabilities	4,618,933	112,961	224,401	241,170	475,493	583,804	472,387	1,790,420
Net assets	710,572	169,583	56,729	407,969	159,788	482,953	250,438	867,932
Total liabilities and net assets	$ 5,329,505	282,544	281,130	649,139	635,281	1,066,757	722,825	2,658,352

(Continued)

RWJ BARNABAS HEALTH, INC.

Consolidating Schedule – Balance Sheet Information

December 31, 2023

(In thousands)

Assets	Robert Wood Johnson University Hospital at Hamilton	Robert Wood Johnson University Hospital Rahway	Cooperman Barnabas Medical Center	Consolidating entries and eliminations	Total obligated group	Other entities	Consolidating entries and eliminations	Consolidated balance
Current assets:								
Cash and cash equivalents	$ 69	8	58	—	6,714	170,598	—	177,312
Short-term investments	—	—	—	—	788,484	—	(245,104)	543,380
Assets limited or restricted as to use	176	356	—	—	66,560	30,456	—	97,016
Patient accounts receivable	20,003	15,507	137,367	—	708,231	175,564	—	883,795
Due from affiliates	85,537	45,508	1,142,185	(3,117,869)	196,216	1,378,519	(1,574,735)	—
Estimated amounts due from third-party payors	4,969	1,635	33,385	—	283,706	18,762	—	302,468
Other current assets	6,962	4,725	27,766	—	274,318	84,639	(44,382)	314,575
Total current assets	117,716	67,739	1,340,761	(3,117,869)	2,324,229	1,858,538	(1,864,221)	2,318,546
Assets limited or restricted as to use, noncurrent portion	1,897	1,467	56,581	—	185,737	274,598	—	460,335
Investments	29	43	742	—	3,289,105	13,171	245,104	3,547,380
Property, plant, and equipment, net	98,336	37,187	541,827	—	4,031,104	305,630	—	4,336,734
Right-of-use assets	4,389	256	10,182	—	171,959	143,963	—	315,922
Due from affiliates	—	—	—	(34,802)	65,723	14,813	(80,536)	—
Other assets, net	2,636	—	7,053	(127,523)	566,323	829,431	(152,875)	1,242,879
Total assets	$ 225,003	106,692	1,957,146	(3,280,194)	10,634,180	3,440,144	(1,852,528)	12,221,796
Liabilities and Net Assets								
Current liabilities:								
Accounts payable	$ 15,500	14,795	69,492	—	585,673	81,970	—	667,643
Accrued expenses and other current liabilities	15,340	9,931	107,696	—	911,389	538,284	(39,502)	1,410,171
Estimated amounts due to third-party payors	1,191	952	1,411	—	22,048	336	—	22,384
Long-term debt	1,102	206	9,248	—	55,043	1,151	(4,880)	51,314
Lease obligations	593	82	1,934	—	19,680	33,051	—	52,731
Due to affiliates	13	—	4,000	(3,117,869)	686,333	888,402	(1,574,735)	—
Self-insurance liabilities	—	—	—	—	44,063	70,240	—	114,303
Total current liabilities	33,739	25,966	193,781	(3,117,869)	2,324,229	1,613,434	(1,619,117)	2,318,546
Estimated amounts due to third-party payors, net of current portion	5,618	6,077	5,756	—	80,577	44,515	—	125,092
Self-insurance liabilities, net of current portion	—	—	—	—	150,220	253,353	—	403,573
Long-term debt, net of current portion	115,186	16,941	458,320	—	3,356,206	89,559	—	3,445,765
Lease obligations, less current portion	4,020	176	9,667	—	161,535	128,143	—	289,678
Accrued pension liability	—	—	—	—	55,387	—	—	55,387
Other liabilities	1,948	1,012	12,715	(2,523)	127,143	50,560	—	177,703
Due to affiliates	—	—	14,813	(34,802)	14,813	65,723	(80,536)	—
Total liabilities	160,511	50,172	695,052	(3,155,194)	6,270,110	2,245,287	(1,699,653)	6,815,744
Net assets	64,492	56,520	1,262,094	(125,000)	4,364,070	1,194,857	(152,875)	5,406,052
Total liabilities and net assets	$ 225,003	106,692	1,957,146	(3,280,194)	10,634,180	3,440,144	(1,852,528)	12,221,796

See accompanying independent auditors' report.

RWJ BARNABAS HEALTH, INC.

Consolidating Schedule – Balance Sheet Information

December 31, 2022

(In thousands)

Assets	Barnabas Health, Inc.	Children's Specialized Hospital	Clara Maass Medical Center	Community Medical Center	Jersey City Medical Center	Monmouth Medical Center	Newark Beth Israel Medical Center	Robert Wood Johnson University Hospital
Current assets:								
Cash and cash equivalents	$ 19,850	1,468	5	9	16	12	363	848
Short-term investments	696,062	—	—	—	—	—	—	—
Assets limited or restricted as to use	61,639	5	—	—	61	—	—	5,314
Patient accounts receivable	668	17,834	32,132	46,746	47,182	60,298	79,009	209,699
Due from affiliates	468,146	83,184	68,228	301,054	32,024	556,022	291,724	1,346,527
Estimated amounts due from third-party payors	—	819	23,459	5,925	34,502	15,283	29,872	40,968
Other current assets	70,694	12,159	11,802	15,543	19,752	26,761	35,049	47,726
Total current assets	1,317,059	115,469	135,626	369,277	133,537	658,376	436,017	1,651,082
Assets limited or restricted as to use, noncurrent portion	224,327	2,211	2,724	2,809	2,098	3,647	26,018	12,743
Investments	3,608,132	—	—	—	—	—	1,005	—
Property, plant, and equipment, net	324,827	121,394	120,319	212,057	394,933	181,337	210,150	1,216,039
Right-of-use assets	50,140	1,838	220	12,578	43,960	6,223	2,799	8,717
Due from affiliates	88,894	—	—	—	—	—	—	—
Other assets, net	480,586	31,569	1,500	10,706	6,705	55,149	204	53,551
Total assets	$ 6,093,965	272,481	260,389	607,427	581,233	904,732	676,193	2,942,132
Liabilities and Net Assets								
Current liabilities:								
Accounts payable	$ 110,976	4,221	24,853	20,255	26,372	28,939	34,068	126,868
Accrued expenses and other current liabilities	226,222	18,437	25,990	39,896	53,247	54,177	76,908	212,740
Estimated amounts due to third-party payors	89	664	1,139	3,990	2,852	1,380	3,301	1,727
Long-term debt	620	862	1,463	1,457	3,128	1,934	4,262	22,389
Lease obligations	4,595	672	122	1,575	6,002	896	659	1,323
Due to affiliates	4,448,499	263	1,204	3,523	680	191,033	61	265,370
Self-insurance liabilities	50,848	—	—	—	—	—	—	—
Total current liabilities	4,841,849	25,119	54,771	70,696	92,281	278,359	119,259	630,417
Estimated amounts due to third-party payors, net of current portion	—	—	6,053	19,260	13,363	3,378	26,576	8,540
Self-insurance liabilities, net of current portion	138,273	—	—	—	—	—	—	—
Long-term debt, less current portion	285,060	39,492	152,048	138,290	316,740	281,186	320,651	1,187,558
Lease obligations, less current portion	47,333	1,330	102	11,216	40,850	5,431	2,393	7,683
Accrued pension liability	53,326	—	—	—	—	—	—	—
Other liabilities	49,828	2,211	2,860	2,809	7,130	4,607	19,064	15,409
Due to affiliates	—	38,763	—	—	—	—	—	—
Total liabilities	5,415,669	106,915	215,834	242,271	470,364	572,961	487,943	1,849,607
Net assets	678,296	165,566	44,555	365,156	110,869	331,771	188,250	1,092,525
Total liabilities and net assets	$ 6,093,965	272,481	260,389	607,427	581,233	904,732	676,193	2,942,132

(Continued)

RWJ BARNABAS HEALTH, INC.

Consolidating Schedule – Balance Sheet Information

December 31, 2022

(In thousands)

Assets	Robert Wood Johnson University Hospital at Hamilton	Robert Wood Johnson University Hospital Rahway	Cooperman Barnabas Medical Center	Consolidating entries and eliminations	Total obligated group	Other entities	Consolidating entries and eliminations	Consolidated balance
Current assets:								
Cash and cash equivalents	$ 38	5	67	—	22,681	244,844	—	267,525
Short-term investments	—	—	—	—	696,062	—	(261,805)	434,257
Assets limited or restricted as to use	132	323	—	—	67,474	30,785	—	98,259
Patient accounts receivable	18,728	15,138	126,024	—	653,458	126,631	—	780,089
Due from affiliates	74,104	48,163	1,175,701	(3,995,530)	449,347	1,427,861	(1,877,208)	—
Estimated amounts due from third-party payors	2,291	1,818	21,811	—	176,748	8,281	—	185,029
Other current assets	6,412	5,149	27,934	—	278,981	69,343	(39,036)	309,288
Total current assets	101,705	70,596	1,351,537	(3,995,530)	2,344,751	1,907,745	(2,178,049)	2,074,447
Assets limited or restricted as to use, noncurrent portion	2,117	1,435	29,538	—	309,667	257,957	—	567,624
Investments	112	23	685	—	3,609,957	26,700	261,805	3,898,462
Property, plant, and equipment, net	98,340	39,461	397,259	—	3,316,116	274,856	—	3,590,972
Right-of-use assets	4,890	319	12,711	—	144,395	118,491	—	262,886
Due from affiliates	—	—	—	(38,763)	50,131	14,812	(64,943)	—
Other assets, net	2,760	32	5,853	(127,555)	521,060	537,102	(137,927)	920,235
Total assets	$ 209,924	111,866	1,797,583	(4,161,848)	10,296,077	3,137,663	(2,119,114)	11,314,626
Liabilities and Net Assets								
Current liabilities:								
Accounts payable	$ 15,641	14,663	62,301	—	469,157	72,714	—	541,871
Accrued expenses and other current liabilities	11,299	11,321	89,747	—	819,984	512,843	(33,237)	1,299,590
Estimated amounts due to third-party payors	1,111	584	1,160	—	17,997	309	—	18,306
Long-term debt	1,652	175	10,481	—	48,423	324	(5,799)	42,948
Lease obligations	630	80	2,258	—	18,812	28,881	—	47,693
Due to affiliates	641	239	3,547	(3,995,530)	919,530	957,678	(1,877,208)	—
Self-insurance liabilities	—	—	—	—	50,848	73,191	—	124,039
Total current liabilities	30,974	27,062	169,494	(3,995,530)	2,344,751	1,645,940	(1,916,244)	2,074,447
Estimated amounts due to third-party payors, net of current portion	1,213	6,062	3,193	—	87,638	44,565	—	132,203
Self-insurance liabilities, net of current portion	—	—	—	—	138,273	220,162	—	358,435
Long-term debt, net of current portion	116,727	17,175	469,398	—	3,324,325	81,474	(4,880)	3,400,919
Lease obligations, less current portion	4,426	246	11,109	—	132,119	104,804	—	236,923
Accrued pension liability	—	—	—	—	53,326	—	—	53,326
Other liabilities	2,170	987	11,369	(2,555)	115,889	42,825	—	158,714
Due to affiliates	—	—	14,813	(38,763)	14,813	50,130	(64,943)	—
Total liabilities	155,510	51,532	679,376	(4,036,848)	6,211,134	2,189,900	(1,986,067)	6,414,967
Net assets	54,414	60,334	1,118,207	(125,000)	4,084,943	947,763	(133,047)	4,899,659
Total liabilities and net assets	$ 209,924	111,866	1,797,583	(4,161,848)	10,296,077	3,137,663	(2,119,114)	11,314,626

See accompanying independent auditors' report.

RWJ BARNABAS HEALTH, INC.

Consolidating Schedule – Statement of Operations and Changes in Net Assets Information

Year ended December 31, 2023

(In thousands)

	Barnabas Health, Inc.	Children's Specialized Hospital	Clara Maass Medical Center	Community Medical Center	Jersey City Medical Center	Monmouth Medical Center	Newark Beth Israel Medical Center	Robert Wood Johnson University Hospital
Revenue:								
Patient service revenue	$ —	165,127	356,561	512,803	512,373	677,161	747,505	1,888,709
Other revenue, net	1,558,819	20,744	6,633	8,517	27,534	36,208	66,891	88,907
Total revenue	1,558,819	185,871	363,194	521,320	539,907	713,369	814,396	1,977,616
Expenses:								
Salaries and wages	385,060	99,393	140,973	184,025	176,024	229,310	268,936	629,339
Physician fees and salaries	55,986	12,010	30,601	48,106	64,675	63,752	112,162	271,952
Employee benefits	472,215	24,581	24,955	33,200	32,363	38,899	62,723	90,885
Supplies	64,009	5,873	49,708	91,636	80,710	111,499	124,705	391,895
Other	496,763	35,244	107,808	141,780	154,134	177,027	212,762	502,921
Interest	5,334	2,455	5,898	4,795	9,049	9,980	9,343	32,750
Depreciation and amortization	33,196	9,994	14,653	20,463	30,069	23,449	21,900	85,168
Total expenses	1,512,563	189,550	374,596	524,005	547,024	653,916	812,531	2,004,910
Income (loss) from operations before work stoppage costs	46,256	(3,679)	(11,402)	(2,685)	(7,117)	59,453	1,865	(27,294)
Work stoppage costs	—	—	—	—	—	—	—	183,783
Income (loss) from operations	46,256	(3,679)	(11,402)	(2,685)	(7,117)	59,453	1,865	(211,077)
Nonoperating (expenses) revenue, net:								
Investment (loss) income, net	478,672	—	7	—	—	—	235	(146)
Other, net	1,589	—	(869)	(1,869)	(967)	(1,514)	(1,943)	(886)
Total nonoperating (expenses) revenue, net	480,261	—	(862)	(1,869)	(967)	(1,514)	(1,708)	(1,032)
Excess (deficiency) of revenue over expenses	526,517	(3,679)	(12,264)	(4,554)	(8,084)	57,939	157	(212,109)
Pension changes other than net periodic benefit cost	50	—	—	—	—	—	—	—
Net assets released from restriction for purchases of property and equipment	—	7,440	1,097	2,001	2,759	355	2,535	8,040
Net assets transfer	—	—	—	—	—	—	—	(2,011)
Other, net	(494,291)	2,532	23,687	46,830	44,118	59,047	59,273	(11,409)
Total other changes in net assets	(494,241)	9,972	24,784	48,831	46,877	59,402	61,808	(5,380)
Increase (decrease) in net assets without donor restrictions	32,276	6,293	12,520	44,277	38,793	117,341	61,965	(217,489)
Change in net assets with donor restrictions	—	(2,276)	(346)	(1,464)	10,126	33,841	223	(7,104)
Net assets, beginning of year	678,296	165,566	44,555	365,156	110,869	331,771	188,250	1,092,525
Net assets, end of year	$ 710,572	169,583	56,729	407,969	159,788	482,953	250,438	867,932

(Continued)

RWJ BARNABAS HEALTH, INC.

Consolidating Schedule – Statement of Operations and Changes in Net Assets Information

Year ended December 31, 2023

(In thousands)

	Robert Wood Johnson University Hospital at Hamilton	Robert Wood Johnson University Hospital Rahway	Cooperman Barnabas Medical Center	Consolidating entries and eliminations	Total obligated group	Other entities	Consolidating entries and eliminations	Consolidated balance
Revenue:								
Patient service revenue	$ 224,987	129,838	1,185,835	—	6,400,899	1,540,760	—	7,941,659
Other revenue, net	3,868	5,559	27,668	(1,324,892)	526,456	881,134	(761,890)	645,700
Total revenue	228,855	135,397	1,213,503	(1,324,892)	6,927,355	2,421,894	(761,890)	8,587,359
Expenses:								
Salaries and wages	76,345	56,425	324,311	—	2,570,141	699,955	—	3,270,096
Physician fees and salaries	14,536	11,796	112,954	—	798,530	720,493	(425,241)	1,093,782
Employee benefits	10,196	9,296	58,627	(314,419)	543,521	198,609	(81,874)	660,256
Supplies	42,286	19,321	267,619	—	1,249,261	173,318	(4,528)	1,418,051
Other	62,387	35,803	356,934	(1,006,201)	1,277,362	591,515	(248,109)	1,620,768
Interest	4,255	619	17,267	(4,272)	97,473	6,992	(2,138)	102,327
Depreciation and amortization	10,686	4,925	35,644	—	290,147	34,187	—	324,334
Total expenses	220,691	138,185	1,173,356	(1,324,892)	6,826,435	2,425,069	(761,890)	8,489,614
Income (loss) from operations before work stoppage costs	8,164	(2,788)	40,147	—	100,920	(3,175)	—	97,745
Work stoppage costs	—	—	—	—	183,783	—	—	183,783
Income (loss) from operations	8,164	(2,788)	40,147	—	(82,863)	(3,175)	—	(86,038)
Nonoperating (expenses) revenue, net:								
Investment (loss) income, net	(82)	—	593	—	479,279	5,345	—	484,624
Other, net	—	(1,079)	(1,709)	—	(9,247)	8,321	—	(926)
Total nonoperating (expenses) revenue, net	(82)	(1,079)	(1,116)	—	470,032	13,666	—	483,698
Excess (deficiency) of revenue over expenses	8,082	(3,867)	39,031	—	387,169	10,491	—	397,660
Pension changes other than net periodic benefit cost	—	—	—	—	50	—	—	50
Net assets released from restriction for purchases of property and equipment	287	593	4,613	—	29,720	4,597	—	34,317
Net assets transfer	—	—	—	—	(2,011)	2,011	—	—
Other, net	1,833	332	76,084	—	(191,964)	212,312	7,771	28,119
Total other changes in net assets	2,120	925	80,697	—	(164,205)	218,920	7,771	62,486
Increase (decrease) in net assets without donor restrictions	10,202	(2,942)	119,728	—	222,964	229,411	7,771	460,146
Change in net assets with donor restrictions	(124)	(872)	24,159	—	56,163	17,683	(27,599)	46,247
Net assets, beginning of year	54,414	60,334	1,118,207	(125,000)	4,084,943	947,763	(133,047)	4,899,659
Net assets, end of year	$ 64,492	56,520	1,262,094	(125,000)	4,364,070	1,194,857	(152,875)	5,406,052

See accompanying independent auditors' report.

RWJ BARNABAS HEALTH, INC.

Consolidating Schedule – Statement of Operations and Changes in Net Assets Information

Year ended December 31, 2022

(In thousands)

	Barnabas Health, Inc.	Children's Specialized Hospital	Clara Maass Medical Center	Community Medical Center	Jersey City Medical Center	Monmouth Medical Center	Newark Beth Israel Medical Center	Robert Wood Johnson University Hospital
Revenue:								
Patient service revenue	$ —	150,141	360,168	458,368	456,789	577,580	669,877	1,761,696
CARES Act grant revenue	—	98	2,435	3,062	3,070	3,900	4,707	11,991
Other revenue, net	1,269,383	23,962	8,531	8,149	25,851	24,481	50,370	54,365
Total revenue	1,269,383	174,201	371,134	469,579	485,710	605,961	724,954	1,828,052
Expenses:								
Salaries and wages	289,644	93,474	145,023	185,306	176,824	232,221	249,537	623,913
Physician fees and salaries	58,078	10,813	25,947	47,352	71,641	70,180	97,653	246,619
Employee benefits	408,581	22,457	27,969	32,159	31,788	39,049	59,492	87,368
Supplies	12,286	5,818	52,920	92,112	75,347	111,740	122,450	395,886
Other	413,949	33,913	99,453	119,002	129,536	158,020	170,857	388,330
Interest	10,958	2,614	6,009	4,528	9,817	10,182	9,100	29,255
Depreciation and amortization	32,359	8,219	14,145	17,971	24,559	27,908	23,330	78,621
Total expenses	1,225,855	177,308	371,466	498,430	519,512	649,300	732,419	1,849,992
Income (loss) from operations	43,528	(3,107)	(332)	(28,851)	(33,802)	(43,339)	(7,465)	(21,940)
Nonoperating (expenses) revenue, net:								
Investment (loss) income, net	(648,824)	—	1	—	—	—	(286)	(205)
Contribution received in acquisition	—	—	—	—	—	—	—	—
Other, net	(15,587)	—	(260)	(559)	(289)	(453)	(581)	(265)
Total nonoperating (expenses) revenue, net	(664,411)	—	(259)	(559)	(289)	(453)	(867)	(470)
(Deficiency) excess of revenue over expenses	(620,883)	(3,107)	(591)	(29,410)	(34,091)	(43,792)	(8,332)	(22,410)
Pension changes other than net periodic benefit cost	(5,033)	—	—	—	—	—	—	—
Net assets released from restriction for purchases of property and equipment	—	12,466	534	2,053	1,473	10,368	2,464	6,297
Other, net	(322,008)	9,855	(579)	139	474	(1,471)	2,940	102,936
Total other changes in net assets	(327,041)	22,321	(45)	2,192	1,947	8,897	5,404	109,233
(Decrease) increase in net assets without donor restrictions	(947,924)	19,214	(636)	(27,218)	(32,144)	(34,895)	(2,928)	86,823
Change in net assets with donor restrictions	—	(5,422)	61	(1,832)	3,777	(4,814)	(125)	2,486
Net assets, beginning of year	1,626,220	151,774	45,130	394,206	139,236	371,480	191,303	1,003,216
Net assets, end of year	$ 678,296	165,566	44,555	365,156	110,869	331,771	188,250	1,092,525

(Continued)

RWJ BARNABAS HEALTH, INC.

Consolidating Schedule – Statement of Operations and Changes in Net Assets Information

Year ended December 31, 2022

(In thousands)

	Robert Wood Johnson University Hospital at Hamilton	Robert Wood Johnson University Hospital Rahway	Cooperman Barnabas Medical Center	Consolidating entries and eliminations	Total obligated group	Other entities	Consolidating entries and eliminations	Consolidated balance
Revenue:								
Patient service revenue	$ 193,883	121,411	1,071,714	—	5,821,627	1,172,282	—	6,993,909
CARES Act grant revenue	1,305	812	7,180	—	38,560	9,583	—	48,143
Other revenue, net	3,930	6,115	17,221	(1,062,823)	429,535	751,613	(625,712)	555,436
Total revenue	199,118	128,338	1,096,115	(1,062,823)	6,289,722	1,933,478	(625,712)	7,597,488
Expenses:								
Salaries and wages	80,355	59,219	323,601	—	2,459,117	571,963	—	3,031,080
Physician fees and salaries	15,480	13,876	126,277	—	783,916	602,766	(436,065)	950,617
Employee benefits	10,409	8,775	60,204	(303,555)	484,696	163,336	(50,015)	598,017
Supplies	41,314	23,633	241,222	—	1,174,728	151,083	(4,150)	1,321,661
Other	62,116	37,615	320,954	(756,836)	1,176,909	453,908	(133,333)	1,497,484
Interest	4,291	623	18,836	(2,432)	103,781	4,854	(2,149)	106,486
Depreciation and amortization	10,001	4,934	31,444	—	273,491	29,734	—	303,225
Total expenses	223,966	148,675	1,122,538	(1,062,823)	6,456,638	1,977,644	(625,712)	7,808,570
Income (loss) from operations	(24,848)	(20,337)	(26,423)	—	(166,916)	(44,166)	—	(211,082)
Nonoperating (expenses) revenue, net:								
Investment (loss) income, net	(27)	(10)	(591)	—	(649,942)	(14,486)	—	(664,428)
Contribution received in acquisition	—	—	—	—	—	264,636	—	264,636
Other, net	—	(323)	(511)	—	(18,828)	29,937	—	11,109
Total nonoperating (expenses) revenue, net	(27)	(333)	(1,102)	—	(668,770)	280,087	—	(388,683)
(Deficiency) excess of revenue over expenses	(24,875)	(20,670)	(27,525)	—	(835,686)	235,921	—	(599,765)
Pension changes other than net periodic benefit cost	—	—	—	—	(5,033)	—	—	(5,033)
Net assets released from restriction for purchases of property and equipment	488	105	10,055	—	46,303	3,422	—	49,725
Other, net	18,982	11,701	2,153	—	(174,878)	210,970	9,756	45,848
Total other changes in net assets	19,470	11,806	12,208	—	(133,608)	214,392	9,756	90,540
(Decrease) increase in net assets without donor restrictions	(5,405)	(8,864)	(15,317)	—	(969,294)	450,313	9,756	(509,225)
Change in net assets with donor restrictions	(109)	(47)	(3,301)	—	(9,326)	33,477	(3,816)	20,335
Net assets, beginning of year	59,928	69,245	1,136,825	(125,000)	5,063,563	463,973	(138,987)	5,388,549
Net assets, end of year	$ 54,414	60,334	1,118,207	(125,000)	4,084,943	947,763	(133,047)	4,899,659

See accompanying independent auditors' report.

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APPENDIX C

SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT, THE TRUST AGREEMENT AND THE MASTER INDENTURE

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APPENDIX C

SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT, THE TRUST AGREEMENT AND THE MASTER INDENTURE

Brief descriptions of the Loan Agreement, the Trust Agreement and the Master Indenture are included hereafter in this Appendix C. Such descriptions do not purport to be comprehensive or definitive; all references herein to the Series 2024A Note, the Loan Agreement, the Trust Agreement and the Master Indenture are qualified in their entirety by reference to each such document, copies of which are available for review prior to the issuance and delivery of the Series 2024A Bonds at the offices of the Underwriter and thereafter at the offices of the Master Trustee. Capitalized terms used herein and not otherwise defined have the meaning given to such terms in this Official Statement, the Loan Agreement, the Trust Agreement or the Master Indenture, respectively.

DEFINITIONS OF CERTAIN TERMS

The following is a summary of the definitions of certain terms used in the Loan Agreement, the Trust Agreement and the Master Indenture.

"Accepted Plan" shall have the meaning given to such term as described in subsection (d) under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Insurance Requirements" herein.

"Accounts" has the meaning set forth in the New Jersey Uniform Commercial Code.

"Act" shall mean the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c.29 (N.J.S.A. 26:2I-1 et seq.), as the same may be amended from time to time.

"Affiliate" shall mean a corporation, limited liability company, partnership, joint venture, association, business trust or similar entity (a) which is controlled directly or indirectly by a Member; or (b) a majority of the members of the Directing Body of which are members of the Directing Body of a Member. For the purposes of this definition, control means with respect to: (a) a corporation having stock, the ownership, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors of such corporation; (b) a not for profit corporation not having stock, having the power to elect or appoint, directly or indirectly, a majority of the members of the Directing Body of such corporation; or (c) any other entity, the power to direct the management of such entity through the ownership of at least a majority of its voting securities or the right to designate or elect at least a majority of the members of its Directing Body, by contract or otherwise. For the purposes of this definition, *"Directing Body"* means with respect to: (a) a corporation having stock, such corporation's board of directors and the owners, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporation's directors (both of which groups shall be considered a Directing Body); (b) a not for profit corporation not having stock, such corporation's members if the members have complete discretion or reserved approval rights to elect the corporation's directors, or 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" shall mean an Obligation, expressly identified as an Ancillary Obligation in such Obligation, in a Supplemental 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 to be a Debt Obligation.

"Assignment" shall mean the Assignment, dated as of May 1, 2024, executed by the Authority to the Bond Trustee, relating to the Series 2024A Bonds.

"Audited Financial Statements" shall mean the audited consolidated and consolidating financial statements of the Members of the Combined Group prepared in accordance with GAAP, which provide a breakout of the revenues and expenses and a balance sheet for each Member of the Combined Group sufficient to evaluate compliance with the various financial covenants contained in the Loan Agreement and the Master Indenture, in reasonable detail and audited by an independent firm of certified public accountants.

"Authority" shall mean the New Jersey Health Care Facilities Financing Authority, a public body corporate and politic and a political subdivision of the State of New Jersey.

"Authorized Officer" shall mean, (i) in the case of the Authority, the Chairman, Vice-Chairman, Secretary, Assistant Secretary, Treasurer, Assistant Treasurer or Executive Director or Deputy Executive Director and when used with reference to any act or document also means any other person authorized by the by-laws or any resolution of the Authority to perform such act or execute such document, and (ii) with respect to the Borrower, any person designated as an Authorized Officer of the Borrower by a certificate of the Borrower executed by the Borrower and filed with the Bond Trustee and the Authority.

"Balloon Indebtedness" shall mean, (1) Long-Term Indebtedness, fifteen percent (15%) 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 fifteen percent (15%) or more is not to be amortized to below fifteen percent (15%) by mandatory redemption prior to such twelve month period, or (2) any portion of an issue of Indebtedness which, if treated as a separate issue of 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.

"BMA" shall have the meaning given to such term as described in subsection (e)(B)(i) under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Insurance Requirements" herein.

"Board", when used in connection with any Member of the Obligated Group, shall mean its board of directors, board of trustees, board of governors or other board or group of individuals in which all the powers of such Member for the management of its corporate assets are vested.

"Bond Counsel" shall mean a nationally recognized firm of attorneys having experience in the field of municipal finance that is satisfactory to an Authorized Officer of the Authority.

"Bondholder" or **"Holder"** shall mean, with respect to the Loan Agreement, the registered owner of any Series 2024A Bond issued pursuant to the Trust Agreement, and with respect to the Master Indenture, the registered owner of any Related Bond.

"Bond Index" shall mean, at the option of the Combined Group Agent as set forth in 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 (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 Combined Group Agent.

"Bond Trustee" shall mean U.S. Bank Trust Company, National Association, or any other bank, trust company or national banking association appointed under the Trust Agreement to act as the bond trustee for the Series 2024A Bonds, or its successor.

"Book Value", when used with respect to Property, shall mean 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 Combined Group Agent, the Combined 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 Combined Group, as the case may be, is included more than once.

"Borrower" or **"Corporation"** shall mean RWJ Barnabas Health, Inc., a New Jersey nonprofit corporation, and its successors and assigns and any surviving, resulting or transferee corporation.

"Business Day" shall mean a day which is not (a) a Saturday, Sunday or legal holiday on which banking institutions in the State of New Jersey or the State of New York are authorized or required by law to close, or (b) a day on which the New York Stock Exchange is closed.

Upon the effectiveness of the provisions of Article Three of the Fifteenth Supplemental Indenture, the definition of a new defined term "Capitalization" will be added to the Master Indenture which will read in its entirety as follows:

> **"Capitalization"** means, as of any date of calculation, the sum of the principal amount of all Outstanding Long-Term Indebtedness plus the unrestricted net assets of the Combined Group or, at the option of the Combined Group Agent, the System (if permitted by and as set forth in subsection (b) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Accounting Principles and Financial Reporting" herein), as determined in accordance with GAAP.

"Capitalized Interest" shall mean 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" shall mean 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" shall mean, 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.

"Captive" shall have the meaning given to such term as described in subsection (e) under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Insurance Requirements" herein.

"Change in Use" shall mean a change in use of a Financed Facility whereby the resulting use would result in the Series 2024A Bonds meeting the "private business use test" set forth in Code Section 141(b), as modified by Treasury Regulation 1.145-2(b) to apply to "qualified 501(c)(3) bonds" (as such term is defined in Code Section 145(a)) which, in the opinion of Bond Counsel would, unless a remedial action has been taken, cause the interest on the Series 2024A Bonds to be includable in gross income for Federal income tax purposes or to constitute a tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed pursuant to Section 55 of the Code.

"Chattel Paper" has the meaning set forth in the New Jersey Uniform Commercial Code.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"Combined Group" shall mean, collectively, all Members of the Obligated Group and all Designated Affiliates under the Master Indenture.

"Combined Group Agent" shall mean the Borrower or the Corporation, as applicable, or such other Member of the Obligated Group as may be designated from time to time pursuant to written notice to the Master Trustee, executed by an Authorized Officer of the Borrower or the Corporation, as applicable, or, if the Borrower or the Corporation, as applicable, is no longer a Member of the Obligated Group, of each Member of the Obligated Group.

"Commodities Accounts" shall mean all Commodities Accounts, as that term is defined in the New Jersey Uniform Commercial Code, of the Members of the Obligated Group.

"Completion Indebtedness" shall mean 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.

"Computation Date" shall mean the "computation date" referenced in Treasury Regulation Section 1.148-1 et seq.

"Consultant" shall mean:

(i) with respect to the Loan Agreement, an Independent professional consulting, financial advisory, accounting, investment banking or commercial banking firm selected by the Combined Group Agent 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; provided that any Person so appointed is not unsatisfactory to the Master Trustee and, if appointed with respect to the financial affairs, management or operations of the Borrower, is acceptable to an Authorized Officer of the Authority. If any Consultant's certificate or report is required to be given with respect to matters partly within and partly without the expertise of any Consultant, such Consultant may rely upon the report or opinion of another Consultant possessing the necessary expertise; and

(ii) with respect to the Master Indenture, a professional consulting, financial advisory, accounting, investment banking or commercial banking firm selected by the Combined Group Agent and not unacceptable to the Master Trustee (at the direction of the holders of not less than a majority in the aggregate principal amount of the Debt Obligations Outstanding), 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 Combined Group or any Affiliate thereof and is not controlled by or under common control with any Member of the Combined Group or an Affiliate thereof.

"Contract Rights" has the meaning set forth in the New Jersey Uniform Commercial Code.

"Controlling Member" shall mean the Member designated by the Combined Group Agent to establish and maintain control over a Designated Affiliate as provided in subsection (C) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Payment of Principal, Premium, if any, and Interest and Other Amounts; Designated Affiliates and System Affiliates" herein.

"Costs of Issuance" shall mean all items of expense directly or indirectly payable by or reimbursable to the Authority or the Borrower and related to the authorization, issuance, sale and delivery of the Series 2024A Bonds, including but not limited to, advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Bond Trustee (including, but not limited to, reasonable counsel fees), initial and ongoing fees and charges of the Authority, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of the Series 2024A Bonds, and any other cost, charge or fee in connection with the original issuance of Series 2024A Bonds.

"Costs of Issuance Fund" shall mean the fund by that name created and established pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE TRUST AGREEMENT – Pledge and Assignment; Establishment of Funds".

"Cost of the Project" or **"Costs of the Project"** shall mean costs incurred or estimated to be incurred by the Borrower or the Authority which are reasonable and necessary for carrying out all works and undertakings and providing all necessary equipment for the acquisition, construction, development and completion of the Project (or any repair or replacement thereof), exclusive of the amount of any federal, State or local financial assistance received by the Borrower for the payments of such costs, including, without limiting the generality of the foregoing, interest on the Series 2024A Bonds prior to, during and for a reasonable period after the acquisition, construction, development and completion of the Project; start-up costs and costs of operation and maintenance during the construction period and for a reasonable additional period thereafter; the cost of necessary studies, surveys, plans and specifications, architectural, engineering, legal or other special services; the cost of the acquisition of land, buildings and improvements thereon (including payments for the relocation of Persons, if any, displaced by such acquisition), site preparation and development, construction, reconstruction, equipment, including fixtures; the cost of demolition and removal and articles of personal property required; the reasonable cost of financing incurred by the Borrower or the Authority in the course of the acquisition, construction, development and completion of the Project; the fees imposed upon the Borrower by the State Commissioner of Health or the Authority or any governmental authority having jurisdiction over the Borrower; other fees charged and necessary expenses incurred in connection with the initial occupancy of the Project; the cost of such other items as may be reasonable and necessary for the acquisition, construction, development and completion of the Project; and all other expenses in connection with the Project, including costs incurred pursuant to Sections 13, 29 and 34 of the Act.

"Counsel" shall mean 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" shall mean 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" shall mean the estimated fair market value of Property, which fair market value shall be evidenced by an Officer's Certificate delivered to the Master Trustee.

"Days Cash on Hand" shall mean:

(i) with respect to the Loan Agreement, (a) cash, marketable securities, internally or Board-designated funds (but excluding donor restricted gifts, grants, bequests, donations or contributions and any income therefrom and funds held by the Bond Trustee for the payment of the principal of and interest on the Series 2024A Bonds or the Master Trustee or any other trustee for the payment of the principal of and interest on any Obligations) of all Members of the Combined Group as of the most recent month or fiscal quarter, as applicable, based upon the Unaudited Financial Statements delivered to the Authority and the Bond Trustee in accordance with and as set forth in subsection (a) under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Financial and Other Reports" herein, divided by (b) the amount resulting from dividing (i) operating expenses less non-cash expenses (including, but not limited to, depreciation, amortization and provision for bad debt), as determined in accordance with GAAP, as of the most recent Fiscal Year for which Audited Financial Statements are available by (ii) the number of days in the then current Fiscal Year; and

(ii) with respect to the Master Indenture, (a) cash, marketable securities, internally and Governing Body-designated funds (but excluding donor restricted gifts, grants, bequests, donations or contributions and any income therefrom and funds, in each case unencumbered (other than by the pledge of Gross Revenues as set forth under the heading entitled "SUMMARY OF THE MASTER INDENTURE - Security for Obligations; Pledge of Gross Revenues; Collateral Assignment – Pledge of Gross Revenues" herein), held by any Related Bond Trustee for the payment of the principal of and interest on any Related Bonds or the Master Trustee or any other trustee for the payment of the principal of and interest on any Obligations) of all Members of the Combined Group or, at the option of the Combined Group Agent, the System (if permitted by and as set forth in subsection (b) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Accounting Principles and Financial Reporting" herein) at the conclusion of each Fiscal Year of the Combined Group or the System, as applicable, divided by (b) the amount resulting from dividing (i) Operating Expenses less non-cash expenses (including, but not limited to, depreciation, amortization and provision for bad debt), as determined in accordance with GAAP, at the conclusion of such Fiscal Year of the Combined Group or the System, as applicable, by (ii) the number of days in such Fiscal Year. All securities shall be valued at fair market value for purposes of this definition.

Notwithstanding the foregoing, upon the effectiveness of the provisions of Article Three of the Fourteenth Supplemental Indenture, the definition of the term "Days Cash on Hand" contained in the Master Indenture will be deleted and removed from the Master Indenture in its entirety and all references to such term contained in the Master Indenture will be null and void and of no further force or effect.

Upon the effectiveness of the provisions of Article Three of the Fifteenth Supplemental Indenture, the definition of a new defined term "Days Cash on Hand" will be added to the Master Indenture which will read in its entirety as follows:

> **"Days Cash on Hand"** means (a) cash, marketable securities, internally and Governing Body-designated funds (but excluding donor restricted gifts, grants, bequests, donations or contributions and any income therefrom and funds held by any Related Bond Trustee for the payment of the principal of and interest on any Related Bonds or the Master Trustee or any other trustee for the payment of the principal of and interest on any Obligations) of all Members of the Combined Group or, at the option of the Combined Group Agent, the System (if permitted by and as set forth in subsection (b) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Accounting Principles and Financial Reporting" herein) at the conclusion of each Fiscal Year of the Combined Group or the System, as applicable, divided by (b) the amount

resulting from dividing (i) Operating Expenses less non-cash expenses (including, but not limited to, depreciation, amortization and provision for bad debt), as determined in accordance with GAAP, at the conclusion of such Fiscal Year of the Combined Group or the System, as applicable, by (ii) the number of days in such Fiscal Year. All securities shall be valued at fair market value for purposes of this definition.

"Days Cash on Hand Requirement" shall mean:

(i) with respect to the Loan Agreement, as of the date of calculation, (i) if the Outstanding Series 2024A Bonds are then rated "A-/A3" or higher by any Rating Agency, an amount equal to the Days Cash on Hand Requirement, if any, then required to be maintained by the Combined Group or the System, as the case may be, in accordance with the provisions of the Master Trust Indenture, (ii) if the Outstanding Series 2024A Bonds are then rated "BBB+/Baa1", "BBB/Baa2" or "BBB-/Baa3" by any Rating Agency, an amount equal to at least sixty (60) Days Cash on Hand, and (iii) if the Outstanding Series 2024A Bonds are then rated "BB+/Ba1" or lower by all Rating Agencies or if the Series 2024A Bonds are not rated by any Rating Agency, an amount equal to at least ninety (90) Days Cash on Hand. In the event that the Rating Agencies do not assign equivalent ratings to the Outstanding Series 2024A Bonds, the highest rating assigned shall be used for purposes of determining the Days Cash on Hand Requirement in accordance with this definition. Any change in the Days Cash on Hand Requirement resulting from a change in the rating on the Outstanding Series 2024A Bonds in accordance with this definition shall become effective on the first day of the fiscal quarter of the Borrower following the fiscal quarter in which the change in the rating takes place; and

(ii) with respect to the Master Indenture, an amount equal to at least seventy-five (75) Days Cash on Hand. ***Notwithstanding the foregoing, upon the effectiveness of the provisions of Article Three of the Fourteenth Supplemental Indenture, the definition of the term "Days Cash on Hand Requirement" contained in the Master Indenture will be deleted and removed from the Master Indenture in its entirety and all references to such term contained in the Master Indenture will be null and void and of no further force or effect.***

"Debt Obligation" shall mean 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 of the Obligated Group pursuant to the Master Indenture that has been authenticated by the Master Trustee pursuant to the Master Indenture.

"Debt Service Coverage Ratio" shall mean, for the applicable Fiscal Year, the ratio determined by dividing (i) Income Available for Debt Service of the System or, at the option of the Combined Group Agent, the Combined Group, for such Fiscal Year, by (ii) the Maximum Annual Debt Service Requirement on all Long-Term Indebtedness of the System or, at the option of the Combined Group Agent, the Combined Group.

"Debt Service Fund" shall mean the fund by that name created and established pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE TRUST AGREEMENT – Pledge and Assignment; Establishment of Funds".

"Debt Service Requirements" shall mean, 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, without duplication: (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) principal of and/or interest on any Indebtedness shall be excluded from the determination of Debt Service Requirements to the extent that the principal of and/or interest on such Indebtedness is the subject to a binding commitment for the refinancing of such principal and/or interest at a rate of interest and an amortization schedule specified in such refinancing commitment, as determined by an Officer's Certificate, in which case the principal of and interest on the Indebtedness to be incurred pursuant to such commitment shall be included in the calculation and determination of the Debt Service Requirements; (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; and (e) to the extent that any Indebtedness constitutes Balloon Indebtedness, Variable Rate Indebtedness, Discount Indebtedness or a Guaranty, the principal of (and premium, if any) and interest and other debt service charges on such Indebtedness shall be calculated in accordance with Sections 416, 417, 418 and 419 of the Master Trust Indenture, respectively. ***Notwithstanding the foregoing, upon the effectiveness of the provisions of Article Three of the Fifteenth Supplemental Indenture, clause (e) of the above definition of the term "Debt Service Requirements" contained in the Master Indenture will be amended and restated in its entirety to read as follows:***

> (e) to the extent that any Indebtedness constitutes Long-Term Indebtedness, Variable Rate Indebtedness, Discount Indebtedness or a Guaranty, the principal of (and premium, if any) and interest and other debt service charges on such Indebtedness shall be calculated in accordance with Sections 416, 417, 418 and 419 of the Master Trust Indenture, respectively.

"Derivative Agreement" shall mean any type of contract, agreement or arrangement that (i) the Borrower or the Combined Group determines is to be used, or is intended to be used, to manage or reduce the cost of Indebtedness, to convert any element of Indebtedness from one form to another, to maximize or increase investment return, to minimize investment risk or to protect against any type of financial risk or uncertainty and (ii) does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof, including, without limitation, (a) any Swap Agreement, (b) any other contract or agreement known as, referred to or which performs the function of, an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, (c) any other contract or agreement providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices (including a basis swap), (d) any other contract or agreement to exchange cash flows or payments or series of payments, and (e) any other type of contract or agreement called, or designed to perform the function of, interest rate floors, collars or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk.

"Derivative Policy" shall mean a policy adopted by the Borrower or the Obligated Group that governs the procedures by which the Borrower or the Obligated Group reviews, authorizes and enters into Derivative Agreements.

"Designated Affiliate" shall mean any Person which has been designated as such in accordance with and as set forth in subsection (B) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Payment of Principal, Premium, if any, and Interest and Other Amounts; Designated Affiliates and System Affiliates" herein so long as such Person's status as a Designated Affiliate has not been terminated as provided in subsection (B) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Payment of Principal, Premium, if any, and Interest and Other Amounts; Designated Affiliates and System Affiliates" herein.

"Discount Indebtedness" shall mean 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" shall mean all documents, as that term is defined in the New Jersey Uniform Commercial Code, of the Members of the Obligated Group, including, but not limited to, documents of title (as that term is defined in the New Jersey Uniform Commercial Code) and any and all receipts of the kind described in Article 7 of the New Jersey Uniform Commercial Code.

"Electronic Means" shall mean telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication promptly confirmed by any other method set forth in this definition.

"EMMA" shall mean the MSRB's Electronic Municipal Market Access system, or any other electronic municipal securities information access system designated by the MSRB for purposes of the Rule and approved by the SEC from time to time.

"Escrow Securities" shall mean, (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 Indenture pursuant to which such Obligations were issued.

"Event of Default" shall mean, (i) with respect to the Loan Agreement, any event of default as defined in subsection (a) under the heading "SUMMARY OF THE LOAN AGREEMENT – Events of Default" herein, (ii) with respect to the Trust Agreement, any event of default as defined herein under the heading entitled "SUMMARY OF THE TRUST AGREEMENT – Events of Default", and (iii) with respect to the Master Indenture, any event of default as defined herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Events of Defaults".

"Excluded Matters" shall have the meaning given to such term as described in subsection (b) under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Triggering Events" herein.

"Expenses" shall mean, 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 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 Combined 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.

"Facilities" shall mean all land, leasehold interests and buildings and all fixtures and equipment (as defined in the New Jersey Uniform Commercial Code or equivalent statute in effect in the state where such fixtures or equipment are located) of a Person.

"Financed Facility" or **"Financed Facilities"** shall mean any facility or facilities that have been financed or refinanced with the proceeds of the Series 2024A Bonds.

"Financial Consultant" shall have the meaning given to such term as described in subsection (a) under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Rebate Covenant" herein.

"Financial Obligation" shall mean a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii), but shall not include any municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" shall mean:

(i) with respect to the Loan Agreement, the fiscal year of the Borrower, which initially is the period that commences each January 1 and ends each December 31; and

(ii) with respect to the Master Indenture, any twelve-month period beginning on January 1 of any calendar year and ending on December 31 of such calendar year or such other consecutive twelve-month period selected by the Combined Group Agent as the fiscal year for the System or the Combined Group and designated from time to time in writing by the Combined Group Agent to the Master Trustee; for purposes of making historical calculations or determinations set forth in the 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 Combined Group shall be used; provided, however, that for purposes of making any calculations or determinations as set forth in the Master Indenture, the Combined 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.

"Fitch" means Fitch Ratings, Inc., a corporation organized and existing under the laws of the State of New York, and its successors and assigns.

Upon the effectiveness of the provisions of Article Three of the Fourteenth Supplemental Indenture, the definition of a new defined term "Force Majeure Event" will be added to the Master Indenture which will read in its entirety as follows:

"**Force Majeure Event**" means any event which is outside of the reasonable control of the System or any Member of the Combined Group or its Affiliates, including but not limited to: acts of God; industrial disturbances; strikes, lockouts or other employee disturbances; acts of public enemies; wars; terrorist acts; insurrections; civil disorder; arrests; restraint of government and people; acts, orders, laws or regulations of any kind of the government of the United States of America, or of any state or locality thereof or any of their departments, agencies, or officials, including their judiciaries, or any civil or military authority that materially restrict the ability of the System or any Member of the Combined Group or its Affiliates to operate any of its material facilities as intended (including quarantine, stay-at-home, curfew orders, or restrictions on travel or gatherings); epidemics, pandemics, outbreaks of infectious disease or other public health emergencies; landslides; lightening; earthquakes; fires; hurricanes; tornadoes; storms; floods; washouts; droughts; accidents or other casualties; explosions; nuclear accidents; disasters; material

inability to obtain labor, materials, food, fuel, electricity, general operational services, or reasonable substitutes; curtailment of proximate transportation facilities; breakage or accidents to machinery, transmission pipes or canals; or material partial or entire failure of utilities.

"GAAP" shall mean generally accepted accounting principles as applied in the United States of America and in effect from time to time.

"General Intangibles" has the meaning set forth in the New Jersey Uniform Commercial Code.

"Governing Body" shall mean 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" shall mean all Revenues, rents, profits, receipts, benefits, royalties, and income of any Member of the Obligated Group arising from goods or services provided by Members of the Obligated Group 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 of the Obligated Group; (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 the Master Trust Indenture or on any Obligations or Indebtedness.

"Gross Revenues Account" shall mean the account of that name established pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Security for Obligations; Pledge of Gross Revenues; Collateral Assignment".

"Guaranty" shall mean all obligations of a Person guaranteeing, or in effect guaranteeing, any Indebtedness or other obligation of any Primary Obligor in any manner, whether directly or indirectly, including, but not limited to, obligations incurred through an agreement, contingent or otherwise, by such Person: (l) to purchase such Indebtedness or obligation or any Property constituting security therefor; (2) to advance or supply funds to the Primary Obligor: (i) for the purchase or payment of such Indebtedness or obligation, or (ii) to maintain working capital or other balance sheet condition for a Primary Obligor; (3) to purchase securities or other Property or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of the Primary Obligor to make payment of the Indebtedness or obligation; or (4) otherwise to assure the owner of such Indebtedness or obligation against loss in respect thereof. For purposes of this definition, a guaranty by one or more Members of the Obligated Group of Indebtedness of one or more other Members of the Obligated Group shall not be considered a Guaranty.

"Hazardous Substance" shall mean and include: (a) any "hazardous substance," "pollutant" or "contaminant" as defined in the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. Section 9601, et seq. or the New Jersey Spill Compensation and Control Act, N.J.S.A. 58:10-23.11b(k) et seq., or the regulations promulgated thereunder; (b) any hazardous waste as

that term is defined in applicable state or local law; (c) any substance containing petroleum, as that term is defined in Section 9001(8) of the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6991(8) or in 40 C.F.R. Section 280.1; or (d) any other substance for which any governmental entity with jurisdiction over the Borrower or the Health Care Facilities requires special handling in its generation, handling, use, collection, storage, treatment or disposal.

"Health Care Facilities" shall mean the land on which each of the facilities listed in the Loan Agreement is located, together with all buildings, fixtures, facilities and equipment, now or hereafter to be erected, constructed or situated thereon and all rights, powers, easements, licenses and rights of way, and all interests in property, real, personal or mixed, now owned or hereafter acquired by the Borrower or the Obligated Group and appurtenant to such land, subject to certain Permitted Encumbrances.

"Hedging Obligation" shall mean an Obligation, expressly identified as a Hedging Obligation in such Obligation, in a Supplemental 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" shall mean the most recent period of twelve (12) full consecutive calendar months for which audited financial statements of the Combined Group are available.

"Income Available for Debt Service" shall mean, for any period, the amount by which Revenues exceed Expenses of the Person or group of Persons involved.

"Indebtedness" shall mean, for any Person, (a) indebtedness incurred or assumed by such Person for borrowed money or for the acquisition, construction or improvement of Property; (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 herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Debt Service on Guarantees"), and (d) 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.

"Independent" shall mean, with respect to any Person, one which is not and does not have a partner, director, officer, member or substantial stockholder who is a member of the Board of any Member of the Combined Group, or an officer or employee of any Member of the Combined Group; provided that the fact that a Person is retained regularly by or transacts business with a Member of the Combined Group shall not, in and of itself, cause such Person to be deemed an employee of such Member for the purposes of the Loan Agreement.

"Insurance Consultant" shall mean an Independent firm of insurance agents, brokers or consultants which is appointed by the Combined Group Agent for the purpose of reviewing and recommending insurance coverages for the facilities and operations of one or more Members of the Obligated Group or of the entire Obligated Group, and has a favorable reputation for skill and experience

in performing such services in respect of facilities and operations of a comparable size and nature; provided that any Person so appointed is not unsatisfactory to the Master Trustee and, if appointed with respect to the insurance coverages of the Borrower, is not unsatisfactory to an Authorized Officer of the Authority.

"Insurance Rating Agency" shall mean A.M. Best Company, or its successor, or such other rating service that customarily provides ratings for insurance companies or coverage and is acceptable to an Authorized Officer of the Authority.

"Instruments" has the meaning set forth in the New Jersey Uniform Commercial Code.

"Interest Account" shall mean the fund by that name in the Debt Service Fund created and established pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE TRUST AGREEMENT – Pledge and Assignment; Establishment of Funds".

"Investment Property" shall mean, 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.

"Investment Securities" shall mean any of the Investment Securities set forth herein under the heading entitled "SUMMARY OF THE TRUST AGREEMENT – Investment of Moneys in Funds and Accounts", provided that each obligation shall mature, or shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when the moneys will be required for the purposes intended.

"Issue Date" shall mean May ___, 2024, the date on which the Series 2024A Bonds are initially issued and delivered to the Underwriters.

"Lien" shall mean 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.

"Loan Agreement" shall mean the Series 2024A Loan Agreement, dated as of May 1, 2024, by and between the Authority and the Borrower, as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

"Loan Payments" shall mean the payments so designated and required to be made by the Borrower pursuant to the Loan Agreement.

"Long-Term Debt Service Coverage Ratio" shall mean for any period of time, the ratio determined by dividing (i) Income Available for Debt Service of the System or, at the option of the Combined Group Agent, the Combined Group, for that period by (ii) the Maximum Annual Debt Service of the System or, if the Combined Group Agent has chosen to use the Combined Group financial information to calculate clause (i), then the Combined Group; provided that when such calculation is being made with respect to the System or the Combined 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 Combined Group, as the case may be, at the close of such period; provided, however, that if the financial statements that would be used to calculate Income Available for Debt Service of the System or the Combined Group under clause (i) of this definition cover a period consisting of fewer than 12 months, then, at the election of the Combined Group Agent, either (a) the Maximum Annual Debt Service of the System or the Combined Group under clause (ii) of this definition shall be pro-rated to reflect such shorter period, or (b) Income Available for Debt Service of the System or the Combined Group under clause (i) of this definition shall be based on financial statements of the System or the Combined Group covering a

consecutive 12-month period selected by the Combined Group Agent that ends within 180 days preceding the date of calculation of the Long-Term Debt Service Coverage Ratio, and such consecutive 12-month period shall be deemed to be a Fiscal Year for purposes of such calculation of the Long-Term Debt Service Coverage Ratio.

"Long-Term Indebtedness" shall mean, 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 the Master Indenture.

"Master Indenture" shall mean the Master Trust Indenture, dated as of November 1, 2016, by and between the Borrower or the Corporation, as applicable, on behalf of itself and the other 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 thereof.

"Master Trustee" shall mean The Bank of New York Mellon, as Master Trustee under the Master Indenture, and any successors thereto in accordance with the Master Indenture.

"Material Obligated Group Member" shall mean any Member of the Obligated Group whose total revenues as set forth on its financial statements for the most recently completed Fiscal Year for such Member exceed 5% of the combined total Revenues of the Obligated Group as set forth on the financial statements most recently provided as set forth in subsection (A) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Financial Statements, Etc." herein.

"Maximum Annual Debt Service" or **"Maximum Annual Debt Service Requirement"** shall mean, at the time of computation, the greatest annual Debt Service Requirements on Long-Term Indebtedness for the then current or any future Fiscal Year.

"Member" shall mean any Member of the Combined Group or any Member of the Obligated Group, as applicable.

"Member(s) of the Combined Group" or **"Combined Group"** shall mean any Member of the Obligated Group or any Designated Affiliate.

"Member(s) of the Obligated Group" shall mean the Borrower or the Corporation, as applicable, the other Initial Members and any other Person listed in the Master Indenture which has fulfilled the requirements for entry into the Obligated Group as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Entrance into the Obligated Group" and has not ceased such status pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Cessation of Status as a Member of the Obligated Group".

"Monitoring Rights" shall have the meaning given to such term as described in subsection (b) under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Triggering Events" herein.

"Moody's" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and 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 Borrower by notice in writing to the Authority and the Bond Trustee, which is not unsatisfactory to an Authorized Officer of the Authority.

"MSRB" shall mean the Municipal Securities Rulemaking Board and its successors and assigns.

"Net Assets" shall mean, (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 Rentals" shall mean 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" shall mean any Indebtedness the liability for which is effectively limited to Property, Plant and Equipment and the income therefrom, the cost of which Property, Plant and Equipment shall have been financed solely with the proceeds of such Indebtedness with no recourse, directly or indirectly, to any other Property of any Member or to the general credit of any Member.

"Obligated Group" shall mean, collectively, all of the Members of the Obligated Group.

"Obligation holder," or **"holder of an Obligation"** shall mean the registered owner of any fully registered or book entry Obligation unless alternative provision is made in the Supplemental Indenture pursuant to which such Obligation is issued for establishing ownership of such Obligation, in which case such alternative provision shall control.

"Obligations" shall mean any Debt Obligations, Hedging Obligations or Ancillary Obligations authorized to be issued by a Member of the Obligated Group pursuant to the Master Indenture which has been authenticated by the Master Trustee pursuant to the Master Indenture.

"Officer's Certificate" shall mean a certificate signed, in the case of a certificate delivered by or on behalf of the Obligated Group and/or the Combined Group, by the President or any Vice-President or any other authorized officer of the Combined Group Agent.

"Official Statement" shall mean the final Official Statement of the Authority, dated April ___, 2024, relating to the Series 2024A Bonds.

"Operating Data" shall mean the financial, statistical and operating data of the Combined Group of the type included in the sections of Appendix A to the Official Statement entitled "Utilization and Operating Data - Selected Utilization Statistics", "Financial Information – Condensed Consolidated Balance Sheets", "Financial Information – Condensed Consolidated Statements of Operations" and "Financial Information - Management's Discussion and Analysis of RWJBH's Operating Results".

"Operating Expenses" shall mean the total operating expenses of the System Affiliates or, at the option of the Combined Group Agent, the Obligated Group, as determined in accordance with GAAP.

Notwithstanding the foregoing, upon the effectiveness of the provisions of Article Three of the Fifteenth Supplemental Indenture, the definition of the term "Operating Expenses" contained in the Master Indenture will be amended and restated in its entirety to read as follows:

"Operating Expenses" shall mean the total operating Expenses of the System Affiliates or, at the option of the Combined Group Agent, the Obligated Group, as determined in accordance with GAAP.

"Operating Revenues" shall mean the total operating Revenues of the System Affiliates or, at the option of the Combined Group Agent, the Obligated Group, less applicable deductions from operating Revenues, as determined in accordance with GAAP.

"Opinion of Counsel" shall mean a written opinion of an attorney-at-law or law firm (who may be counsel for the Borrower or the Authority) satisfactory to an Authorized Officer of the Authority and addressed to the Authority and the Bond Trustee.

"Outstanding" shall mean:

(i) with respect to the Loan Agreement, when used in connection with the Series 2024A Bonds, as of any time, all Series 2024A Bonds theretofore issued and not paid (or with respect to which liability, contingent or otherwise, still exists), or for which payment has not been provided by deposit of money or securities with the Bond Trustee or for which the Loan Agreement provides that such Series 2024A Bonds shall be deemed to be Outstanding;

(ii) with respect to the Trust Agreement, when used as of any particular time with reference to Series 2024A Bonds, all Series 2024A Bonds theretofore, or thereupon being, authenticated and delivered by the Bond Trustee under the Trust Agreement except: (1) Series 2024A Bonds theretofore canceled by the Bond Trustee or surrendered to the Bond Trustee for cancellation; (2) Series 2024A Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Trust Agreement, including Series 2024A Bonds (or portions of Series 2024A Bonds) referred to in the Trust Agreement; and (3) Series 2024A Bonds for the transfer or exchange of or in lieu of or in substitution for which other Series 2024A Bonds shall have been authenticated and delivered by the Bond Trustee pursuant to the Trust Agreement. Notwithstanding the foregoing, in determining whether the Holders of the requisite principal amount of Series 2024A Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Trust Agreement, Series 2024A Bonds owned by the Authority, the Borrower or any of its affiliates shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Bond Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Series 2024A Bonds which the Bond Trustee actually knows to be so owned shall be so disregarded; and

(iii) with respect to the Master Indenture, 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 the 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.

"Paying Agent" shall mean the Bond Trustee and any other commercial bank or trust institution organized under the laws of any state or any national banking association designated by the Trust Agreement as paying agent for the Series 2024A Bonds, at which bank or institution the principal and Redemption Price of and interest on such Series 2024A Bonds shall be payable.

"Penalty Amount" shall mean an amount equal to the product of one and one-half percent (1.5%) multiplied by the unspent proceeds (as such term is defined in the Code) of the Series 2024A Bonds determined on a semi-annual basis in accordance with subclause (v) of Section 148(f)(4)(C)(vii) of the Code.

"Permitted Dispositions" shall mean dispositions of Property permitted by and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Permitted Dispositions".

"Permitted Encumbrances" shall mean, 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 Combined 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 (ii) the Lien on Gross Revenues pledged pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Security for Obligations; Pledge of Gross Revenues; Collateral Assignment";

(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 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 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 to secure Indebtedness incurred pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Permitted Indebtedness" (in such case the Master Trustee shall cooperate in releasing any accounts receivable from the Lien on Gross Revenues);

(i) Liens on any Property in effect on the effective date of the Master Indenture 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 the 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 the Master Indenture;

(k) Liens which secure Non-Recourse Indebtedness incurred pursuant to and as set forth in subsection (b) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Permitted Indebtedness" herein;

(l) Liens arising out of (i) Capitalized Leases, (ii) leases, installment purchase contracts and other similar borrowing instruments incurred pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Permitted Indebtedness", 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 Combined 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 in the nature of a purchase money mortgage if, after giving effect to such Lien, such purchase money mortgage secures an amount not in excess of the cost of the particular asset to which such Lien relates and any related financing charges, where such purchase money mortgage constitutes a Lien on fixed assets acquired or constructed by a Member and granted contemporaneously with such acquisition or construction, and which Lien secures all or a portion of the related purchase price or construction cost of such assets;

(q) with respect to any account in which Gross Revenues (or the proceeds thereof) are received, deposited or held, any Liens, rights of setoff and recoupment, or other encumbrances that any depository bank that is not a holder of an Obligation has (i) as collecting bank in an item for deposit pursuant to the laws of the jurisdiction in which the account is located, and (ii) for debits for scheduled, reasonable and customary account maintenance fees; and

(r) any judgment or other involuntary Lien (1) that is permitted under the heading entitled "SUMMARY OF THE MASTER INDENTURE – General Covenants; Right of Contest" herein, (2) for which adequate reserves have been made, and (3) that does not rise to the level of an Event of Default set forth in subsection (e) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Events of Default" herein.

"Permitted Indebtedness" shall mean Indebtedness of any Members of the Obligated Group permitted under and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Permitted Indebtedness".

"Permitted Release" shall mean any release of Property or portions thereof from the covenant against Liens set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Permitted Encumbrances", 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 the Master Indenture, securing Obligations, permitted by and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Permitted Releases".

"Permitted Reorganization" shall mean any consolidation, merger, sale of assets or reorganization of any Members of the Obligated Group permitted by and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Permitted Reorganizations".

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

"Planning Act" shall mean the State's Health Care Facilities Planning Act, P.L. 1971, c. 136 (N.J.S.A. 26H-1 et seq.), as the same may be amended from time to time and any regulations promulgated thereunder.

"Primary Obligor" shall mean the Person who is primarily obligated on an obligation which is guaranteed by another Person.

"Principal Account" shall mean the fund by that name in the Debt Service Fund created and established pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE TRUST AGREEMENT – Pledge and Assignment; Establishment of Funds".

"Principal Corporate Trust Office" shall mean the designated corporate trust office of the Bond Trustee, Bond Registrar and Paying Agent, which, as of the date of the Trust Agreement, is located at 333 Thornall Street, Edison, New Jersey 08837.

"Principal Payment Date" shall mean each date upon which (i) the maturing principal amount of any Series 2024A Bond is due and payable, and (ii) the Series 2024A Bonds are subject to redemption from Sinking Fund Installments pursuant to the Trust Agreement.

"Privileged Matters" shall have the meaning given to such term as described in subsection (b) under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Triggering Events" herein.

"Project" shall mean:

1. The reimbursement to the Borrower for the costs of the planning, design, development, acquisition, construction, equipping, expansion, furnishing and/or renovation of one or more of the following capital projects:

(A) at Cooperman Barnabas Medical Center, (i) construction of a new 134,533 square foot, five floor Cancer Center to unify and accommodate the facility's adult outpatient oncology services into a standalone facility and a six level parking garage, (ii) renovation and alteration of the Emergency Department including expanded adult, fast track, observation, pediatrics and results waiting areas, (iii) relocation of outpatient cardiac and pulmonary rehabilitation care units to accommodate expanded outpatient oncology services, (iv) relocation of physical therapy unit and laboratory to accommodate the expansion of surgical services, (v) renovations and expansions to accommodate a new C-Section suite and support areas, new labor and delivery rooms and related mechanical, electrical and plumbing upgrades, (v) renovations to accommodate the addition of MRI modality for breast imaging, and (vi) various renovations to create departmental efficiencies;

(B) at the Rutgers Cancer Institute of New Jersey (the "Institute"), construction of a comprehensive care center on certain real property located in the City of New Brunswick, New Jersey, that includes (i) a twelve-story, approximately 512,000 square foot building consisting of outpatient care, inpatient care and research facilities, (ii) enclosed aerial walkways from the new building connecting to existing buildings occupied by the Institute and Robert Wood Johnson University Hospital, Inc., and an adjacent parking garage, (iii) a loading dock and loading area in the lower level of the adjacent parking garage to serve the new building, (iv) certain renovations to the existing Institute building, and (v) all infrastructure and other improvements, relocations and/or other modifications and appurtenances necessary therefor or related to all of the above;

(C) at the Fort Monmouth Campus of Monmouth Medical Center, construction of a new 145,760 square foot, five floor Cancer Center and Ambulatory Care Pavilion containing outpatient oncology services and general adult and pediatric outpatient services;

(D) at Community Medical Center, (i) renovation and construction of office suites to support the relocation of hospital support departments, (ii) demolition of various existing buildings on the campus, (iii) construction of 346 space temporary parking lot inclusive of lighting and vehicle charging stations, (iv) demolition of an existing visitor parking garage, (v) construction of a new six level visitor parking garage, (vi) the installation of underground utilities and services for future Phase 2 Central Utility Plant (CUP) construction, (vii) interior construction of approximately 17,500 square feet of two floors in an existing three-story medical office building adjacent to the hospital campus to accommodate Oncology physician practice space that will consolidate and expand several outpatient services from various locations on the hospital campus and beyond into one building;

(E) at Newark Beth Israel Medical Center, (i) installation of electrical equipment including; a 3 MW generator, substation gear and automatic transfer switches for the expansion of the emergency power system at the hospital to facilitate current and future emergency power needs, (ii) renovation and expansion of the Emergency Department, (ii) a multi-story infill addition to accommodate the expansion of the imaging and surgical services and a catheterization laboratory and a new main lobby and centralized registration area, (iii) renovation and upgrading of the kitchen serving and dining area, including the installation of new equipment, mechanical, electrical and plumbing infrastructure upgrades and finishes, (iv) renovations to create private inpatient medical surgery rooms and private inpatient critical care rooms, and (v) structural and deck repairs to the staff and visitor parking garage;

(F) at Robert Wood Johnson University Hospital in New Brunswick, (i) construction of new 37,000 square foot, two story CUP located within the lower levels of the new parking garage of the Institute to support the entire heating, cooling, and power demands of the Institute, (ii) interior construction of approximately 200,000 leased square feet within a new 230,000 square foot, fifteen-story medical office building constructed on the hospital campus to be used for the consolidation of several outpatient services from various different locations on the hospital campus, (iii) construction of a multi-story infill addition to accommodate an expansion and renovation of the Surgical Suite, Central Sterile Processing replacement and Support Department expansion, (iv) renovation and alteration of the Emergency Department including diagnostic imaging, observation, secure holding, pediatrics and results waiting areas, (v) construction of new twelve-bed ICU trauma unit, and (vi) structural and deck repairs to the staff and visitor parking garage;

(G) at Robert Wood Johnson University Hospital Somerset, (i) expansion of catheterization laboratory suite and outpatient vascular services, (ii) renovations to same day surgery, endoscopy and post-anesthesia care unit areas, (iii) renovations and expansions to accommodate inpatient and outpatient eating disorder programs, (iv) acquisition of a three-story medical office building located across from the hospital campus, and (v) construction of a two-story addition to existing inpatient building to support new inpatient private medical surgery expansion as well as a two-level garage expansion; and;

(H) all infrastructure improvements, relocations and modifications and all other work, materials, equipment and appurtenances necessary therefor or related to certain of the projects described in clauses (A) through (G) above; and;

2. The acquisition and installation of various items of capital equipment at one or more of the above locations for use by the affiliates of the Borrower and all infrastructure improvements, relocations and modifications and all other work, materials and appurtenances necessary therefor or related thereto.

"Project Fund" shall mean the fund by that name created and established pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE TRUST AGREEMENT – Pledge and Assignment; Establishment of Funds".

"Property" shall mean 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" shall mean all Property of each System Affiliate or, at the option of the Combined Group Agent, each Member of the Obligated Group, that is classified as property, plant and equipment under GAAP.

"Qualified Insurance Rating" shall mean a rating that is at least "investment grade" or "secure" as defined by A.M. Best Company, or such similar rating as defined by any other Insurance Rating Agency.

"Rating Agency" shall mean any of or collectively, Fitch Ratings, Moody's Investors Service, Inc. or S&P Global Ratings, a business of Standard & Poor's Financial Services, LLC, and any successors thereto.

"Rebate Amount" shall mean, with respect to the Series 2024A Bonds, the amount required to be rebated to the United States pursuant to Section 148(f)(2) of the Code.

"Rebate Fund" shall mean the fund by that name created and established pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE TRUST AGREEMENT – Pledge and Assignment; Establishment of Funds".

"Redemption Fund" shall mean the fund by that name created and established pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE TRUST AGREEMENT – Pledge and Assignment; Establishment of Funds".

"Redemption Price" shall mean, with respect to any Series 2024A Bond (or portion thereof), the principal amount of such Series 2024A Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Series 2024A Bond and the Trust Agreement.

"Related Bonds" shall mean (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" shall mean any indenture, bond resolution or similar instrument pursuant to which any series of Related Bonds is issued.

"Related Bond Trustee" shall mean 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" shall mean any issuer of a series of Related Bonds.

"Related Loan Document" shall mean 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).

"Representatives" shall have the meaning given to such term as described in subsection (b) under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Triggering Events" herein.

"Required Ratio" shall mean, as of the date of calculation, (i) if the Outstanding Series 2024A Bonds are then rated "AA-/Aa3" or higher by any Rating Agency, a Debt Service Coverage Ratio equal to the Long-Term Debt Service Coverage Ratio, if any, then required to be maintained by the Combined Group or the System, as the case may be, in accordance with the provisions of the Master Trust Indenture, (ii) if the Outstanding Series 2024A Bonds are then rated "A+/A1", "A/A2" or "A-/A3" by any Rating Agency, a Debt Service Coverage Ratio of at least 1.10, (iii) if the Outstanding Series 2024A Bonds are then rated "BBB+/Baa1", "BBB/Baa2" or "BBB-/Baa3" or lower by all Rating Agencies or if the Series 2024A Bonds are not rated by any Rating Agency, a Debt Service Coverage Ratio of at least 1.25. In the event that the Rating Agencies do not assign equivalent ratings to the Outstanding Series 2024A Bonds, the highest rating assigned shall be used for purposes of determining the Required Ratio in accordance with this definition. Any change in the Debt Service Coverage Ratio resulting from a change in the rating on the Outstanding Series 2024A Bonds in accordance with this definition shall become effective on the first day of the fiscal quarter of the Borrower following the fiscal quarter in which the change in the rating takes place.

"Revenues" shall mean:

(i) with respect to the Trust Agreement, in respect of the Series 2024A Bonds, (i) all Loan Payments, rentals, mortgage payments, fees, charges and other payments received or receivable by or payable to the Authority from the Borrower under the terms of the Loan Agreement, (ii) any and all other amounts payable to the Authority under or on account of the Loan Agreement or under or on account of any instrument securing the obligations of the Borrower under the Loan Agreement, including, without limitation, proceeds of insurance, condemnation awards or proceeds of sale in lieu of condemnation to the extent provided in the Loan Agreement or such instrument, and (iii) interest earnings on the amounts in funds and accounts established under the Trust Agreement (other than the Rebate Fund); and

(ii) with respect to the Master Indenture, 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 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 Combined 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.

"Rule" shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as amended and supplemented or interpreted by the SEC.

"S&P" means S&P Global Ratings, acting through Standard & Poor's Financial Services LLC, and its successors and assigns, or, if such entity 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 Borrower by notice in writing to the Authority and the Bond Trustee, which is not unsatisfactory to an Authorized Officer of the Authority.

"SEC" shall mean the United States Securities and Exchange Commission.

"Securities Account" shall mean all securities accounts, as that term is defined in the New Jersey Uniform Commercial Code, of the Members of the Obligated Group.

"Sensitive Matters" shall have the meaning given to such term as described in subsection (b) under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Triggering Events" herein.

"Series 2019B-1 Bonds" shall mean the Authority's outstanding Revenue and Refunding Bonds, RWJ Barnabas Health Obligated Group Issue, Series 2019B-1.

"Series 2019B-1 Trustee" means U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), in its capacity as bond trustee for the Series 2019B-1 Bonds.

"Series 2024A Bonds" shall mean Authority's Revenue and Refunding Bonds, RWJ Barnabas Health Obligated Group Issue, Series 2024A, issued under and pursuant to the Trust Agreement.

"Series 2024A Loan" shall mean the loan of the proceeds of the Series 2024A Bonds made by the Authority to the Borrower pursuant to the Loan Agreement.

"Series 2024A Note" shall mean the Borrower's Obligated Group Promissory Note, Series 2024A, dated May ___, 2024, executed by the Borrower under and pursuant to the Master Indenture evidencing the loan made by the Authority to the Borrower pursuant to the Loan Agreement.

"Short-Term", when used in connection with Indebtedness, shall mean 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" shall mean 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 Combined Group Agent.

"SIFMA Index" shall mean, 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 Combined Group Agent, and effective from such date.

"**Sinking Fund Installment**" shall mean the amounts established in the Trust Agreement in connection with the mandatory sinking fund redemption of the Series 2024A Bonds.

"State" shall mean the State of New Jersey.

"Subordinated Indebtedness" shall mean all obligations incurred or assumed, the payment of which is by its terms specifically subordinated to payments on all Obligations, or the principal of and interest on which cannot be accelerated and would not be paid (whether by the terms of such obligation or by agreement of the obligee) while an Event of Default exists under the Master Indenture or while bankruptcy, insolvency, receivership or other similar proceedings are instituted and implemented.

"Supplemental Indenture" shall mean an indenture amending or supplementing the Master Indenture entered into pursuant to the Master Indenture after the date thereof.

"Supplemental Trust Agreement" shall mean any supplemental agreement hereafter duly authorized and entered into between the Authority and the Bond Trustee, supplementing, modifying or amending the Trust Agreement; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

"Swap Agreement" shall mean any agreement between one or more Members of the Obligated Group and a counterparty under which one or more Members of the Obligated Group agrees to pay the counterparty an amount calculated at an agreed-upon rate or index based upon a notional amount and the counterparty agrees to pay one or more Members of the Obligated Group for a specified period of time an agreed-upon rate or index based upon such notional amount or pursuant to which one or more Members of the Obligated Group purchases a cap or collar on any interest rate to be paid by one or more Members of the Obligated Group on any Indebtedness.

"System" shall mean the affiliated group of Persons comprised of all System Affiliates.

"System Affiliates" shall mean each Member of the Obligated Group, each Affiliate of the Corporation 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 subsection (B) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Payment of Principal, Premium, if any, and Interest and Other Amounts; Designated Affiliates and System Affiliates" herein.

"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) 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" shall mean the Master Trustee shall have received an Officer's Certificate of the Combined Group Agent (i) stating that no Event of Default has occurred under the Master Trust Indenture and then exists or would result from the proposed transaction, and (ii) demonstrating that either (a) the Income Available for Debt Service of the Combined Group or, at the option of the Combined Group Agent, the System (if permitted by and as set forth in subsection (b) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Accounting Principles and Financial Reporting" herein), following the proposed transaction would not be less than 150% of the Maximum Annual Debt Service of the Combined Group or, at the option of the Combined Group Agent, the System (if permitted by and as set forth in subsection (b) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Accounting Principles and Financial Reporting" herein), such *pro forma* calculation to be based on the most recent audited financial statements of the Combined Group or the System, as the case may be, or (b) the unrestricted Net Assets of all of the Members of the Combined Group immediately after the proposed transaction will be at least equal to 70% of the unrestricted Net Assets of all of the Members of the

Combined Group immediately prior to the proposed transaction, based on the most recent audited financial statements as set forth in subsection (A) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Financial Statements, Etc." herein.

Notwithstanding the foregoing, upon the effectiveness of the provisions of Article Three of the Fourteenth Supplemental Indenture, the definition of the term "Transaction Test" contained in the Master Indenture will be amended and restated in its entirety to read as follows:

> "**Transaction Test**" means the Master Trustee shall have received an Officer's Certificate of the Combined Group Agent (i) stating that no Event of Default has occurred under the Master Trust Indenture and then exists or would result from the proposed transaction, and (ii) demonstrating that either (a) the Income Available for Debt Service of the Combined Group or, at the option of the Combined Group Agent, the System (if permitted by and as set forth in subsection (b) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Accounting Principles and Financial Reporting" herein), following the proposed transaction would not be less than 120% of the Maximum Annual Debt Service of the Combined Group or, at the option of the Combined Group Agent, the System (if permitted by and as set forth in subsection (b) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Accounting Principles and Financial Reporting" herein), such *pro forma* calculation to be based on the most recent audited financial statements of the Combined Group or the System, as the case may be, or (b) the unrestricted net assets of all of the Members of the Combined Group immediately after the proposed transaction will be at least equal to 70% of the unrestricted net assets of all of the Members of the Combined Group immediately prior to the proposed transaction, based on the financial statements of the Combined Group or the System, as the case may be.

"Triggering Event" shall have the meaning given to such term as described in subsection (a) under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Triggering Events" herein.

"Trust Agreement" shall mean the Series 2024A Trust Agreement, dated as of May 1, 2024, by and between the Authority and the Bond Trustee, relating to the Series 2024A Bonds, as amended and supplemented from time to time.

"Unaudited Financial Statements" shall mean financial statements of the Combined Group for the applicable period prepared in accordance with GAAP (except with respect to footnote disclosure) at the time in effect, which provide a breakout of the revenues and expenses and a balance sheet for each Member of the Combined Group sufficient to evaluate compliance with the various financial covenants contained in the Loan Agreement and the Master Indenture.

"United States Government Obligations" shall mean bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America, including obligations issued or held in book-entry form on the books of the United States Department of the Treasury.

"Value" shall mean, as determined by the Combined 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" shall mean Indebtedness that bears interest at a variable, adjustable or floating rate.

SUMMARY OF THE LOAN AGREEMENT

The following is a brief summary of certain provisions of the Loan Agreement.

Pursuant to the Loan Agreement, the Authority agrees to lend to the Borrower, and the Borrower agrees to borrow from the Authority, the proceeds of the Series 2024A Bonds to be used by the Borrower, together with other available moneys, to (i) reimburse the Borrower for the Costs of the Project, (ii) refund, redeem, retire and/or legally defease the Series 2019B-1 Bonds, and (iii) pay the Costs of Issuance of the Series 2024A Bonds.

The Borrower, to evidence and secure the Series 2024A Loan and the obligation to pay such other amounts as may be required under the Loan Agreement, shall, on behalf of all Members of the Obligated Group, including itself, execute and deliver the Series 2024A Note in accordance with, and which will be subject to and secured under, the provisions of the Master Indenture. The Series 2024A Note will be issued in a principal amount equal to the aggregate principal amount of the Series 2024A Bonds and will provide for payments of principal, premium, if any, and interest thereon sufficient to permit the Authority to make payments of principal or Redemption Price and interest on the Series 2024A Bonds when due. The proceeds of the Series 2024A Loan will be deposited in the funds and accounts as provided in the Trust Agreement and will be applied by the Bond Trustee for the purposes as therein set forth.

Representations and Warranties

The Borrower represents and warrants that:

(a) It is a nonprofit corporation duly formed and validly existing under the laws of the State of New Jersey, with full power and legal right to enter into the Loan Agreement, the Master Indenture and the Series 2024A Note, and to perform its obligations thereunder.

(b) The Loan Agreement, the Master Indenture and the Series 2024A Note have been duly authorized by all necessary corporate action, and do not and will not violate or conflict with the Borrower's certificate of incorporation or any statute, order, governmental rule or regulation, or agreement, instrument or other document by which the Borrower or its properties are bound. The Loan Agreement, the Master Indenture and the Series 2024A Note constitute legal, valid and binding obligations of the Borrower, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency or other similar laws or equitable principles affecting generally the enforcement of creditors' rights.

(c) The Borrower is and will remain in full compliance with all terms and conditions of the Act.

(d) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would: (1) except as otherwise set forth in the Official Statement, result in any material adverse change in the financial condition, properties or operations of the Borrower; (2) materially adversely affect the transactions contemplated by the Loan Agreement; or (3) adversely affect the validity or enforceability of the Series 2024A Bonds, the Trust Agreement, the Loan Agreement, the Series 2024A Note, the Master Indenture or any other documents related to the Series 2024A Bonds or the Project.

(e) Neither the execution and delivery of the Loan Agreement nor the fulfillment of or compliance with the terms and conditions contained therein is prevented, limited by, conflicts with or results in a breach of, the terms, conditions or provisions of (1) the Borrower's organizational documents or its by-laws, (2) any law, rule, regulation, or order of any court or governmental agency, or (3) any agreement,

instrument or evidence of indebtedness to which the Borrower is bound, or constitutes a default under any of the foregoing, except for such breaches which would not, individually or in aggregate, have a material adverse effect on the business or operations of the Borrower.

(f) All statements, representations and warranties made by the Borrower in connection with the issuance of the Series 2024A Bonds, the financing of the Project or in the Loan Agreement or any other document, agreement, certificate or instrument delivered or to be delivered by the Borrower under any of the foregoing shall be true, correct and complete in all material respects at the time they were made and on and as of the date of issuance and delivery of the Series 2024A Bonds, and no information has been or will be omitted which would make any of the foregoing misleading or incomplete. It is understood by the Borrower that all such statements, representations and warranties shall be deemed to have been relied upon by the Authority as a material inducement to enter into the Loan Agreement and to issue the Series 2024A Bonds.

(g) There has been no material adverse change in the financial condition or operation of the Borrower or the Combined Group that is not reflected in the most recent financial statements submitted by the Borrower to the Authority.

(Loan Agreement, Section 2.1)

Benefit of Bondholders

The Loan Agreement is executed in part to induce the purchase by others of the Series 2024A Bonds, and, accordingly, all covenants, agreements and representations on the part of the Borrower and the Authority, as set forth in the Loan Agreement, are thereby declared to be for the benefit of the holders from time to time of the Series 2024A Bonds and the right, title and interest of the Authority in and to the Loan Agreement will be assigned to the Bond Trustee, subject to the reservation of certain rights by the Authority as set forth in the Assignment.

(Loan Agreement, Section 3.2)

Tax Exempt Status of the Series 2024A Bonds

(a) The Borrower covenants that it shall not (i) take any action, (ii) permit any action within its control to be taken, or (iii) omit to take any and all affirmative actions which would result in the loss of the exclusion of the interest on any of the Series 2024A Bonds from gross income for purposes of federal income taxation as that status is governed by Section 103(a) of the Code. Without limiting the generality of the foregoing, the Borrower will not make, or direct the Bond Trustee to make, any use of the proceeds of the Series 2024A Bonds, directly or indirectly, in a manner which would cause the Series 2024A Bonds to be "arbitrage bonds" under the Code and the regulations applicable to obligations issued on the date of issuance of the Series 2024A Bonds.

(b) The Borrower represents and warrants that at all times while the Series 2024A Bonds are Outstanding, the Series 2024A Bonds shall constitute "qualified 501(c)(3) bonds" as defined in Section 145 of the Code. Without limiting the generality of the foregoing, the Borrower represents and warrants that no more than five percent (5%) of the net proceeds of the Series 2024A Bonds shall be used in any trade or business carried on by (i) a Person which is not an organization described in Section 501(c)(3) of the Code, or (ii) by a Person which is an organization described in Section 501(c)(3) of the Code, in a trade or business which constitutes an unrelated trade or business with respect to such Person, as defined in Section 513(a) of the Code.

(Loan Agreement, Section 3.4)

Rebate Covenant

(a) (i) Subject to the provisions of paragraph (h) of this section, within fifteen (15) days after each Computation Date, the Borrower shall engage a firm of financial consultants (the "Financial Consultant"), which may be a firm of certified public accountants, to calculate the Rebate Amount in respect of the Series 2024A Bonds under Section 148(f) of the Code. The Financial Consultant must be experienced in calculations of the Rebate Amount and must be acceptable to an Authorized Officer of the Authority.

(ii) Within forty-five (45) days after each Computation Date, the Borrower shall give the Bond Trustee a written summary of a calculation, prepared by the Financial Consultant, of the Rebate Amount as of the Computation Date, together with funds, or instructions to transfer funds, sufficient to increase the amount in the Rebate Fund to the Rebate Amount. The Borrower shall give the Authority copies of the summary and the funds transmittal or transfer instructions.

(iii) At least fifteen (15) days prior to the due date of any Rebate Amount or Penalty Amount, the Borrower shall give the Bond Trustee written instructions as to the amount, date, and manner of payments which the Bond Trustee is to make from the Rebate Fund to the Federal government to comply with the requirements of Section 148(f) of the Code, including payments of installments of at least ninety percent (90%) of the Rebate Amount within sixty (60) days after each Computation Date (other than the final Computation Date), payment of all the Rebate Amount within sixty (60) days after retirement of the last obligation of the Series 2024A Bonds, and payment of the Penalty Amount by the dates falling ninety (90) days after each six (6) month period. The Borrower shall give the Authority a copy of the instructions.

(b) The amounts in the Rebate Fund shall be applied at the times and in the amounts required under the Code solely for the purpose of paying the United States of America in accordance with Section 148(f) of the Code.

(c) With respect to the Series 2024A Bonds, the Borrower covenants and agrees that it will comply with the requirements of the Code relating to the investment restrictions on the proceeds of the Series 2024A Bonds and the calculation of the amount rebatable or payable as a penalty to the United States of America and payment thereof under the Code.

(d) An Authorized Officer of the Authority shall have the right at any time and in his or her sole and absolute discretion to obtain from the Borrower and the Bond Trustee the information necessary to determine the amount to be paid to the United States. Additionally, an Authorized Officer of the Authority and the Bond Trustee may (i) review or cause to be reviewed any determination of the amount to be paid to the United States made by or on behalf of the Borrower, and (ii) make or retain a Financial Consultant to make the determination of the amount to be paid to the United States. The Borrower hereby agrees to be bound by any such review or determination, to pay the costs of such review, including, without limitation, the reasonable fees and expenses of counsel or a Financial Consultant retained by an Authorized Officer of the Authority or the Bond Trustee, and to pay to the Bond Trustee any additional amounts for deposit in the Rebate Fund required as the result of any such review or determination.

(e) Notwithstanding any provision of this section or of the Trust Agreement to the contrary, the Borrower shall be liable, and shall indemnify and hold the Authority and the Bond Trustee harmless against any liability (including, without limitation, any attorney's fees), for payments due to the United States pursuant to Section 148(f) of the Code. Further, the Borrower specifically agrees that neither the Authority nor the Bond Trustee shall be held liable, or in any way responsible, for any mistake or error in the filing of the payment or the determination of the amount due to the United States or for any consequences resulting from any such mistake or error.

(f) The Authority and the Borrower recognize that the provisions of this section are intended to comply with Section 148 of the Code and the regulations thereunder and if as a result of a change in such section of the Code or the regulations thereunder or in the interpretation thereof, a change in this section shall be permitted as necessary to assure continued compliance with Section 148 of the Code and the regulations thereunder, then with written notice to the Bond Trustee, an Authorized Officer of the Authority and the Borrower shall be empowered to amend this section and the Authority may require, by written notice to the Borrower and the Bond Trustee, the Borrower to amend, and the Borrower hereby agrees to consent to, comply with and be bound by any such amendment to this section to the extent necessary or desirable to assure compliance with the provisions of Section 148 of the Code and the regulations thereunder; provided that either the Authority or the Bond Trustee shall require, prior to any such amendment becoming effective, at the sole cost and expense of the Borrower, a written opinion of Bond Counsel satisfactory to an Authorized Officer of the Authority to the effect that either (i) such amendment is required to maintain the exclusion from gross income under Section 103 of the Code of interest paid and payable on the Series 2024A Bonds, or (ii) such amendment shall not adversely affect the exclusion from gross income under Section 103 of the Code of interest paid or payable on the Series 2024A Bonds.

(g) Notwithstanding anything in the Loan Agreement or in the Trust Agreement to the contrary, the obligations of the Borrower under the provisions of this section shall survive the payment, redemption or defeasance of the Series 2024A Bonds until the expiration of all statutes of limitations applicable to the Authority with respect to the Series 2024A Bonds and Section 148 of the Code.

(h) Notwithstanding anything in the Loan Agreement or in the Trust Agreement to the contrary, if at any time after the issuance of the Series 2024A Bonds, the Borrower shall deliver to the Authority and the Bond Trustee (i) a certificate of an Authorized Officer of the Borrower stating that the Series 2024A Bonds qualify for an exception to the requirements of Section 148(f) of the Code or that all of the gross proceeds of the Series 2024A Bonds subject to Section 148(f) of the Code have been expended and no Rebate Amount is due, and setting forth the factual basis upon which the Series 2024A Bonds qualify for such exception or otherwise satisfy the requirements of Section 148(f) of the Code, and (ii) a written opinion of Bond Counsel satisfactory to the Authority to the effect that the Series 2024A Bonds qualify for such exception to, or otherwise satisfy, the requirements of Section 148(f) of the Code, then the Borrower shall have no obligation to retain a Financial Consultant to calculate the Rebate Amount or to otherwise comply with the provisions of this section. Notwithstanding the provisions of the foregoing sentence, if, at any time after the delivery of such certificate of an Authorized Officer of the Borrower and such written opinion of Bond Counsel, there shall be delivered to the Authority, the Borrower and the Bond Trustee a written opinion of Bond Counsel to the effect that compliance with the requirements of Section 148(f) of the Code and the provisions of this section (either in its present form or as this section may hereafter be amended in accordance with paragraph (f) of this section) is required in order to maintain the exclusion from gross income under Section 103 of the Code of interest paid and payable on the Series 2024A Bonds, then the Borrower shall be obligated to thereafter comply with the provisions of this section.

(Loan Agreement, Section 3.5)

Secondary Market Disclosure

(a) As soon as practicable, but in no event later than one hundred and fifty (150) days after the end of each Fiscal Year, the Borrower covenants that it will file, or cause to be filed, with the MSRB, in the manner set forth in subsection (j) of this section, Audited Financial Statements for such Fiscal Year prepared in accordance with GAAP at the time in effect, if then available. In the event that Audited Financial Statements are not available, the Borrower covenants that it will file, or cause to be filed, with the MSRB, in the manner set forth in subsection (j) of this section, within one hundred and fifty (150) days after the end of any Fiscal Year Unaudited Financial Statements for such Fiscal Year prepared in accordance with GAAP at the time in effect, and that it will file Audited Financial Statements when available.

(b) To the extent not contained in the Audited Financial Statements or Unaudited Financial Statements, as soon as practicable, but in no event later than one hundred and fifty (150) days after the end of each Fiscal Year, the Borrower covenants to file, or cause to be filed with the MSRB in the manner set forth in subsection (j) of this section, an update of the Operating Data and a listing of the names, terms and brief relevant experience of all of the then current members of its Board and its Chief Executive Officer.

(c) As soon as practicable, but in no event later than forty-five (45) days after the end of each fiscal quarter, the Borrower covenants to file, or cause to be filed, with the MSRB, Unaudited Financial Statements and Operating Data relating to such fiscal quarter.

(d) For as long as any Series 2024A Bonds are Outstanding, the Borrower covenants to file, or cause to be filed, with the MSRB, in a timely manner, but in no event in excess of ten (10) business days after the occurrence of any such event, notice of the occurrence of any of the following events with respect to the Series 2024A Bonds:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) 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 Series 2024A Bonds, or other material events affecting the tax status of the Series 2024A Bonds;

(vii) Modifications to rights of holders of the Series 2024A Bonds, if material;

(viii) Series 2024A Bond calls, if material, and tender offers;

(ix) Defeasances of the Series 2024A Bonds;

(x) Release, substitution or sale of property securing repayment of the Series 2024A Bonds, if material;

(xi) Rating changes relating to the Series 2024A Bonds;

(xii) Bankruptcy, insolvency, receivership or similar event of the Borrower;

(xiii) The consummation of a merger, consolidation, or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) Appointment of a successor or additional Bond Trustee for the Series 2024A Bonds or the change of name of the Bond Trustee for the Series 2024A Bonds, if material;

(xv) Incurrence of a Financial Obligation of the Borrower, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Borrower, any of which affect the holders of the Series 2024A Bonds, if material; and

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Borrower, any of which reflect financial difficulties.

The Borrower also covenants to file, or cause to be filed, notice in a timely manner with the MSRB of any change in the Fiscal Year of the Borrower.

(e) The Borrower will provide, or cause to be provided, the information described in subsections (a), (b) and (c) above regarding each other Member of the Obligated Group and any other entity which shall become an "obligated person" with respect to the Series 2024A Bonds under the Rule, to the extent required by the Rule.

(f) In a timely manner, the Borrower shall give to the Bond Trustee and the Authority and file, or cause to be filed, with the MSRB, written notice of any failure by the Borrower to provide any information required pursuant to subsections (a) or (b) above (or similar information required by subsection (e) above) within the time limit specified therein.

(g) The Borrower shall send to the Authority and the Bond Trustee:

(1) copies of any information filed with the MSRB pursuant to subsections (a), (b), (c), (d) or (e) above; and

(2) concurrently with the delivery of any information required pursuant to subsections (a), (b), (c), (d) or (e) above, a certificate signed by an Authorized Officer of the Borrower that it has filed, or caused to be filed, such information with the MSRB.

(h) The Borrower agrees that the provisions of this section shall be for the benefit of the Authority and the Holders and beneficial owners of the Series 2024A Bonds, and may be enforced by the Authority, the Bond Trustee or any Holder or beneficial owner of the Series 2024A Bonds in an action against the Borrower for specific performance. The failure by the Borrower to perform its obligations under this section shall not constitute an Event of Default pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Events of Default", and, except for an action for specific performance as aforesaid, the Authority, the Holders and beneficial owners of the Series 2024A Bonds shall have no right to enforce this section.

(i) This section may be amended to the extent required or permitted by the Rule, or 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 Borrower, or the type of business conducted by it; provided that: (i) the undertaking set forth in this section, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Series 2024A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (ii) such amendment either (x) does not materially impair the interests of Bondholders, or (y) is approved by the Holders of a majority in aggregate principal amount of the Series 2024A Bonds. In the event of any such amendment, the Borrower shall include in the Operating Data next filed pursuant to subsection (b) above an explanation, in narrative form, of the reasons for the amendment and the impact of the change in the Operating Data.

(j) Any notice, documents or other information required to be filed, or cause to be filed, by the Borrower with the MSRB in accordance with this section shall be filed with EMMA in electronic or such other format as the Rule may require or permit and shall be accompanied by such identifying information as shall be prescribed by the MSRB or as may otherwise be required by the Rule.

(Loan Agreement, Section 3.6)

Payments

The sums payable under the Loan Agreement shall be as described in the Series 2024A Note and shall be paid in the manner set forth therein. In the event the Borrower fails to make any payment in full in respect of the principal or Redemption Price of or interest on the Series 2024A Bonds, within thirteen (13) days of its due date, the Borrower shall pay directly to the Authority a late charge of five percent (5%) of the amount overdue.

(Loan Agreement, Sections 5.3 and 5.4)

Obligations Unconditional

The obligations of the Borrower to make payments required under the Loan Agreement shall be absolute and unconditional without defense or right of set-off. Except as may be expressly provided in the Loan Agreement or in the Trust Agreement, such payments shall not be decreased, abated, postponed or delayed for any reason whatsoever, including, without limitation, any acts or circumstances that may constitute failure of consideration, the taking of any part of the Health Care Facilities, commercial frustration of purpose, failure of the Authority to perform and observe any agreement, whether express or implied, or any duty, liability, or obligation arising out of, or connected with the Loan Agreement, or failure of any patient or occupant of the Health Care Facilities to pay the fees, rentals or other charges, and irrespective of whether or not any such patient or occupant receives either partial or total reimbursement as a credit against such payment, it being the intention of the parties that the payments required of the Borrower under the Loan Agreement will be paid in full when due without any delay or diminution whatsoever.

(Loan Agreement, Section 5.5)

Redemption of Series 2024A Bonds

(a) At the written request of the Borrower delivered to the Authority and the Bond Trustee not less than forty-five (45) nor more than sixty (60) days prior to any date on which any Series 2024A Bonds will be subject to optional or extraordinary redemption as provided in the Trust Agreement, an Authorized Officer of the Authority shall direct the Bond Trustee in the manner prescribed in the Trust Agreement to call for optional or extraordinary redemption such principal amount of such Series 2024A Bonds as the Borrower may request. The Borrower shall deliver to the Bond Trustee for deposit in the Redemption Fund, not later than the redemption date, an amount equal to the total Redemption Price of all Series 2024A Bonds so called for redemption on such date. Any Series 2024A Bonds so redeemed shall be credited as the prepayment of an equal principal amount of the Series 2024A Loan.

(b) The Authority and the Borrower agree that, if at any time the moneys on deposit in the Debt Service Fund and the Redemption Fund are at least equal to the sum of: (1) the aggregate principal amount of the Series 2024A Bonds then Outstanding plus any redemption premium necessary to be paid to redeem the Series 2024A Bonds pursuant to optional redemption on the next date that the Series 2024A Bonds are subject to such redemption; (2) accrued interest thereon to the redemption date; and (3) all sums due to the Authority or the Bond Trustee under the Trust Agreement or the Loan Agreement, all in accordance with the provisions of the Series 2024A Bonds, the Trust Agreement and the Loan Agreement,

upon the written request of the Borrower delivered to the Authority not less than thirty (30) nor more than sixty (60) days prior to any date on which a notice of the optional redemption of the Series 2024A Bonds is required by the Trust Agreement to be sent to the Holders of the Series 2024A Bonds, an Authorized Officer of the Authority shall provide written notice to the Bond Trustee of the Authority's election to redeem all of the Series 2024A Bonds then Outstanding.

(c) The Borrower may at any time request the Authority to effect the payment of the Series 2024A Bonds or any maturity thereof, provided that the Borrower shall provide the Authority with the moneys sufficient to effect such payment by depositing such moneys with the Bond Trustee.

(d) Whenever the Series 2024A Bonds are subject to extraordinary redemption pursuant to the Trust Agreement and the provisions of the Loan Agreement, an Authorized Officer of the Authority is authorized to direct the Bond Trustee to call the same for redemption as provided in the Trust Agreement. Whenever any Series 2024 Bond is subject to mandatory redemption pursuant to the Trust Agreement, the Borrower will cooperate with the Authority and the Bond Trustee in effecting such redemption. In the event of any mandatory, optional or extraordinary redemption of the Series 2024A Bonds, the Borrower will pay or cause to be paid to the Bond Trustee an amount equal to the applicable Redemption Price as a prepayment of that portion of the loan payment corresponding to the Series 2024A Bonds to be redeemed together with interest accrued to the date of redemption and will also pay all fees and expenses of the Authority and the Bond Trustee arising with respect to such redemption or otherwise due and owing under the Loan Agreement or under the Trust Agreement at such times and in such amounts as are required to effect the mandatory, optional or extraordinary redemption of the Series 2024A Bonds under the terms of the Trust Agreement.

(e) If a Change in Use occurs while any Series 2024A Bonds are Outstanding and no other remedial action is taken as permitted by the Code, the Borrower agrees that it will deposit moneys with the Bond Trustee in such manner to effect the payment of all of the Series 2024A Bonds or any maturity or portion thereof at the next optional redemption call date so as to comply with the provisions of the Code. The amounts to be so deposited shall be sufficient to pay the principal of and interest on the Series 2024A Bonds required to be paid no later than the first date on which such Series 2024A Bonds may be called under the applicable optional redemption provisions.

(f) The Authority agrees that the Borrower shall have the right to make voluntary payments in any amount to the Bond Trustee for deposit in the Redemption Fund; provided that such voluntary payments shall not be construed as requiring a redemption of the Series 2024A Bonds except as permitted or required by the Trust Agreement or other provisions of the Loan Agreement.

(g) As permitted by the Trust Agreement, the Borrower shall have the right to purchase and deliver the Series 2024A Bonds to the Bond Trustee as a credit against the mandatory redemption of Sinking Fund Installments for the Series 2024A Bonds. Any Series 2024A Bonds so delivered shall be credited against the mandatory redemption of Sinking Fund Installments on the dates and in the amounts provided in the Trust Agreement.

(Loan Agreement, Section 5.6)

Tax Exempt Status of the Borrower

(a) The Borrower affirmatively represents and warrants that: (i) it is an organization described in Section 501(c)(3) of the Code (or corresponding provisions of prior law), which is exempt from federal income taxes under Section 501(a) of the Code and which is not a "private foundation," as such term is defined under Section 509(a) of the Code; (ii) it has received a letter or letters (or it is included in a group letter or letters) from the Internal Revenue Service to that effect; (iii) it is in compliance with all terms,

conditions and limitations, if any, contained in such letter or letters; (iv) such status has not been adversely modified, limited or revoked; and (v) the facts and circumstances which form the basis of such status as represented to the Internal Revenue Service continue substantially to exist.

(b) The Borrower agrees that: (i) it shall not perform any acts nor enter into any agreements which shall cause any revocation or adverse modification of such federal income tax status; and (ii) agrees that it will 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 circumstance would cause the interest paid by the Authority on the Series 2024A Bonds to be subject to federal income tax in the hands of the holders thereof.

(c) The Borrower agrees, on behalf of itself and all other Members of the Combined Group, that, except as otherwise permitted by the Code, neither it, nor any Member of the Combined Group or any other Person related to the Borrower within the meaning of Treasury Regulation 1.150-1(b), pursuant to an arrangement, formal or informal, shall purchase the Series 2024A Bonds, unless the Borrower shall deliver to the Authority and the Bond Trustee a written opinion of Bond Counsel addressed to the Authority and the Bond Trustee to the effect that such purchase of the Series 2024A Bonds will not adversely affect any applicable exclusion from gross income for Federal and State income tax purposes of the interest paid on the Series 2024A Bonds or cause the interest on the Series 2024A Bonds to be treated as an item of tax preference under Section 57 of the Code.

(Loan Agreement, Section 6.5)

Insurance Requirements

(a) In addition to the requirements of the Trust Agreement and the Master Indenture, the Borrower agrees that it shall maintain or cause to be maintained with financially sound and reputable insurers, qualified to do business and in good standing in the State, insurance of the following kinds and in the following amounts:

(i) At all times fire, extended coverage, vandalism, and malicious mischief insurance with such other deductible provisions as are usual for similar facilities, on the plant, structure, machinery, equipment and apparatus comprising the Health Care Facilities. The foregoing insurance shall be maintained so long as any of the Series 2024A Bonds are Outstanding and shall be in an amount not less than eighty percent (80%) of the replacement value of such facilities, exclusive of excavations and foundations. So far as the same may be reasonably procurable, any such policy shall provide that the insurance company shall give at least thirty (30) days' notice in writing to the Bond Trustee, the Master Trustee and the Authority of the cancellation of such policy. In any event, each such policy shall be in an amount sufficient to prevent the Borrower from becoming a coinsurer under the applicable terms of such policy;

(ii) At all times, workers' compensation insurance, disability insurance, and each other form of insurance which the Borrower is required by law to provide, covering loss resulting from injury, sickness, disability or death of employees;

(iii) At all times, insurance protecting the Authority, the Bond Trustee and the Borrower against loss or losses from liabilities imposed by law or assumed in any written contract and arising from the death or bodily injury or damage to the property of others caused by accident or occurrence (including a contractual liability endorsement);

(iv) At all times, medical liability, malpractice and other hospital operation liability insurance in sufficient amounts and layers to protect the Authority and the Borrower against claims

arising from the professional services performed by the Borrower;

(v) Fidelity insurance in such amounts and under such terms as shall be determined by an Authorized Officer of the Authority with due regard to the Borrower's funds and accounts;

(vi) Boiler and machinery coverage (direct damage and use and occupancy) on a replacement cost basis, unless waived by an Authorized Officer of the Authority;

(vii) At all times, trustees' and officers' liability and vehicle liability insurance coverage; and

(viii) Business interruption and special equipment insurance in such minimum amounts as shall be determined by the Borrower and its Independent Insurance Consultant with due regard to the Borrower's outstanding debt obligations.

(b) All policies and certificates of insurance required by this section shall be open to inspection by an Authorized Officer of the Authority and the Bond Trustee at all reasonable times. Certificates of insurance describing such policies shall be furnished by the Borrower to the Authority and to the Bond Trustee at or prior to the delivery of the Series 2024A Bonds and annually upon renewal of each policy. Within two hundred twenty-five (225) days after the end of each Fiscal Year, the Borrower shall furnish to the Authority and the Bond Trustee: (i) an insurance reporting form describing such policies as evidenced by insurance certificates; (ii) a certificate signed by an Authorized Officer of the Borrower stating that such insurance meets all the requirements of the Trust Agreement and this section, and (iii) a certification addressed to the Borrower, the Bond Trustee and the Authority by a nationally recognized Independent Insurance Consultant that the types and amounts of coverage provided are customary and reasonable for institutions of similar type and size, taking into account the service mix provided by the Borrower. The Borrower will provide additional proof of insurance coverage, at any time, upon reasonable request by an Authorized Officer of the Authority or the Bond Trustee.

(c) If any change shall be made in such insurance as to either amount or type of coverage, a description and notice of such change shall be immediately furnished to the Authority and to the Bond Trustee by the Borrower. In the event that the Borrower fails to maintain any insurance required by the terms of the Loan Agreement, the Authority may, upon such notice to the Borrower as is reasonable under the circumstances, procure and maintain such insurance at the expense of the Borrower.

(d) The Authority has heretofore accepted a certain plan of self-insurance and captive insurance in lieu of the insurance required by clauses (iii) and (iv) in paragraph (a) of this section (the "Accepted Plan"). Upon a written request of the Borrower, an Authorized Officer of the Authority may, without the need to obtain the consent of the Bond Trustee, permit modifications of or substitutions for the Accepted Plan or any other types of insurance required to be maintained by paragraph (a) of this section or by the Trust Agreement, including permission for the Borrower to be covered by self-insurance or to have a captive insurance company program in whole or in part for any such coverage, all upon such terms and conditions as the Authority may require. In making its decision to permit such modifications or substitutions, the Authorized Officer of the Authority shall consider the potential risk to the Borrower and the Authority, the availability of insurance, the terms upon which insurance is available, the cost of available insurance and the effect of such terms and such rates upon the Borrower's costs and charges for its services. In making any such determinations, an Authorized Officer of the Authority may request and rely upon reports provided by the Borrower's retained professionals. In addition, the Borrower will provide (i) an actuarial study prepared by a licensed independent actuary, (ii) a legal opinion that there will be no material adverse effect for reimbursement under Medicare and Medicaid programs or any governmental programs providing similar benefits or establishing rates and charges for health care services, (iii) a detailed structure of the self-insurance or captive insurance program including the oversight committee and all service

providers, including legal firms and accountants, (iv) a list of employed physicians covered under the program (self-insurance and captive insurance program approval will be limited to employed physicians only), (v) a list of incidents to be reported to Borrower's current insurer prior to the effective date of self-insurance or captive insurance program, (vi) insurance trust agreements or captive insurance program licenses issued by the appropriate corporate or governmental body, and (vii) a list of excess insurance carriers and reinsurance providers. The Borrower shall pay any fees charged by such actuary and other professionals and any expenses incurred by the Authority. The Borrower shall give written notice to the Bond Trustee of any modifications or substitutions made pursuant to this paragraph, and shall indicate in such notice the effective date of such modifications or substitutions. The Authority's decision to permit the modifications or substitutions aforesaid shall be in the Authority's sole and absolute discretion.

(e) In the event that the Borrower self-insures or insures through a captive insurance company (the "Captive"), including the Accepted Plan, the Borrower shall provide to the Authority, at the time of commencement of such coverage and annually thereafter (no later than the anniversary date of commencement of such coverage), either:

(A) a Qualified Insurance Rating from an Insurance Rating Agency and a copy of the rating report relating thereto; or

(B) the following items:

(i) a certification addressed directly to the Borrower, the Bond Trustee and the Authority from a licensed independent actuary specializing in the type of insurance being provided and not unacceptable to an Authorized Officer of the Authority, that (a) based upon an actuarial study, the total discounted held reserves plus capital and surplus in the self-insurance or captive insurance program, limited to those funds that cannot be drawn upon by the Borrower for use in operations or otherwise unrelated to payment of claims, meet all the requirements of the Bermuda Monetary Authority and any successor thereto ("BMA"), and (b) identifying the assumptions relied upon by the actuary in its determination, which assumptions shall not be unacceptable to an Authorized Officer of the Authority. The Borrower may include in its funding calculation "admitted assets" (as that term is defined in the regulations of the BMA), including cash, cash equivalents, investments, any receivable owing from the Borrower to the Captive, and other assets permitted by the BMA, plus all proceeds of the foregoing; provided, however, for purposes of this subsection, in calculating either statutory capital and surplus or the minimum liquidity ratio requirements, "admitted assets" shall not include any amounts owing to the Captive from the Borrower or its affiliates as a result of loans or advances made by the Captive to the Borrower or its affiliates;

(ii) an opinion of counsel addressed directly to the Borrower, the Bond Trustee and the Authority to the effect that the self-insurance or captive insurance program is in compliance with the laws and regulations of the state and/or country of the Captive's domicile and is not in contravention of any laws or regulations of the State (the form of which opinion shall not be unacceptable to an Authorized Officer of the Authority); and

(iii) evidence (which shall also be delivered to the Bond Trustee) that the self-insurance or captive insurance program has been audited by a nationally recognized Independent firm of public accountants and has received an unmodified opinion (the form of which opinion shall not be unacceptable to an Authorized Officer of the Authority) from such firm of public accountants.

(f) In the event that the Borrower is not able to comply with the requirements of paragraph (e) of this section and an Authorized Officer of the Authority has not waived such noncompliance, the

Borrower shall procure, within ninety (90) days of the anniversary date referred to in paragraph (e) of this section or by such later date as shall be approved in writing by an Authorized Officer of the Authority, insurance policies complying with the requirements of paragraph (a) of this section.

(g) Notwithstanding anything set forth in the Loan Agreement to the contrary, the provisions of this section may be amended or supplemented by the Authority in its sole and absolute discretion and without the consent of any Bondholder, the Bond Trustee or the Borrower in order that such provisions shall be consistent with the Authority's policies then in effect.

(h) The Bond Trustee shall have no obligation to review or determine the adequacy of any insurance required by this section.

(Loan Agreement, Section 6.11)

Environmental Representations and Covenants

(a) The Borrower represents and warrants that:

(1) except as disclosed in the Loan Agreement, and except with respect to violations and claims of violations which have been corrected or otherwise resolved to the satisfaction of the governmental agency or agencies having jurisdiction prior to the date of the Loan Agreement, it has been and continues to be in compliance with all laws, rules and regulations applicable to the Health Care Facilities governing protection of the public health and the environment and that no notice has been given to the Borrower by any governmental authority or any Person claiming any violation of, or requiring compliance with, any federal, State or local statute, ordinance, regulation or other requirement of law, or demanding remediation of or payment or contribution for any environmental contamination or any damages attributable thereto;

(2) except as disclosed in the Loan Agreement, no administrative order, consent order, lien, superlien or agreement, litigation or settlement or, to the best of its knowledge, investigation (other than an investigation by the Borrower itself) with respect to any Hazardous Substance of any kind located on, about or under all or any portion of the Health Care Facilities or that is attributable to the Borrower at any location or in any jurisdiction, exists, is pending, or to the best knowledge of' the Borrower, is proposed, threatened or anticipated;

(3) except for (i) Regulated Medical Waste, as that term is defined in N.J.A.C. 7:26-3A.6, (ii) those materials and wastes described in subsection (b)(2) below, and (iii) to the best of its knowledge, after due inquiry, as otherwise disclosed in the Loan Agreement, no Hazardous Substance, including, but not limited to, asbestos, PCBs and urea-formaldehyde, has been treated, stored, disposed of or deposited on, in or under the Health Care Facilities, and no underground storage tanks for the storage of Hazardous Substances are or were located at the Health Care Facilities;

(4) except as otherwise disclosed in the Loan Agreement, to the best of its knowledge, after due inquiry, there is no actual or threatened release of any Hazardous Substance or any other environmental condition in, on or from the Health Care Facilities or any of its other properties that may: (i) restrict the development or any use of the Health Care Facilities; (ii) increase the cost of operating or maintaining the Health Care Facilities; (iii) present any risk to any persons or things at, on or off of the Health Care Facilities; or (iv) diminish or impair the value or marketability of the Health Care Facilities;

(5) to the best of its knowledge, but without inquiry, there is no actual or threatened release of any Hazardous Substance or any other environmental condition regulated by the New Jersey Department of Environmental Protection or the federal Environmental Protection Agency in, on or from any property other than the Health Care Facilities that may: (i) restrict the development or any use of the Health Care Facilities; (ii) increase the cost of operating or maintaining the Health Care Facilities; (iii) present any risk of harm or damage to persons or things at or on the Health Care Facilities; or (iv) diminish or impair the value or marketability of the Health Care Facilities;

(6) as to all real or personal property, including the Health Care Facilities, owned and/or occupied by the Borrower located in the State, it has complied with and will comply with the provisions of the Industrial Site Recovery Act, N.J.S.A. 13:1K-6 et seq. or successor statute to the extent applicable to any such property; and

(7) except as otherwise disclosed in Loan Agreement, to the best of its knowledge, after due inquiry, none of its underground storage tanks or their associated piping have released any of their contents or present any threat of release other than the risk of possible further release inherent in any underground storage tank.

(b) The Borrower covenants that it:

(1) will not treat, discharge, spill, dispense, dispose of or otherwise release any Hazardous Substance or any waste of any kind in, on or under the Health Care Facilities and will not cause, suffer, allow or permit any other Person to do so except in compliance with applicable law; it being expressly understood that, without limiting the generality of the foregoing, the Borrower may generate, dispose of and treat Regulated Medical Waste, so long as such disposal and treatment is performed in accordance with all applicable laws, rules and regulations;

(2) except for Regulated Medical Waste, will not use, generate, hold or store any Hazardous Substance or any waste of any kind except that: (i) construction materials, office equipment, other office furnishings, cleaning solutions and other maintenance materials that are or contain Hazardous Substances may be used, held or stored at the Health Care Facilities, provided that such use, holding or storage is incident to and reasonably necessary for the construction, operation, or maintenance of the Health Care Facilities as a health care facility and is in accordance with applicable laws except that no asbestos, asbestos containing materials or PCBs shall be brought into the Health Care Facilities; (ii) reasonable quantities of Hazardous Substances may be used, stored, or held at the Health Care Facilities if such activity is incident to the Borrower's customary use of such substances at the Health Care Facilities, provided such substances are properly packaged, labeled, stored, held and used in a safe manner in accordance with all applicable law; and (iii) reasonable quantities of municipal waste may be generated by the Borrower at or on the Health Care Facilities and such waste may be stored temporarily at the Health Care Facilities, provided such activity is performed in compliance with all applicable law and provided all such waste is removed within a reasonable time after it is generated;

(3) will not generate, use, hold or store any Hazardous Substance that is permitted under subparagraph (2) above, in a manner so as to create an undue risk of its release at or on the Health Care Facilities;

(4) will provide written notice to the Authority and the Bond Trustee within one week of the Borrower's knowledge of any and all discharges, spills, disposals or other releases at or on the Health Care Facilities of any Hazardous Substances that are not completely cleaned up and removed within one business day of release except with respect to those which are not prohibited

by subsection (b)(2) of this section;

(5) will give prior written notice to the Authority of the installation of any additional tanks for the storage of Hazardous Substances at the Health Care Facilities, whether under or above ground, which notice shall include copies of all governmental permits and approvals necessary for such installation, will comply with all applicable laws and regulations concerning the installation of any type of additional storage tanks at the Health Care Facilities, whether under or aboveground, and will notify the Authority and the Bond Trustee in writing of the presence of any contamination that is discovered during or following the removal of any storage tanks;

(6) will perform promptly and in compliance with all applicable statutory and regulatory requirements, any corrective action measures required by any governmental authority having jurisdiction over any underground storage tanks located at or on the Health Care Facilities; and

(7) will, within five (5) business days of the Borrower's receipt, notify the Authority and the Bond Trustee in writing of any notice of violation of any law regulating Hazardous Substances issued by any governmental agency with respect to the Borrower or the Health Care Facilities, or any notice of the filing by any governmental agency of any administrative, civil, or criminal action against, or investigation of, the Borrower or the Health Care Facilities arising out of any alleged violation by Borrower of any law regulating Hazardous Substances, including therewith a copy of the notice of violation, filing or investigation as to which such notification is being given.

(c) The Borrower may cure a breach of subsection (b) above, resulting from the discharge, spill, disposal or other release of any Hazardous Substance or waste of any kind, if the Borrower:

(1) promptly takes all measures necessary required by those regulatory authorities having jurisdiction to contain and remove any and all onsite discharges, spills, disposals or other releases of any Hazardous Substance or waste of any kind and remedies and mitigates any and all threats to health, property and the environment in a manner consistent with all applicable law to the extent required by those regulatory authorities having jurisdiction; and

(2) provides the Authority, within thirty (30) days after demand from the Authority, with a bond, letter of credit, or similar financial assurance evidencing to an Authorized Officer of the Authority's satisfaction that the necessary funds are available to pay the costs of removing, treating and disposing of Hazardous Substances or material contaminated by such Hazardous Substances to the extent required by those regulatory authorities having jurisdiction and discharging any assessments that are or are likely to be imposed on the Health Care Facilities as a result thereof.

(d) For purposes of determining whether an Event of Default has occurred under the Loan Agreement, if the Borrower shall fail to comply with the covenants contained in subsections (b)(4), (b)(5) or (b)(7) of this section requiring the giving of notice within a specified time period to the Authority and/or the Bond Trustee, the Borrower shall be considered to have corrected such failure if, following notification from the Authority and within the time period specified by the Authority in such notification, or such longer period as the Authority may allow, the Borrower shall provide to the Authority and the Bond Trustee, as appropriate, the information required to have been included in such notice together with such explanations as an Authorized Officer of the Authority may request regarding such failure, which explanations shall be satisfactory to an Authorized Officer of the Authority, in its sole discretion.

(e) The Borrower agrees to use its best efforts to include in any contracts and agreements of any kind entered into or renewed after the date of execution and delivery of the Loan Agreement for the occupancy of or the performance of any activities on the Health Care Facilities the same limitations on the activities of such other contracting party as are placed on the Borrower by subsection (b) above.

(f) The Borrower agrees that the Authority and the Bond Trustee and their authorized representatives may, but are not obligated to, enter and inspect and assess the Health Care Facilities at reasonable times and upon reasonable notice to determine the Borrower's compliance with the above conditions.

(g) The Borrower shall defend, indemnify and hold the Authority and the Bond Trustee harmless from and against any and all past, present and future liability, loss, damage, costs and expense suffered, incurred or threatened as a result of any default under this section or as a result of a notice, complaint, claim, demand, suit, order, judgment, or any other legal requirement, including without limitation of the generality of the foregoing, court costs, attorneys' and consultants' fees, environmental cleanup costs, natural resources damages, fines, penalties and damages to persons, personal property, real property and business enterprises, arising out of or relating to the environmental condition of the Health Care Facilities, the existence of any environmental hazard at or on the Health Care Facilities or any release or threat of release of any Hazardous Substance of any kind in, at, on, under or from the Health Care Facilities at any time, regardless of whether caused by or within the control of the Authority or the Bond Trustee.

The indemnification provisions of this section shall survive payment and satisfaction or termination of the Loan Agreement and the Series 2024A Bonds, and the resignation or removal of any entity serving as Bond Trustee.

(Loan Agreement, Section 6.12)

Required Ratio and Days Cash on Hand Requirement

(a) For so long as an acute care hospital is a Member of the Combined Group, the Borrower agrees, on behalf of itself and any other Member of the Combined Group, that the Combined Group will maintain the Required Ratio and comply with the Days Cash on Hand Requirement. The Required Ratio will be tested at the end of each fiscal quarter on the basis of the preceding 12-month period, based on the Combined Group's Unaudited Financial Statements delivered to the Authority and the Bond Trustee in accordance with and as set forth in subsection (a) under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Financial and Other Reports" herein. Compliance with the Days Cash on Hand Requirement will be tested at the end of each fiscal quarter based on the Combined Group's Unaudited Financial Statements delivered to the Authority and the Bond Trustee in accordance with and as set forth in subsection (a) under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Financial and Other Reports" herein.

(b) Subject to the provisions of paragraph (h) of this section and notwithstanding anything contained in the Loan Agreement to the contrary, if the Combined Group fails to maintain the Required Ratio and/or comply with the Days Cash on Hand Requirement when tested as provided in paragraph (a) of this section, then the Borrower shall, on behalf of itself and any other Member of the Combined Group, within sixty (60) days of the end of such fiscal quarter and, in any event, not more than twenty (20) days following notice from an Authorized Officer of the Authority to do so, (i) prepare a scope of work for a Consultant in form and content acceptable to an Authorized Officer of the Authority, (ii) retain a Consultant acceptable to an Authorized Officer of the Authority, and (iii) require such Consultant, within fifteen (15) days of its appointment, to commence work on a report to be delivered to the Combined Group and the Authority recommending changes with respect to the operation and management of the Combined Group's

facilities which such Consultant advises should be implemented.

(c) Subject to the provisions of paragraph (h) of this section and notwithstanding anything contained in the Loan Agreement to the contrary, for so long as the Combined Group is not in compliance with the Required Ratio and/or the Days Cash on Hand Requirement, the Borrower shall, on behalf of itself and any other Member of the Combined Group, deliver to the Authority within thirty (30) days of delivery of a Consultant's report pursuant to paragraph (b) of this section, (i)(A) a certified copy of a resolution adopted by the Board of the Borrower accepting such report on behalf of itself and any other Member of the Combined Group and a report setting forth in reasonable detail the steps, if any, the Combined Group proposes to take to implement the recommendations of such Consultant, and (B) quarterly reports showing the progress made by the Combined Group in achieving compliance with the Required Ratio and/or the Days Cash on Hand Requirement and, if applicable, implementing the recommendations of the Consultant; or (ii) a certified copy of a resolution adopted by the Board of the Borrower accepting such report and establishing the reason(s) why such recommendation of such Consultant will not be complied with.

(d) If the Combined Group shall fail to maintain the Required Ratio and/or comply with the Days Cash on Hand Requirement as required by paragraph (a) of this section, the Combined Group shall nonetheless be considered to be in compliance with this section so long as the Combined Group has satisfied the requirements of paragraphs (b) and (c) of this section to the reasonable satisfaction of an Authorized Officer of the Authority. If the Combined Group shall also fail to satisfy the requirements of paragraphs (b) and (c) of this section to the reasonable satisfaction of an Authorized Officer of the Authority, the Authority shall be entitled to notify the members of the Board of the Borrower of such noncompliance, at the addresses specified in the list provided pursuant to and as set forth in subsection (e) under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Financial and Other Reports" herein, and to enforce the provisions of this section by specific performance. In no event, however, shall failure to satisfy the provisions of this section constitute an Event of Default under the Loan Agreement nor a default in the performance of a covenant within the meaning of the Trust Agreement, it being understood that the sole remedies for noncompliance shall be the right of the Authority to seek specific performance and/or to notify Board members as aforesaid, and the remedies available to the Authority pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Triggering Events".

(e) Subject to the provisions of paragraph (h) of this section and notwithstanding anything contained in the Loan Agreement to the contrary, if the Debt Service Coverage Ratio is within 0.10 of the Required Ratio or the amount of the Days Cash on Hand is within ten (10) days of the Days Cash on Hand Requirement for two consecutive fiscal quarters when tested as provided in paragraph (a) of this section, then the Borrower shall, after prior written notice thereof filed with the MSRB in the manner set forth in subsection (j) under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Secondary Market Disclosure" herein, hold a telephone conference call with the beneficial owners of the Series 2024A Bonds as soon as practicable after each subsequent quarterly testing of the Required Ratio and the Days Cash on Hand Requirement until such time as the quarterly testing shows that the Debt Service Coverage Ratio is 0.10 or more above the Required Ratio or the amount of the Days Cash on Hand is at least ten (10) days more than the Days Cash on Hand Requirement. Notwithstanding anything contained in the Loan Agreement to the contrary, the failure by the Borrower to hold a telephone conference call with the beneficial owners of the Series 2024A Bonds in compliance with the provisions of this subsection (e) shall be conclusively deemed for purposes of and as set forth herein under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Triggering Events" to constitute a failure by the Combined Group to satisfy the Required Ratio and/or the Days Cash on Hand Requirement for each quarterly testing period for which such telephone conference call was required to be held and was not held.

(f) Subject to the provisions of paragraph (h) of this section and in addition to the requirements of paragraph (e) of this section, if the Debt Service Coverage Ratio and/or the amount of the Days Cash on Hand has decreased fifteen percent (15%) or more from one fiscal quarter to the next fiscal quarter when

tested as provided in paragraph (a) of this section, or if the Debt Service Coverage Ratio and/or the amount of the Days Cash on Hand has decreased thirty percent (30%) or more over a period of four consecutive fiscal quarters when tested as provided in paragraph (a) of this section, then the Borrower shall, after prior written notice thereof filed with the MSRB in the manner set forth in subsection (j) under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Secondary Market Disclosure" herein, hold a telephone conference call with the beneficial owners of the Series 2024A Bonds as soon as practicable after each of the next four (4) quarterly testings of the Required Ratio and the Days Cash on Hand Requirement. Notwithstanding anything contained in the Loan Agreement to the contrary, the failure by the Borrower to hold a telephone conference call with the beneficial owners of the Series 2024A Bonds in compliance with the provisions of this subsection (f) shall be conclusively deemed for purposes of and as set forth herein under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Triggering Events" to constitute a failure by the Combined Group to satisfy the Required Ratio and/or the Days Cash on Hand Requirement for each quarterly testing period for which such telephone conference call was required to be held and was not held.

(g) Subject to the provisions of paragraph (h) of this section, for so long as the Borrower is required to hold telephone conference calls with the beneficial owners of the Series 2024A Bonds in accordance with either subsection (e) or (f) of this section, the Borrower shall prepare and include as part of the filing of its Unaudited Financial Statements for each fiscal quarter filed by the Borrower with the MSRB in accordance with and as set forth in subsection (c) under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Secondary Market Disclosure" herein, a reasonably descriptive management's discussion and analysis, including, without limitation, explanations of material variances from budget and/or prior year's results, of the financial results set forth in such Unaudited Financial Statements.

(h) Notwithstanding anything contained in the Loan Agreement to the contrary, if the Combined Group shall fail to maintain the Required Ratio and/or comply with the Days Cash on Hand Requirement as required by paragraph (a) of this section, the Borrower shall have no obligation to comply with the requirements of paragraphs (b), (c), (e), (f) and/or (g) of this section if the failure to maintain the Required Ratio and/or comply with the Days Cash on Hand Requirement is a result of an unanticipated loss of revenue of the Combined Group and/or an unanticipated increase in expenses or Indebtedness of the Combined Group related solely to the Combined Group's response to a federal or State declaration of (i) a disaster, (ii) a state of emergency, or (iii) a public health emergency in any one or more of the Combined Group's primary or secondary service areas; provided, however, that the provisions of this paragraph (h) shall only be operative and effective (x) through the next two fiscal quarters of the Combined Group after the fiscal quarter in which the federal or State declaration of a disaster, state of emergency or public health emergency is no longer in effect, or (y) if another federal or State declaration of a disaster, state of emergency or public health emergency occurs prior to the end of the fiscal quarter after the end of the fiscal quarter in which the first disaster, state of emergency or public health emergency has ended, to such date as shall be consistent with the Authority's policies then in effect.

(Loan Agreement, Section 6.14)

Financial and Other Reports

(a) The Borrower shall within forty-five (45) days after the end of each quarter during its Fiscal Year, or monthly if requested by the Authority, deliver to the Authority:

(i) Unaudited Financial Statements of the Combined Group, including balance sheet, revenues and expenses and statement of cash flows of the Combined Group, together with a comparison to the prior year, in reasonable detail;

(ii) a certificate signed by the Chief Financial Officer of the Borrower stating that the Unaudited Financial Statements have been prepared in accordance with GAAP on substantially the same basis as the Combined Group's Audited Financial Statements;

(iii) a report on the utilization of the Combined Group in such detail as the Authority may require, including (A) number of beds in service, admissions or discharges, number of observation cases, patient days and average length of stay and occupancy, all in such reasonable detail as an Authorized Officer of the Authority may request, and (B) same-day surgery and outpatient and emergency room visits;

(iv) a certificate signed by the Chief Financial Officer of the Borrower calculating the Required Ratio and compliance with the Days Cash on Hand Requirement as of the end of such period; provided however, and for the avoidance of doubt, any such certificate delivered on a monthly basis in accordance with paragraph (a) of this section shall be delivered for informational purposes only and shall not be construed in any manner as modifying the fiscal quarterly testing period requirements set forth herein under the headings entitled "SUMMARY OF THE LOAN AGREEMENT – Required Ratio and Days Cash on Hand Requirement" and "SUMMARY OF THE LOAN AGREEMENT – Triggering Events";

(v) a certificate signed by the Chief Financial Officer of the Borrower stating that no Event of Default has occurred and is continuing under the Loan Agreement;

(vi) if the Combined Group is not in compliance with the Required Ratio and/or the Days Cash on Hand Requirement and if requested by the Authority (A) a statement of projected cash flows of the Combined Group covering such period as an Authorized Officer of the Authority may request, and (B) at the end of such period, a statement comparing actual results to such projections;

(vii) a report calculating, as to each Derivative Agreement in existence as of the end of such quarter, the" marked-to-market" value of the Derivative Agreement calculated in the manner provided in such Derivative Agreement; and

(viii) a report setting forth any changes in, updates to or other modifications of, the Derivative Policy.

(b) The Borrower shall deliver to the Authority, as soon as available, but in no event later than one hundred-fifty (150) days of the end of each Fiscal Year:

(i) an annual unaudited report on the utilization of the Combined Group, for such Fiscal Year in such detail as the Authority may require, including (A) number of beds in service, admissions or discharges, number of observation cases, patient days and average length of stay and occupancy, all in such reasonable detail as an Authorized Officer of the Authority may request, and (B) same-day surgery and outpatient and emergency room visits;

(ii) Audited Financial Statements for the preceding Fiscal Year. Concurrently with the delivery of such Audited Financial Statements, the Borrower shall deliver or cause to be delivered to the Authority:

(A) a letter from an independent firm of certified public accountants, stating that (1) such firm understands and agrees that the Borrower plans to provide the Authority with a copy of the Audited Financial Statements and any report issued in connection therewith, (2) such firm further understands that the Authority intends to rely upon the Audited Financial Statements

and any report issued in connection therewith, and that the Borrower intended for the Authority to so rely, and (3) such firm knew that the Authority intended to rely upon such Audited Financial Statements;

(B) a certificate signed by the Chief Financial Officer of the Borrower that, after a review of the provisions of the Loan Agreement, no event has occurred which, with the giving of notice or the passage of time, would constitute an Event of Default under the Loan Agreement; and

(C) a computation as of the end of the preceding Fiscal Year, performed by the Chief Financial Officer of the Borrower, of the Combined Group's compliance with the Required Ratio and the Days Cash on Hand Requirement.

(c) The Borrower shall also furnish or cause to be furnished to the Authority, upon receipt thereof by the Borrower:

(i) copies of any management letter or report which addresses any material weaknesses disclosed during any annual or interim audit submitted to the Borrower by its accountants and a copy of any written response of the Borrower to any such letter or report; and

(ii) evidence of the continued licensure by the New Jersey State Department of Health of any Members of the Combined Group that are acute care hospitals.

(d) Copies of the reports required by paragraph (b) above shall be sent by the Borrower to each Rating Agency, if any, which has assigned a rating to the Series 2024A Bonds. Copies of such reports required by paragraph (b) above shall be mailed at the expense of the Borrower to any Series 2024A Bondholder who files a written request therefor.

(e) The Borrower shall, within thirty (30) days after each annual meeting of the Board of the Borrower, deliver to the Authority a list of the names and addresses of all members of the Board of the Borrower, and shall promptly notify the Authority of any changes thereto and of any changes to its Chief Executive Officer, President, any Chief Operating Officer of its divisions or its Chief Financial Officer, as applicable.

(f) Prior to or simultaneously with the issuance and delivery of the Series 2024A Bonds, the Borrower shall deliver to the Authority (i) a listing of all Derivative Agreements of the Combined Group which are outstanding as of the date of issuance and delivery of the Series 2024A Bonds and the "marked-to-market" value of each such Derivative Agreement as of the end of the most recent Fiscal Year quarter of the Borrower, calculated in the manner provided in such Derivative Agreement, and (ii) a copy of the Derivative Policy, if any.

(g) Each report filed pursuant to paragraphs (a) and (b) of this section must include a certification signed by the Chief Executive Officer and the Chief Financial Officer of the Borrower that:

(i) they have reviewed the report being filed;

(ii) based on their knowledge, the report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading with respect to the period contained in such report; and

(iii) based on their knowledge, the financial statements and other financial information included in the report, fairly present in all material respects, the financial condition of the Combined Group, as of, and for the periods presented in the report.

(h) Within ten (10) business days after the occurrence of any change in any rating on the Series 2024A Bonds by any Rating Agency, the Borrower shall send to the Authority and the Bond Trustee a copy of the notice of the occurrence of such rating change filed by or on behalf of the Borrower with the MSRB in accordance with and as set forth in subsection (d) under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Secondary Market Disclosure" herein.

(i) The Bond Trustee shall have no obligation or duty to review any financial statements (audited or otherwise), reports, certificates, computations or other materials filed with it and shall not be deemed to have notice of the content of such financial statements, reports, certificates, computations or other materials or a default based on such content and shall have no obligation or duty to verify the accuracy of such financial statements, reports, certificates, computations or other materials.

(Loan Agreement, Section 6.15)

Triggering Events

(a) For purposes of this section, a "Triggering Event" shall mean both (i) the failure of the Combined Group to maintain the Required Ratio for two (2) or more consecutive quarterly testing periods (it being understood that failure by the Borrower to (A) provide a certificate evidencing satisfaction by the Combined Group of the Required Ratio for any quarterly testing date within the time required by and as set forth in subsection (a) under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Financial and Other Reports" herein, or (B) hold a telephone conference call with the beneficial owners of the Series 2024A Bonds as required by either subsection (e) or (f) under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Required Ratio and Days Cash on Hand Requirement" herein, shall be conclusively deemed for purposes of this section to constitute a failure to satisfy the Required Ratio as of such quarterly testing date), and (ii) the failure of the Combined Group to maintain the Days Cash on Hand Requirement as of the last day of the second quarterly reporting period identified in clause (i) above (it being understood that failure by the Borrower to (C) provide a certificate evidencing satisfaction by the Combined Group of maintaining the Days Cash on Hand Requirement or (D) hold a telephone conference call with the beneficial owners of the Series 2024A Bonds as required by either subsection (e) or (f) under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Required Ratio and Days Cash on Hand Requirement" herein, shall be conclusively deemed for purposes of this section to constitute a failure to satisfy the Days Cash on Hand Requirement as of such required date).

(b) Upon the occurrence of a Triggering Event during any period of time when the underlying rating of the Outstanding Series 2024A Bonds issued by any Rating Agency is not at least "BBB-/Baa3" or higher, then, in addition to any other remedies and rights available under the Loan Agreement or under any other document as a result thereof, the Borrower shall (i) permit up to two (2) representatives of the Authority designated in writing from time to time by an Authorized Officer of the Authority (the "Representatives") to attend all portions (other than (1) portions exclusively devoted to Privileged Matters, as such term is hereinafter defined, and (2) portions exclusively devoted to Excluded Matters, as such term is hereinafter defined) of every meeting of the Board of the Borrower and of each and every committee thereof, (ii) provide to the Authority and each of the Representatives at least forty-eight (48) hours' advance notice of each such meeting and of any action taken or purported to be taken by members of the Board of the Borrower (or any committee thereof) in lieu of a meeting, and (iii) provide to the Authority and each of the Representatives copies of all information and reports (other than information and reports dealing exclusively with Privileged Matters and/or Excluded Matters) distributed to, or otherwise made available to, voting members of the Board of the Borrower (or any committee thereof). All information and reports

dealing with other Sensitive Matters, as such term is hereinafter defined, may be made available to the Representatives for review at a time convenient to the Representatives and must be retained by the Borrower. For purposes of this paragraph (b), the term "Privileged Matters" shall mean only those communications between members of the Board of the Borrower and an attorney (with no other persons present) given solely for the purpose of obtaining legal advice relating to actual or threatened litigation against, or otherwise affecting, the Borrower such that said communication is entitled to attorney-client privilege; provided, that in no event shall Privileged Matters include matters relating to general operations, business strategy, financial condition or scope of services. For purposes of this paragraph (b), the term "Excluded Matters" shall mean only those matters consisting exclusively of (i) physician disciplinary issues and/or physician ethical issues, and (ii) protected health information within the meaning of the Health Insurance Portability and Accountability Act of 1996, as amended (HIPAA). For purposes of this paragraph (b), the term "Sensitive Matters" shall mean only those documents that contain strategically sensitive information which the Borrower believes must remain confidential. In the event the Representatives are not permitted to attend any portion of a meeting or are not provided with any information or reports on the grounds that same involves Privileged Matters, the Borrower shall, (x) within forty-eight (48) hours following the holding of such meeting or the withholding of such information or reports, as applicable, provide to the Authority and each of the Representatives a written statement asserting such grounds and describing, in reasonable detail but without disclosing matters subject to the attorney-client privilege, the nature thereof, and (y) within thirty (30) days following the termination or abandonment of any related litigation, a full report as to such meeting and/or full copies of any previously-withheld information or reports. In the event the Representatives are not permitted to attend any portion of a meeting or are not provided with information or reports on the grounds that the same involves Excluded Matters, the Borrower shall, within forty-eight hours following the holding of the meeting or the withholding of such information or reports, as applicable, provide to the Authority and each of the Representatives a written statement asserting such grounds. The rights of the Authority described in this paragraph (b) are collectively referred to as the "Monitoring Rights".

(c) The Monitoring Rights shall arise upon the occurrence of any Triggering Event. Once having arisen, the Monitoring Rights shall thereafter remain continuously in effect until the earlier to occur of (x) the passage of twelve consecutive months during which there has continuously existed (A) no Event of Default under the Loan Agreement and no "Event of Default" under the Master Indenture, (B) maintenance of the Required Ratio (as evidenced by the delivery by the Borrower of four consecutive quarterly compliance certificates, each within the times required by and as set forth herein under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Financial and Other Reports"), and (C) maintenance of at least the Days Cash on Hand Requirement (as evidenced by the delivery by the Borrower of four consecutive quarterly compliance certificates, each within the times required by and as set forth herein under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Financial and Other Reports"), or (y) such time as no Series 2024A Bonds remain Outstanding under the Trust Agreement.

The provisions of this section shall be in addition to all other requirements of the Loan Agreement and the Master Indenture. Failure to comply with any of the provisions of this section shall constitute an Event of Default under the Loan Agreement, and compliance by the Borrower with the recommendations contained in any Consultant's report shall not absolve noncompliance with the provisions of this section or any other provisions of the Loan Agreement or the Master Indenture. In addition to any other remedies provided under the Loan Agreement, the Master Indenture or otherwise, (i) the provisions of this section may be enforced by the Authority in an action for specific performance against the Borrower, and (ii) if the Borrower shall fail to comply with the requirements of this section, the Authority shall be entitled to notify members of the Board of the Borrower of such noncompliance at the addresses specified in the list(s) provided pursuant to and as set forth in subsection (e) under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Financial and Other Reports" herein. The rights and remedies provided for under this section shall not be assigned by the Authority to the Bond Trustee, and may be enforced only by the

Authority (and not by the Bond Trustee or any Holder of the Series 2024A Bonds). Unless otherwise directed by resolution of the Authority, any Authorized Officer of the Authority may, in his sole discretion, upon request from the Borrower, waive from time to time any of the rights and remedies provided in this section, but any such waiver shall be in writing, shall be limited to the facts and circumstances so stated, and shall be without prejudice to any other rights and remedies the Authority may have (or may subsequently have) under this section or otherwise.

(Loan Agreement, Section 6.16)

Derivative Agreements

The Borrower covenants and agrees that it will only enter into a Derivative Agreement upon compliance with the following:

(a) Except as otherwise provided in paragraph (e) of this section, the Derivative Agreement shall be entered into only for the purpose of hedging interest rate risk or managing interest rate costs with respect to Indebtedness, whether then outstanding or expected to be issued or incurred for a defined project;

(b) The Derivative Agreement shall not contain any leverage element or multiplier greater than 1.0x unless there is a matching hedge arrangement which effectively offsets the exposure from any such element or component, or unless such leverage is necessary solely to match one index against another to meet market conditions (e.g. 150% of SIFMA in exchange for 100% of LIBOR due to the market relationship of SIFMA to LIBOR in a taxable transaction);

(c) At the time the Derivative Agreement is signed, the counterparty or its guarantor must have at least one rating for its long term debt obligations in one of the two highest rating categories (without regard to numerical or other qualifiers) of a Rating Agency;

(d) The Borrower must provide, within fifteen (15) calendar days of the execution of the Derivative Agreement, to the Master Trustee, the Bond Trustee and the Authority, a copy of the Derivative Agreement, a copy of the Internal Revenue Service Identification Certification relating to such Derivative Agreement, if any, and an Officer's Certificate stating that, at the time of the execution of the Derivative Agreement (i) no Event of Default has occurred or is continuing or will occur by reason of the execution of the Derivative Agreement, and (ii) no event has occurred and is continuing or will occur by reason of the execution of the Derivative Agreement which, with the passage of time or the giving of notice, or both, would constitute an Event of Default;

(e) The Borrower may enter into a Derivative Agreement which does not comply with the provisions of paragraph (a) of this section only if the Borrower at the time of execution of the Derivative Agreement complies with the provisions of paragraphs (b), (c) and (d) of this section and the Borrower either (1) is itself rated in one of the top three rating categories (without regard to numerical or other qualifiers) of a Rating Agency, or (2) is rated at least "investment grade" by a Rating Agency and provides to the Authority, the Bond Trustee and the Master Trustee an Officer's Certificate that indicates that (i) the Debt Service Coverage Ratio for the most recent Fiscal Year of the Combined Group was at least 1.50 to 1, and (ii) as of the date of execution of the Derivative Agreement, the Combined Group has at least seventy-five (75) Days Cash on Hand;

(f) The Borrower shall not enter into any Derivative Agreement relating to the Series 2024A Bonds or any other outstanding tax-exempt Authority bonds or obligations issued for the benefit of the Borrower unless the Borrower, at the sole cost and expense of the Borrower, has delivered to the Authority a written Opinion of Bond Counsel satisfactory to an Authorized Officer of the Authority to the effect that entering into such Derivative Agreement will not adversely affect the exclusion from gross income under

Section 103 of the Code of interest paid or payable on the Series 2024A Bonds or such other Authority bonds or obligations;

(g) The Borrower may secure its obligations arising under a Derivative Agreement as follows:

(1) By a lien which is subordinate and junior in all respects to the lien and security interest securing the Series 2024A Note under the Master Indenture;

(2) By a lien for the equal and ratable benefit of all of the holders of Obligations, provided that, at the time of the execution of the Derivative Agreement, the Borrower provides an Officer's Certificate to the Master Trustee, the Bond Trustee and the Authority to the effect that the Borrower either (1) is itself rated in one of the top three rating categories (without regard to numerical or other qualifiers) of a Rating Agency, and the Debt Service Coverage Ratio for the most recent Fiscal Year of the Combined Group was at least 1.50 to 1, or (2) is itself rated at least "investment grade" by a Rating Agency and (i) the Debt Service Coverage Ratio for the most recent Fiscal Year of the Combined Group was at least 1.50 to 1, and (ii) as of the date of execution of the Derivative Agreement, the Combined Group has at least seventy-five (75) Days Cash on Hand; or

(3) The Borrower may agree to collateralize its obligations under the Derivative Agreement if, at the time of execution, the Borrower provides to the Master Trustee, the Bond Trustee and the Authority, an Officer's Certificate to the effect that the Borrower has made provisions in the Derivative Agreement that the Borrower can only be required to provide collateral if, at the time any such deposit would be required, the Days Cash on Hand of the Combined Group would not be less than sixty (60) days, assuming the collateral deposit has been made.

(h) Notwithstanding anything set forth in the Loan Agreement to the contrary, the provisions of this section may be amended and supplemented by the Authority in its sole and absolute discretion and without the need to obtain the consent of any Holders of the Series 2024A Bonds, the Master Trustee, the Bond Trustee or the Borrower in order that such provisions shall be consistent with the Authority's policies then in effect applicable to Derivative Agreements.

(Loan Agreement, Section 6.17)

Events of Default

(a) Each of the following will constitute an "Event of Default" under the Loan Agreement:

(1) If payment of any amount due in respect of the principal or Redemption Price of or interest on the Series 2024A Bonds, as required by the Series 2024A Note, is not received by the Bond Trustee when due, whether or not the Borrower has received a statement of the amount due;

(2) If payment of any other amount due under the Loan Agreement is not made within thirty (30) days after the mailing of a statement by the Authority to the Borrower as to the amount due;

(3) If the Borrower shall:

(A) admit in writing its inability to pay its debts as they become due; or

(B) file a petition to be adjudicated a voluntary bankrupt in bankruptcy or a petition to otherwise take advantage of any State or Federal bankruptcy or insolvency law; or

(C) make an assignment for the benefit of its creditors or seek a composition with its creditors; or

(D) consent to the appointment of a receiver for itself.

(4) If the Borrower shall, upon an involuntary petition under any section or chapter of the Federal bankruptcy laws filed against it, have an order for relief filed against it, or if a court of competent jurisdiction shall enter an order or decree appointing a trustee or receiver (interim or permanent) or appointing the Borrower a debtor-in-possession, with or without the consent of the Borrower, or approving a petition filed against it seeking reorganization or an arrangement under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, and such adjudication, order or decree is not dismissed or vacated within a period of sixty (60) days from the date thereof;

(5) If a final judgment for the payment of money in excess of $1,000,000, which judgment is not covered by the proceeds of insurance, shall be rendered against the Borrower, and at any time after forty-five (45) days from the entry thereof (i) such judgment shall not have been discharged, or (ii) the Borrower shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and have caused, within such forty-five (45) days, the execution of or levy under such judgment, order, decree or process of the enforcement thereof to have been stayed pending determination of such appeal;

(6) If (i) the Borrower defaults in the due and punctual performance of any other covenant in the Loan Agreement (other than as may be specifically excluded as an Event of Default therein), (ii) an Authorized Officer of the Authority delivers to the Borrower written notice of such failure stating that if such failure is not corrected within a specified period, which shall not be less than thirty (30) days, an Event of Default shall exist under the Loan Agreement, (iii) the Borrower does not correct such failure within such time period, or such longer period as an Authorized Officer of the Authority may allow, and (iv) such notice is not withdrawn in writing by an Authorized Officer of the Authority;

(7) If an Event of Default, or an act which with the passage of time or giving of notice would constitute an Event of Default, occurs under any of the contracts of the Members of the Combined Group with third party payors (subject to the applicable notice and cure provisions of such contracts) accounting for ten percent (10%) or more of the Gross Receipts of the Combined Group derived from operations during the preceding Fiscal Year or if any of the Health Care Facilities shall suffer suspension or termination of any license to operate, the absence of which license would have any material adverse financial effect or other material adverse effect on the Borrower or its status as a "health care organization" for purposes of the Act or the exclusion from gross income under Section 103 of the Code of the interest paid and payable on the Series 2024A Bonds;

(8) If any representation or warranty made by the Borrower pursuant to or in connection with the Loan Agreement or any report, certificate, financial statement, application, or other instrument or document furnished by the Borrower shall prove to be false or misleading in any material respect when made; or

(9) If any Event of Default (as described herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Events of Default") occurs and is continuing under the Master Indenture.

(b) If any Event of Default described in subparagraphs (1), (2) or (8) of subsection (a) above shall have occurred and if no acceleration of the amounts payable under the Loan Agreement shall have been declared pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Acceleration and Annulment Thereof; Opportunity to Cure Default", and all amounts then due and payable under the Loan Agreement are paid by the Borrower and the Borrower also performs all other things in respect of which it may have been in default under the Loan Agreement and pays any reasonable charges of the Authority, the Bond Trustee and the Holders of the Series 2024A Bonds, including reasonable attorneys' fees, then, and in every such case, such Event of Default shall be deemed to have been cured and the parties to the Loan Agreement shall be restored to their former respective positions; but no such curing of an Event of Default shall extend to or affect or constitute a waiver of any subsequent Event of Default or impair any right or remedy consequent thereon.

(Loan Agreement, Section 7.1)

Acceleration and Annulment Thereof; Opportunity to Cure Default

(a) If an Event of Default occurs under the Loan Agreement, the Authority or the Bond Trustee may, upon written notice to the Borrower, declare all amounts payable during the term of the Loan Agreement in respect of the unpaid principal balance of the Series 2024A Loan, together with all interest accrued and all other amounts then payable to the Authority or the Bond Trustee, to be immediately due and payable; and upon such declaration the said principal amount shall become due and payable immediately, anything in the Trust Agreement, the Series 2024A Bonds or the Loan Agreement to the contrary notwithstanding. Notwithstanding the foregoing, neither the Authority nor the Bond Trustee shall accelerate the Series 2024A Loan pursuant to this paragraph (a) unless the Master Trustee accelerates the Series 2024A Note pursuant to the Master Indenture.

(b) If, after such declaration set forth in paragraph (a) of this section, all amounts which were due and payable prior to such declaration are paid by the Borrower and the Borrower has performed all other things in respect of which it may have been in default under the Loan Agreement and pays the reasonable fees, charges and other expenses of the Authority, the Bond Trustee and the Holders of the Series 2024A Bonds, including reasonable attorneys' fees, then, and in every such case, the Authority may, by written notice to the Borrower and the Bond Trustee, and shall, at the direction of the Holders of at least twenty-five percent (25%) in principal amount of the Outstanding Series 2024A Bonds, subject to the provisions of the Trust Agreement, annul such declaration and its consequence; but no such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

(Loan Agreement, Section 7.2)

Remedies

Upon or after the occurrence of any Event of Default, an Authorized Officer of the Authority or the Bond Trustee may, and at the direction of the Holders of at least twenty-five percent (25%) in principal amount of the Outstanding Series 2024A Bonds, shall, exercise any one or more of the remedies available to it under the terms of the Loan Agreement, any other agreement now or hereafter existing, at law, or in equity, by statute separately or concurrently and as often as required to enforce the obligations of the Borrower under the Loan Agreement. In addition to the other remedies provided in the Loan Agreement, the Authority shall be entitled to the restraint by injunction of the violation, or attempted or threatened violation by the Borrower of any of the covenants, conditions or provisions of the Loan Agreement, and to a decree compelling specific performance of any such covenants, conditions or provisions. Notwithstanding the foregoing, neither the Authority nor the Bond Trustee shall exercise any remedies under the Loan Agreement which are inconsistent with any remedies taken by the Master Trustee following the occurrence of an Event of Default under the Master Indenture.

In case of any proceeding of the Authority wherein appointment of a receiver may be permissible, the Authority, as a matter of right and immediately upon the commencement of each proceeding, upon written notice to the Borrower, shall be entitled to appointment of a receiver of the Health Care Facilities and the other facilities of the Obligated Group and of the revenues therefrom, with such powers as the court making such appointment can confer. Upon demand, the Borrower shall pay to the Authority and the Bond Trustee all expenses, including receiver's fees, costs and agents' compensation, incurred pursuant to the provisions of this section, and all such expenses shall be secured by the Loan Agreement.

(Loan Agreement, Section 7.3)

Immunity of Authority and Bond Trustee

The Borrower will protect, exonerate, defend, indemnify and save the Authority and the Bond Trustee and their respective members, directors, officers, employees, agents and attorneys harmless as set forth in the Loan Agreement.

(Loan Agreement, Section 8.1)

Immunity of Incorporators, Members, Officers and Members of Board

No recourse under or upon any obligation, covenant or agreement of the Loan Agreement, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, member, employee, officer or member of the Board of the Borrower or any other Member of the Combined Group, past, present or future, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that the Loan Agreement constitutes solely corporate obligations, and that no personal liability whatever shall attach to, or is or shall be incurred by, the incorporators, members, employees, officers or members of the Board of the Borrower or any other Member of the Combined Group, because of the creation of the indebtedness authorized by the Loan Agreement, or under or by reason of the obligations, covenants or agreements contained in the Loan Agreement or in any obligations implied therefrom; and that any and all such personal liability of every name and nature, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such incorporator, member, officer or member of the Board of the Borrower or any other Member of the Combined Group, as such, by reason of the obligations, covenants or agreements contained in the Loan Agreement or in any obligations implied therefrom are expressly waived and released as a condition of, and as consideration for, the execution of the Loan Agreement.

(Loan Agreement, Section 8.2)

Amendments

Notwithstanding anything in the Loan Agreement or the Trust Agreement to the contrary, and except as otherwise provided in subsection (g) under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Insurance Requirements", and subsection (h) under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Derivative Agreements" herein, if the rights of the Holders of the Series 2024A Bonds are not adversely affected, the Loan Agreement may be amended at any time by the parties thereto (subject to the provisions of the Trust Agreement) without the need to obtain the consent of any Holders of the Series 2024A Bonds, but no such amendment may modify the rights or obligations of the Bond Trustee without the written consent of the Bond Trustee.

(Loan Agreement, Section 8.3)

SUMMARY OF THE TRUST AGREEMENT

The following is a brief summary of certain provisions of the Trust Agreement.

Purpose

The Trust Agreement authorizes the issuance of the Series 2024A Bonds for the purpose of providing funds which, together with other available moneys, will be used by the Borrower to (i) reimburse the Borrower for the Costs of the Project, (ii) refund, redeem, retire and/or legally defease the Series 2019B-1 Bonds, and (iii) pay the Costs of Issuance of the Series 2024A Bonds. No additional bonds may be issued under the Trust Agreement. The Trust Agreement constitutes a continuing agreement by the Authority for the benefit of the Holders from time to time of the Series 2024A Bonds to secure the full payment of the principal or Redemption Price of and interest on all such Series 2024A Bonds subject to the covenants, provisions and conditions contained in the Trust Agreement.

(Trust Agreement, Section 2.1)

Disposition of Proceeds of the Series 2024A Bonds and Other Amounts

The Authority shall deposit or cause to be deposited with the Bond Trustee and/or the Series 2019B- 1 Trustee, immediately upon receipt thereof, all proceeds derived from the sale of the Series 2024A Bonds in accordance with a Certificate of the Authority executed and delivered on the Issue Date. Additionally, simultaneously with the issuance of the Series 2024A Bonds, the Authority shall cause the Series 2019B-1 Trustee to transfer to the escrow fund or account established for the refunding and/or legal defeasance of the Series 2019B-1 Bonds the amounts required to be transferred to such fund or account in accordance with a Certificate of the Authority executed and delivered on the Issue Date.

(Trust Agreement, Section 3.2)

Pledge and Assignment; Establishment of Funds

(a) Subject only to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein, there are hereby pledged to secure the payment of the principal or Redemption Price of and interest on the Series 2024A Bonds in accordance with their terms and the provisions of this Trust Agreement, all of the Revenues (including proceeds of the sale of the Series 2024A Bonds) and any other amounts held in any fund or account established pursuant to the Trust Agreement (other than the Rebate Fund and the Purchase and Remarketing Fund).

(b) The following funds and separate accounts within funds shall be established, held and maintained by the Bond Trustee:

(i) the Costs of Issuance Fund;

(ii) the Project Fund;

(iii) the Debt Service Fund, and, within such Fund, an Interest Account and a Principal Account;

(iv) the Redemption Fund; and

(v) the Rebate Fund.

(c) All Revenues shall be promptly applied by the Bond Trustee upon receipt thereof in accordance with the provisions set forth herein under the heading entitled "SUMMARY OF THE TRUST AGREEMENT – Allocation of Revenues". All Revenues deposited with the Bond Trustee shall be held, disbursed, allocated and applied by the Bond Trustee only as provided in the Trust Agreement.

(Trust Agreement, Section 5.1)

Allocation of Revenues

All Revenues received by the Bond Trustee shall be promptly deposited by the Bond Trustee (but in no event later than the dates specified below) into the following respective funds and accounts in the amounts and in the following order of priority, the requirements of each such fund or account (including the making up of any deficiencies in any such fund or account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any fund or account subsequent in priority:

FIRST: to the Interest Account on or before each Interest Payment Date, the amount of interest becoming due and payable on such Interest Payment Date on all Series 2024A Bonds then Outstanding, until the balance in said account is equal to said amount of interest;

SECOND: to the Principal Account, on or before each Principal Payment Date, the amount of the principal of the Series 2024A Bonds or any Sinking Fund Installment becoming due and payable on such Principal Payment Date, until the balance in said account is equal to said amount of such principal or Sinking Fund Installment; and

THIRD: to the Redemption Fund, the amount designated under the Loan Agreement to be deposited therein for the redemption of the Series 2024A Bonds.

(Trust Agreement, Section 5.2)

Application of Moneys in the Costs of Issuance Fund

Proceeds of the Series 2024A Bonds deposited into the Costs of Issuance Fund in accordance with and as set forth herein under the heading entitled "SUMMARY OF THE TRUST AGREEMENT – Disposition of Proceeds of the Series 2024A Bonds and Other Amounts" shall be applied to pay the Costs of Issuance of the Series 2024A Bonds in accordance with this section. The Bond Trustee is hereby authorized and directed to make disbursements from the Costs of Issuance Fund upon the receipt of a certificate or certificates signed by an Authorized Officer of the Authority stating the names of the payees, the purpose of each payment in terms sufficient for identification (which purpose shall be for the payment of a Cost of Issuance of the Series 2024A Bonds) and the respective amounts of each such payment. Any moneys on deposit in the Costs of Issuance Fund after six months following the date of the original issuance of the Series 2024A Bonds and not needed to pay Costs of Issuance of the Series 2024A Bonds shall be transferred to the Interest Account of the Debt Service Fund.

(Trust Agreement, Section 5.3)

Payments into the Project Fund; Disbursements

All of the proceeds of the Series 2024A Bonds deposited into the Project Fund in accordance with and as set forth herein under the heading entitled "SUMMARY OF THE TRUST AGREEMENT – Disposition of Proceeds of the Series 2024 Bonds and Other Amounts" shall be applied, from time to time on and/or after the date of issuance and delivery of the Series 2024A Bonds, to reimburse the Borrower for

the Costs of the Project upon receipt by the Bond Trustee of a requisition, certificate or other written direction of an Authorized Officer of the Authority directing the Bond Trustee to pay all or a portion of the amounts on deposit in the Project Fund for such purpose. Any moneys on deposit in the Project Fund after six months following the date of the original issuance of the Series 2024A Bonds shall be transferred by the Bond Trustee to the Principal Account and/or the Interest Account of the Debt Service Fund as provided in a written direction of an Authorized Officer of the Authority directing the Bond Trustee to do so.

(Trust Agreement, Section 5.4)

Application of Interest Account

All amounts in the Interest Account shall be used and withdrawn by the Bond Trustee solely for the purpose of paying interest on the Series 2024A Bonds then Outstanding as it shall become due and payable or redeemed prior to maturity pursuant to the Trust Agreement.

(Trust Agreement, Section 5.5)

Application of Principal Account

All amounts in the Principal Account shall be used and withdrawn by the Bond Trustee solely to pay the principal of the Series 2024A Bonds coming due on each Principal Payment Date.

(Trust Agreement, Section 5.6)

Application of Redemption Fund

All amounts deposited in the Redemption Fund shall be used and withdrawn by the Bond Trustee solely for the purpose of redeeming Series 2024 Bonds (other than through Sinking Fund Installments) in the manner and upon the terms and conditions specified in the Trust Agreement, on the next succeeding date of redemption for which notice has not previously been given and at the Redemption Prices then applicable to redemptions.

(Trust Agreement, Section 5.7)

Rebate Fund

(a) The Bond Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Trust Agreement designated as the Rebate Fund. The Rebate Fund shall be held for the benefit of the United States and not for the benefit of the Holders of the Series 2024A Bonds, which Holders shall have no rights in or to such fund.

(b) The Bond Trustee shall deposit amounts in the Rebate Fund as received and shall pay such amounts, all as more specifically described herein under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Rebate Covenant".

(c) The Authority and the Borrower agree that the Bond Trustee shall not be liable for any damages, costs or liabilities resulting from the performance of the Bond Trustee's duties and obligations under this section, except that the Bond Trustee shall be liable for its negligence or willful misconduct. The Borrower shall indemnify and hold harmless the Bond Trustee from and against any liabilities which the Bond Trustee may incur in the exercise and performance of its duties and obligations under this section, excepting only those damages, costs, expenses or liabilities caused by the Bond Trustee's negligence or willful misconduct. In making any deposit or transfer to or payment from the Rebate Fund, the Bond Trustee

shall be entitled to rely conclusively on the written instructions of the Borrower and shall have no duty to examine such written instruments to determine the accuracy of the Borrower's calculation of the Rebate Amount or the amounts to be paid to the United States. In the event that the Borrower or the Authority shall not comply with their respective obligations under this section, the Bond Trustee shall have no obligation to cause compliance on their respective behalf. The indemnification provisions of this section shall survive payment of the Series 2024A Bonds and the removal or resignation of the Bond Trustee.

(Trust Agreement, Section 5.8)

Investment of Moneys in Funds and Accounts

All moneys in any of the funds established pursuant to the Trust Agreement shall be invested by the Bond Trustee, as directed in writing by an Authorized Officer of the Authority, solely in Investment Securities. The following constitute Investment Securities for purposes of the Trust Agreement:

(1) Obligations of or guaranteed by the State of New Jersey or the United States of America (including obligations which have been stripped of their unmatured interest coupons, and interest coupons which have been stripped from such obligations).

(2) Obligations issued or guaranteed by any instrumentality or agency of the United States of America, whether now existing or hereafter organized.

(3) Obligations issued or guaranteed by any state of the United States or the District of Columbia, so long as such obligations are rated at the time of purchase in either of the highest two credit rating categories by Moody's and S&P or Fitch.

(4) Repurchase agreements with any banking institution (including the Bond Trustee) fully secured by obligations of the kind specified in (1), (2) or (3) above, provided that the Bond Trustee has a perfected first security interest in such obligations, that the Bond Trustee or an agent (as acknowledged by such agent in writing) has possession of the obligations or the Bond Trustee or such agent is deemed the owner or secured party of such obligations pursuant to book entry system maintained by a Federal Reserve Bank, and that the seller of such obligations represents that such obligations are free and clear of claims by third parties.

(5) Interest-bearing deposits in any bank or trust company (which may include the Bond Trustee), provided that all such deposits shall, to the extent not insured, be secured by a pledge of obligations of the kind specified in (1), (2) or (3) above.

(6) Units of participation in the New Jersey Cash Management Fund, or any similar common trust fund which is established pursuant to law as a legal depository of public moneys and for which the New Jersey State Treasurer is custodian.

(7) Shares of an open-end, diversified investment company which is registered under the Investment Company Act of 1940, as amended, and which (i) invests its assets exclusively in obligations of or guaranteed by the United States of America or any instrumentality or agency thereof having in each instance a final maturity date of less than one year from their date of purchase; (ii) seeks to maintain a constant net asset value per share; and (iii) has aggregate net assets of not less than $50,000,000 on the date of purchase of such shares; provided that, only moneys in the Debt Service Fund may be invested in such Investment Securities.

(8) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with direct obligations of the Department of the Treasury of the United States of America).

(9) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

(10) Obligations of any federal agencies which obligations represent the full faith and credit of the United States of America whether now existing or hereafter organized and including, but not limited to:

(A) Export-Import Bank;

(B) Farm Credit Financial Assistance Corporation;

(C) Rural Economic Community Development Administration (formerly the Farmers Home Administration);

(D) General Services Administration;

(E) U.S. Maritime Administration;

(F) Small Business Administration;

(G) Government National Mortgage Association (GNMA);

(H) U.S. Department of Housing & Urban Development (PHA's);

(I) Federal Housing Administration; and

(J) Federal Financing Bank.

(11) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

(A) Senior debt obligations issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation so long as such organizations are rated "AAA" by S& P or Fitch or "Aaa" by Moody's;

(B) Obligations of the Resolution Funding Corporation (REFCORP);

(C) Senior debt obligations of the Federal Home Loan Bank System; and

(D) Senior debt obligations of other government sponsored agencies.

(12) Interest bearing deposits, federal funds and banker's acceptances with any bank or trust company which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P or Fitch and "P-1" by Moody's. In the event the bank or trust company does not have a rating as indicated, then the deposits shall be secured by a pledge of obligations rated A2/A or better.

(13) Commercial paper which is rated at the time of purchase in the single highest classification, "A-1" by S&P or "F-1" by Fitch and "P-1" by Moody's. Not more than ten percent (10%) of the amount originally deposited in the applicable fund or account may be invested in Investment Obligations described in this paragraph 13.

(14) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P (which may include funds for which the Bond Trustee or any affiliate of the Bond Trustee is the financial advisor).

(15) Obligations issued or guaranteed by any municipality or other subdivision of any state of the United States with a rating of A2/A or higher from Moody's or S&P or Fitch.

(16) Pre-refunded municipal obligations defined as follows: bonds or other obligations or any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(i) which are rated, based on an irrevocable escrow account or fund (the "Escrow"), in the highest rating category of any two of Fitch, Moody's or S&P or any successors thereto; or

(ii) (a) which are fully secured as to principal and interest and redemption premium, if any, by an Escrow consisting only of cash or obligations described in clause (1) above, which Escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (b) which Escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in irrevocable instructions referred to above, as appropriate.

(17) Investment agreements with providers rated A2/A or higher by any two of Fitch, Moody's or S&P or any successors thereto.

(18) Collateralized Guaranteed investment contracts (GIC's), forward supply agreements, par put agreements, debt service reserve hedge agreements, forward purchase agreements, rolling T-bill agreements, forward float agreements or forward purchase agreements wherein purchases or sales of Investment Securities are to be made over time, to the extent approved by an Authorized Officer of the Authority.

(19) Any other investment or security approved in writing by an Authorized Officer of the Authority.

Amounts on deposit in the Funds and Accounts established under the Trust Agreement shall be invested only in Investment Securities and only as follows:

(i) moneys in the Interest Account or the Principal Account shall be invested only in Investment Securities maturing or redeemable at the option of the holder in such amounts and on such dates as may be necessary to provide moneys to make the payments from such Accounts;

(ii) moneys in the Redemption Fund shall be invested only in Investment Securities maturing or redeemable at the option of the holder not later than the next succeeding Interest Payment Date on which the Series 2024A Bonds are subject to redemption; and

(iii) moneys in the Costs of Issuance Fund shall be invested only in Investment Securities maturing or redeemable at the option of the holder not later than the date on which such moneys are reasonably expected to be needed for the purpose of paying Costs of Issuance.

Notwithstanding anything to the contrary contained in this section, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, or premium paid, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund from which such accrued interest was paid.

Investment Securities acquired as an investment of moneys in any fund established under the Trust Agreement shall be credited to such fund. For the purpose of determining the amount in any fund, all Investment Securities credited to such fund shall be valued at the lesser of cost or par value plus, prior to the first payment of interest following purchase, the amount of accrued interest, if any, paid as a part of the purchase price.

Moneys in the Debt Service Fund shall be invested only in Investment Securities maturing or redeemable at the option of the holder in such amounts and on such dates as may be necessary to provide moneys to make the payments from such fund. Moneys in the Costs of Issuance Fund shall be invested only in Investment Securities maturing or redeemable at the option of the holder, not later than the date on which such moneys are reasonably expected to be needed for the purpose of paying Costs of Issuance. Moneys in the Redemption Fund shall be invested only in Investment Securities maturing or redeemable at the option of the holder not later than the next succeeding Interest Payment Date on which the Series 2024A Bonds are subject to redemption. The Authority shall direct the Bond Trustee to invest moneys in the Project Fund only in Investment Securities maturing or redeemable at the option of the holder, not later than the date on which such moneys are reasonably expected to be needed for the purpose of paying Costs of the Project.

The Bond Trustee shall initially deposit uninvested moneys in excess of $1,000 within one (1) Business Day of receipt thereof in accordance with any outstanding investment instructions from an Authorized Officer of the Authority, or in the absence thereof, in the First American Government Obligations Fund or such other Investment Securities as may be directed by an Authorized Officer of the Authority.

The Bond Trustee shall not be responsible for any losses on any investments made in compliance with the provisions of the Trust Agreement.

(Trust Agreement, Section 5.9)

Payment of Principal, Redemption Price and Interest

The Authority shall pay or cause to be paid by the Bond Trustee from the sources and to the extent provided in the Trust Agreement the principal or Redemption Price of and interest on the Series 2024A Bonds on the dates and at the places and in the manner set forth in such Series 2024A Bonds, according to the true intent and meaning thereof, but shall be required to make such payment only out of the Trust Estate.

(Trust Agreement, Section 6.1)

Extension of Payment of Series 2024A Bonds

The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Series 2024A Bonds or the time of payment of interest thereon by the purchase or funding of such Series 2024A Bonds or interest or by any other arrangement and, in case the maturity of the Series 2024A Bonds or the time for payment of such interest shall be extended, such Series 2024A Bonds or interest shall not be entitled in case of any default under the Trust Agreement to the benefit of the Trust Agreement or to any payment out of any assets of the Authority or the funds (except funds held in trust for the payment of the Series 2024A Bonds or interest pursuant to the Trust Agreement) held by the Bond Trustee, except subject to the prior payment of the principal of all Outstanding Series 2024A Bonds the maturity of which has not been extended and of such portion of the interest on such Series 2024A Bonds as shall not be represented by such extended interest.

(Trust Agreement, Section 6.2)

Revenues

An Authorized Officer of the Authority shall direct the Bond Trustee to fix the amounts payable by the Borrower under the Loan Agreement such that said amounts shall be sufficient at all times: (i) to pay principal and Sinking Fund Installments of and interest on the Series 2024A Bonds as the same respectively become due and payable; and (ii) to make all payments required under the Trust Agreement.

(Trust Agreement, Section 6.3)

Enforcement of Duties and Obligations of the Borrower

The Authority shall enforce all of its rights and privileges (to the extent such rights and privileges inure to the benefit of the Bondholders), and honor all of its obligations, under the Loan Agreement, and shall require the Borrower to perform fully all duties and acts required by, and to comply fully with the covenants of the Borrower contained in the Loan Agreement in the manner and at the times provided in the Loan Agreement. So long as no Event of Default under the Trust Agreement shall have occurred and be continuing, the Authority may exercise all its rights under the Loan Agreement, but the Authority shall not amend the same so as to diminish the amounts payable thereunder or otherwise so as to adversely affect the Authority's ability to perform its covenants under the Trust Agreement. The Authority may assign the Loan Agreement to the Bond Trustee, together with all amendments or supplements thereto, subject to such reservations as the Authority may determine in the instrument of assignment.

(Trust Agreement, Section 6.4)

Operation and Maintenance

Pursuant to the Loan Agreement, the Authority shall require that the Borrower maintain, preserve and keep its Health Care Facilities, with the appurtenances and every part and parcel thereof, in good repair, working order and condition and from time to time make all necessary and proper repairs, renewals and replacements so that at all times the operation of such facilities may be properly and advantageously conducted.

(Trust Agreement, Section 6.5)

Alienation of Trust Estate

The Authority shall not pledge, mortgage, assign or otherwise encumber or dispose of any part of the Trust Estate, except as permitted by the Trust Agreement or the Loan Agreement.

In the event that the Health Care Facilities or any part thereof shall be acquired by a third party in the exercise of the latter's power of eminent domain, the proceeds of the condemnation less any costs or expenses incurred by the Authority and the Borrower in respect of such condemnation shall be applied as provided in the Loan Agreement and the Master Indenture.

(Trust Agreement, Section 6.6)

Accounts and Audits

The Authority shall direct the Bond Trustee to, and the Bond Trustee shall keep proper records and accounts (separate from all other records and accounts) for the Series 2024A Bonds in which complete and correct entries shall be made of its transactions relating to the Series 2024A Bonds and the Trust Agreement, which books and accounts, at reasonable hours shall be subject to the inspection of the Authority or of any Holder of a Series 2024A Bond or his representative duly authorized in writing.

(Trust Agreement, Section 6.7)

Indebtedness and Liens

So long as the Series 2024A Bonds shall be Outstanding, the Authority shall not issue any bonds, notes or other evidences of indebtedness, other than the Series 2024A Bonds, secured by (or otherwise create or cause to be created, any lien or charge on) the Trust Estate securing such Series 2024A Bonds; provided, that the Borrower may incur alternative indebtedness on a parity with the Series 2024A Bonds and may incur other indebtedness and provide security therefor, to the extent and subject to the conditions set forth in the Trust Agreement, the Loan Agreement and the Master Trust Indenture.

(Trust Agreement, Section 6.8)

Events of Default

The following events shall be Events of Default:

(a) default in the due and punctual payment of the principal or Redemption Price of any Series 2024A Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise; or

(b) default in the due and punctual payment of any installment of interest on any Series 2024A Bond when and as the same shall become due and payable; or

(c) default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Trust Agreement or in the Series 2024A Bonds, if such default shall have continued for a period of thirty (30) days after written notice thereof has been given to the Authority and the Borrower, specifying such default and requiring the same to be remedied, or to the Authority and the Bond Trustee by the Holders of not less than twenty-five per cent (25%) in aggregate principal amount of the Series 2024A Bonds at the time Outstanding, provided, however, that if such performance requires work to be done, actions to be taken or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied as the case may be, within such thirty (30) day period, no Event of Default shall

be deemed to have occurred or exist if, and so long as, the Authority or the Borrower shall commence such performance within such thirty (30) day period and shall diligently and continuously prosecute the same to completion within ninety (90) days after the initial notice and the Authority or the Borrower shall deliver a report to the Bond Trustee at least once every thirty (30) days setting forth the status of its attempt to cure such default; or

(d) an Event of Default (as described herein under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Events of Default") has occurred and is continuing under the Loan Agreement.

Upon actual knowledge of the existence of any Event of Default or of any breach of any covenant or any fact or circumstance which, except for any grace period permitted by the Trust Agreement or the Loan Agreement, would result in any breach of a covenant or Event of Default by the Borrower thereunder, the Bond Trustee shall, as soon as practicable, notify, in writing, the Borrower and the Authority. The Bond Trustee shall not be required to take notice and shall not be deemed to have actual knowledge of any default or Event of Default under the Trust Agreement, except (i) for Events of Default described in paragraphs (a) or (b) of this section, or (ii) if by the terms of the Trust Agreement, the Bond Trustee receives the appropriate notices from the applicable parties, unless the Bond Trustee shall be notified specifically of the default or Event of Default in a written instrument or document delivered to it at its address set forth in the Trust Agreement by the Authority, the Borrower or by Holders of at least 10% of the aggregate principal amount the Series 2024A Bonds Outstanding.

(Trust Agreement, Section 7.1)

Acceleration

If any Event of Default occurs and is continuing, the Bond Trustee may, and at the request of the Holders of at least a majority in principal amount of the Series 2024A Bonds then Outstanding shall, by written notice to the Authority and the Borrower, declare the principal amount of all Series 2024A Bonds then Outstanding and the interest accrued thereon to such date to be due and payable immediately and upon any such declaration, the same shall thereupon become and shall be immediately due and payable.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Borrower shall deposit with the Bond Trustee a sum sufficient to pay in full the principal and interest on the Series 2024A Bonds then due and payable and the reasonable charges and expenses of the Bond Trustee, and any and all other defaults known to the Bond Trustee (other than in the payment of principal of and interest on the Series 2024A Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Bond Trustee or provision deemed by the Bond Trustee to be adequate shall have been made therefor, then, and in every such case, the Holders of at least a majority in principal amount of the Series 2024A Bonds then Outstanding, by written notice to the Authority, the Borrower and the Bond Trustee, may, on behalf of the Holders of all of the Series 2024A Bonds, rescind and annul such declaration and its consequences and waive such default; *provided, however,* that such rescission and annulment shall not extend to or affect any subsequent default, and shall not impair or exhaust any right or power in consequence thereof.

Upon any declaration of acceleration under the Trust Agreement, the Bond Trustee shall, as soon as possible, give written notice of the acceleration to the Bondholders as set forth below. Such notice of acceleration: (i) shall be given in the name of the Authority; (ii) shall identify the accelerated Bonds (by name, date of issue, interest rate and maturity date); (iii) shall specify the acceleration date of the Series 2024A Bonds; (iv) shall specify the payment date and the acceleration price of the Series 2024A Bonds; (v) shall state the reason for the acceleration; and (vi) shall state that on the payment date the acceleration price will be payable at the Principal Corporate Trust Office of the Bond Trustee.

Notice of such declaration having been given as aforesaid, anything to the contrary contained in the Trust Agreement or in the Series 2024A Bonds notwithstanding, interest shall continue to accrue on the Series 2024A Bonds from and after the date of such declaration at the interest rate otherwise applicable to the Series 2024A Bonds.

Upon acceleration pursuant to this section, the Bond Trustee shall immediately exercise such rights as it may have under the Loan Agreement to declare all payments thereunder to be immediately due and payable.

(Trust Agreement, Section 7.2)

Other Remedies

If any Event of Default occurs and is continuing, the Bond Trustee, before or after declaring the principal of the Series 2024A Bonds immediately due and payable, may enforce each and every right granted to the Authority or the Bond Trustee under the Trust Agreement, the Loan Agreement or any other security instrument, or under any supplements or amendments thereto, and shall, at all times complying with the provisions described herein under the heading entitled "SUMMARY OF THE TRUST AGREEMENT – Acceleration", apply any moneys in the Debt Service Fund held by the Bond Trustee to the payment of principal of or interest on the Series 2024A Bonds.

(Trust Agreement, Section 7.3)

Legal Proceedings by Bond Trustee

If any Event of Default has occurred and is continuing, the Bond Trustee in its discretion may and, upon the written request of the Holders of at least a majority in principal amount of the Series 2024A Bonds then Outstanding and receipt of indemnity to its satisfaction shall, in its own name:

(a) by mandamus, other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right to collect the amounts payable under the Loan Agreement and carry out any other provisions of the Trust Agreement for the benefit of the Bondholders;

(b) bring suit upon the Series 2024A Bonds;

(c) by action or suit in equity require the Authority to account as if it were the trustee of an express trust for the Bondholders; and

(d) by action or suit in equity enjoin any acts or things that may be unlawful or in violation of the rights of the Bondholders.

(Trust Agreement, Section 7.4)

Discontinuance of Proceedings by Bond Trustee

If any proceeding taken by the Bond Trustee on account of any Event of Default is discontinued or is determined adversely to the Bond Trustee, the Authority, the Bond Trustee, and the Bondholders shall be restored to their former positions and rights under the Trust Agreement as though no such proceeding had been taken, but subject to the limitations of any such adverse determination.

(Trust Agreement, Section 7.5)

Bondholders May Direct Proceedings

The Holders of a majority in aggregate principal amount of the Series 2024A Bonds Outstanding under the Trust Agreement shall have the right to direct the method and place of conducting all remedial proceedings by the Bond Trustee thereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Trust Agreement, and that the Bond Trustee shall not be required to comply with any such direction which it deems to be unlawful or materially adverse to Bondholders not parties to such direction.

(Trust Agreement, Section 7.6)

Limitations on Actions by Bondholders

Anything in the Trust Agreement to the contrary notwithstanding, no Bondholder shall have any right to pursue any remedy under the Trust Agreement or under the Loan Agreement unless:

(a) the Bond Trustee shall have been given written notice of an Event of Default;

(b) the Holders of at least a majority in aggregate principal amount of the Series 2024A Bonds Outstanding shall have requested the Bond Trustee, in writing, to exercise the powers hereinabove granted or to pursue such remedy in its or their name or names;

(c) the Bond Trustee shall have been offered indemnity satisfactory to it against costs, expenses and liabilities; and

(d) the Bond Trustee shall have failed to comply with such request of Holders as described in clause (b) above within a reasonable time;

provided, however, that nothing in the Trust Agreement shall affect or impair the right of any Holder of any Series 2024A Bond to enforce payment of the principal thereof and interest thereon at and after the maturity thereof, or the obligation of the Authority to pay such principal and interest to the respective Holders of the Series 2024A Bonds at the time and place, from the source and in the manner expressed in the Trust Agreement and in the Series 2024A Bonds, provided further that such action shall not disturb or prejudice the lien of the Trust Agreement.

(Trust Agreement, Section 7.7)

Delays and Omissions Not to Impair Rights

No delay or omission in respect of exercising any right or power accruing upon any Event of Default shall impair such right or power or be a waiver of such Event of Default and every remedy given by the Trust Agreement may be exercised, from time to time, and as often as may be deemed expedient.

(Trust Agreement, Section 7.8)

Application of Moneys in Event of Default

Any money received by the Bond Trustee under the Trust Agreement shall be applied in the order listed below (provided that any money held by the Bond Trustee upon the nonpresentment of Series 2024A Bonds and any money held by the Bond Trustee for the defeasance of Series 2024A Bonds pursuant to the Trust Agreement shall be applied only as provided in clause (b) below and only to pay outstanding principal and accrued and unpaid interest with respect to the Series 2024A Bonds):

(a) To the payment of the fees and expenses of the Bond Trustee and the Authority including, but not limited to, reasonable counsel fees and expenses, and any disbursements of the Bond Trustee with interest thereon and its reasonable compensation; and

(b) To the payment of principal and interest then owing on the Series 2024A Bonds, including any interest on overdue interest, and in case such money shall be insufficient to pay the same in full, then to the payment of principal and interest ratably, without preference or priority of one over another or of any installment of principal or interest over any other installment of principal or interest.

The surplus, if any, remaining after the application of the money as set forth above shall be paid to the Borrower or the person lawfully entitled to receive the same as a court of competent jurisdiction may direct.

(Trust Agreement, Section 7.9)

Bond Trustee and Bondholders Entitled to All Remedies Under Act; Remedies Not Exclusive

It is the purpose of the Trust Agreement to provide to the Bond Trustee and the Bondholders all rights and remedies as may be lawfully granted under the provisions of the Act; but should any remedy in the Trust Agreement granted be held unlawful, the Bond Trustee and the Bondholders shall nevertheless be entitled to every remedy permitted by the Act. It is further intended that, insofar as lawfully possible, the provisions of the Trust Agreement shall apply to and be binding upon any trustee or receiver appointed under the Act.

No remedy conferred in the Trust Agreement is intended to be exclusive of any other remedy or remedies, and each remedy is in addition to every other remedy given thereunder or now or hereafter existing at law or in equity or by statute.

(Trust Agreement, Section 7.10)

Bond Trustee's Right to Receiver

As provided by the Act, the Bond Trustee shall be entitled as of right to the appointment of a receiver; and the Bond Trustee, the Bondholders and any receiver so appointed shall have such rights and powers and be subject to such limitations and restrictions as may be contained in or permitted by the Act.

(Trust Agreement, Section 7.11)

Duties, Immunities and Liabilities of Bond Trustee

(a) The Bond Trustee shall, prior to an Event of Default, and after all Events of Default that may have occurred have been cured by the Borrower, perform such duties and only such duties as are specifically set forth in the Trust Agreement. In case such an Event of Default has occurred (which has not been cured or waived) the Bond Trustee shall exercise such of the rights and powers vested in it by the Trust Agreement and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. The permissive right of the Bond Trustee to do things enumerated in the Trust Agreement shall not be construed as being a duty of the Bond Trustee to do such things.

(b) An Authorized Officer of the Authority may, so long as there is no Event of Default that has occurred and is continuing under the Trust Agreement, in its sole discretion, remove the Bond Trustee

if, at any time, the Bond Trustee fails to perform its duties and obligations under the Trust Agreement, including, without limitation, Bond Trustee's obligations to provide any notices under the Trust Agreement.

(c) An Authorized Officer of the Authority shall remove the Bond Trustee if at any time requested to do so by an instrument or concurrent instruments in writing executed by the Holders of not less than a majority in aggregate principal amount of the Series 2024A Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Bond Trustee shall cease to be eligible to act in such capacity, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Bond Trustee or its property shall be appointed, or any public officer shall take control or charge of the Bond Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Bond Trustee, and thereupon an Authorized Officer of the Authority shall appoint a successor Bond Trustee by an instrument in writing.

(d) The Bond Trustee may at any time resign by giving written notice of such resignation to the Authority and the Borrower, and by giving the Bondholders notice of such resignation by mail at the addresses shown on the registration books maintained by the Bond Trustee. Upon receiving such notice of resignation, an Authorized Officer of the Authority shall promptly appoint a successor Bond Trustee by an instrument in writing.

(e) Any removal or resignation of the Bond Trustee and appointment of a successor Bond Trustee shall become effective upon acceptance of appointment by the successor Bond Trustee. If no successor Bond Trustee has been appointed and accepted appointment within sixty (60) days of giving notice of removal or notice of resignation as aforesaid, the resigning Bond Trustee or any Series 2024A Bondholder (on behalf of himself and all other Series 2024A Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Bond Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Bond Trustee. Any successor Bond Trustee appointed under the Trust Agreement, shall signify its acceptance of such appointment by executing and delivering to the Borrower and the Authority and to its predecessor Bond Trustee a written acceptance thereof, and thereupon such successor Bond Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Bond Trustee, with like effect as if originally named Bond Trustee in the Trust Agreement; but, nevertheless at the request of the Borrower or the Authority or the request of the successor Bond Trustee, such predecessor Bond Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Bond Trustee all the right, title and interest of such predecessor Bond Trustee in and to any property held by it under the Trust Agreement and shall pay over, transfer, assign and deliver to the successor Bond Trustee any money or other property subject to the trusts and conditions therein set forth. Upon request of the successor Bond Trustee, an Authorized Officer of the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Bond Trustee all such moneys, estates, properties, rights, powers, trusts, duties granted to the Bond Trustee thereunder. Upon the acceptance of the appointment by a successor Bond Trustee as provided in this subsection, the successor Bond Trustee shall mail a notice of the succession of such Bond Trustee to the trusts under the Trust Agreement to the Bondholders at the addresses shown on the registration books maintained by the Bond Trustee.

(f) Any Bond Trustee appointed under the provisions of this section in succession to the Bond Trustee shall be a trust company or bank having the powers of a trust company with a combined capital and surplus of at least One Hundred Million Dollars ($100,000,000) and subject to supervision or examination by federal or state authorities and shall be rated at least Baa3/P-3 by Moody's or BBB+/A-2 by S&P or Fitch. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this

subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(g) The Bond Trustee shall at all times keep, or cause to be kept, proper books of record and account as shall be consistent with prudent industry practice, in which complete and accurate entries shall be made of all transactions relating to the proceeds of Series 2024A Bonds, the Loan Agreement and all funds established pursuant to the Trust Agreement. Such books of record and account shall be available for inspection by the Authority, the Borrower and any Series 2024A Bondholder, or his agent or representative duly authorized in writing, at reasonable hours and under reasonable circumstances.

(h) The Bond Trustee shall within 10 days after the end of each month furnish to the Borrower and the Authority a monthly statement (which need not be audited) covering receipts, disbursements, allocation and application of any moneys (including proceeds of Series 2024A Bonds) in any of the funds and accounts established pursuant to the Trust Agreement for such month.

(i) The Bond Trustee shall promptly deposit all amounts received from the Borrower pursuant to the Loan Agreement, and upon an Event of Default (as described herein under the heading entitled "SUMMARY OF THE LOAN AGREEMENT – Events of Default") shall perform all duties imposed upon it pursuant to the Loan Agreement and shall diligently enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Authority and all of the obligations of the Borrower.

(Trust Agreement, Section 8.1)

Merger or Consolidation

Any company into which the Bond Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Bond Trustee may sell or transfer all or substantially all of its municipal bond trust business within its corporate trust business, provided such company shall be eligible pursuant to and as set forth in subsection (f) under the heading entitled "SUMMARY OF THE TRUST AGREEMENT – Duties, Immunities and Liabilities of Bond Trustee" herein, shall be the successor to such Bond Trustee without the execution or filing of any paper or any further act, anything therein to the contrary notwithstanding.

(Trust Agreement, Section 8.2)

Liability of Bond Trustee

(a) The recitals of facts in the Trust Agreement and in the Series 2024A Bonds contained shall be taken as statements of the Authority, and the Bond Trustee shall not assume responsibility for the correctness of the same, and does not make any representations as to the validity or sufficiency of the Trust Agreement or of the Series 2024A Bonds or of any offering document relating to the Series 2024A Bonds and shall not incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Trust Agreement or in the Series 2024A Bonds assigned to or imposed upon it. The Bond Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Series 2024A Bonds. The Bond Trustee shall not be liable in connection with the performance of its duties in the Trust Agreement, except for its own negligence or willful misconduct. The Bond Trustee may become the owner of Series 2024A Bonds with the same rights it would have if it were not Bond Trustee and, to the extent permitted by law, may act as depository for and permit any of their officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Series 2024A Bondholders, whether or not such committee shall represent the Holders of a

majority in principal amount of the Series 2024A Bonds then Outstanding. The Bond Trustee may assign any of the trusts and powers under the Trust Agreement and perform any of its duties by or through attorneys, agents, receivers or employees, but shall not be answerable for their conduct if appointed with due care.

(b) The Bond Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of the Series 2024A Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Bond Trustee, or exercising any trust or power conferred upon the Bond Trustee under the Trust Agreement.

(c) The Bond Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Trust Agreement (other than declaring the principal of the Series 2024A Bonds to be immediately due and payable when required under the Trust Agreement, making payments on the Series 2024A Bonds when due, or effectuating a redemption of the Series 2024A Bonds) at the request, order or direction of any of the Bondholders pursuant to the provisions of the Trust Agreement unless such Series 2024A Bondholders shall have offered to the Bond Trustee indemnification to its satisfaction for indemnity against the costs, expenses and liabilities including, but not limited to, reasonable expenses of its counsel, that may be incurred therein or thereby.

(d) None of the provisions contained in the Trust Agreement shall require the Bond Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties under the Trust Agreement or in the exercise of any of its rights or powers.

(e) Prior to the occurrence of an Event of Default under the Trust Agreement and after the curing of all Events of Default, the Bond Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, note, bond, debenture, or other paper or document, unless requested in writing to do so by the Holders of a majority in aggregate principal amount of Series 2024A Bonds then Outstanding; provided, however, that if the payment within a reasonable time to the Bond Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Bond Trustee, not reasonably assured to the Bond Trustee by the security afforded to it by the terms of the Trust Agreement, the Bond Trustee may require indemnity, reasonably satisfactory to the Bond Trustee, with respect to such additional compensation as the Bond Trustee may require for complying with such request and against such costs, expenses (including, without limitation, reasonable fees of its counsel) or liabilities as a condition to so proceeding.

(f) The Bond Trustee shall be under no responsibility for the approval by it in good faith of any expert or other skilled Person for any of the purposes expressed in the Trust Agreement.

(g) The Bond Trustee shall have the right at any time it deems appropriate to seek an adjudication in a court of competent jurisdiction as to the respective rights of any of the parties in interest and shall not be held liable by any Person for any delay or the consequences of any delay occasioned by such resort to court, and the Borrower agrees to pay all of the Bond Trustee's costs and expenses relating to any such adjudication (including reasonable attorneys' fees and expenses). In the event that the Bond Trustee shall be uncertain as to its duties or rights under the Trust Agreement or shall receive instructions, claims or demands from any Person which, in the Bond Trustee's opinion, conflict with any of the provisions of the Trust Agreement or related documents, the Bond Trustee shall be entitled to refrain from taking any action and its obligations shall be to keep safely all property held in trust until it shall be directed otherwise in writing by all of the other parties in interest or by a final order or judgment of a court of competent jurisdiction.

(h) The Bond Trustee makes no representations as to the validity or sufficiency of the Trust Agreement or the liens or security created thereby or of the Series 2024A Bonds. The Bond Trustee shall not be accountable for the use or application by the Authority or the Borrower of the Series 2024A Bonds or of the proceeds of such Series 2024A Bonds or for the use or application of any moneys paid over by the Bond Trustee in accordance with any provision of the Trust Agreement, or for use or application of any moneys received by any Paying Agent other than the Bond Trustee.

(Trust Agreement, Section 8.3)

Right of Bond Trustee to Rely on Documents

The Bond Trustee may conclusively rely, and shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Bond Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Trust Agreement in good faith and in accordance therewith in the absence of negligence or willful misconduct on the part of the Bond Trustee.

The Bond Trustee shall not be bound to recognize any person as the Holder of a Series 2024A Bond unless and until such Series 2024A Bond is submitted for inspection, if required, and his title thereto is satisfactorily established, if disputed.

(Trust Agreement, Section 8.4)

Amendments Permitted

The Trust Agreement and the rights and obligations of the Authority, of the Bond Trustee and of the Holders of the Series 2024A Bonds may be modified or amended, from time to time, and at any time, for any lawful purpose, by a trust agreement or trust agreements supplemental thereto, which the Authority and the Bond Trustee may enter into without the consent of any Series 2024A Bondholders but with the prior written consent of the Borrower. The foregoing to the contrary notwithstanding, no such modification or amendment shall, (a) without the written consent of the Borrower and the Holders of all Series 2024A Bonds then Outstanding: (i) extend the maturity date of any Series 2024A Bond; (ii) reduce the amount of principal thereof; or (iii) extend the time of payment or change the redemption provisions of the Series 2024A Bonds or the method of computing the rate of interest thereon, without the consent of the Holder of each Series 2024A Bond so affected, or (b) without the written consent of the Bond Trustee, affect the rights, duties or obligations of the Bond Trustee under the Trust Agreement. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Trust Agreement, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by an Authorized Officer of the Authority and the Bond Trustee of any Supplemental Trust Agreement pursuant to this section, the Bond Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Trust Agreement, to the Holders of the Series 2024A Bonds at the address shown on the registration books of the Bond Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Trust Agreement.

(Trust Agreement, Section 9.1)

Effect of Supplemental Trust Agreement

Upon the execution and effectiveness of any Supplemental Trust Agreement pursuant to the Trust Agreement, the Trust Agreement shall be deemed to be modified and amended in accordance therewith,

and the respective rights, duties and obligations under the Trust Agreement of the Authority, the Bond Trustee and all Holders of Series 2024A Bonds Outstanding shall thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Trust Agreement shall be deemed to be part of the terms and conditions of the Trust Agreement for any and all purposes.

(Trust Agreement, Section 9.2)

Bond Trustee Authorized to Join in Amendments and Supplements; Reliance on Counsel

The Bond Trustee is authorized to join with the Authority in the execution and delivery of any Supplemental Trust Agreement or amendment permitted by the Trust Agreement and in so doing shall be fully protected by an Opinion of Counsel that such Supplemental Trust Agreement or amendment is so permitted and has been duly authorized by the Authority and that all things necessary to make it a valid and binding agreement have been done.

(Trust Agreement, Section 9.3)

Discharge of Trust Agreement

The Series 2024A Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Trust Agreement by the Authority:

(a) by paying or causing to be paid the principal of and interest on the Series 2024A Bonds, as and when the same become due and payable;

(b) by depositing with the Bond Trustee, in trust, at or before maturity, moneys or securities in the necessary amount to pay when due or redeem all Series 2024A Bonds; or

(c) by delivering to the Bond Trustee, for cancellation by it, the Series 2024A Bonds then Outstanding.

If the Authority shall also pay or cause to be paid all Series 2024A Bonds then Outstanding and shall also pay or cause to be paid all other sums payable under the Trust Agreement by the Authority, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority filed with the Bond Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Trust Agreement), and notwithstanding that any Series 2024A Bonds shall not have been surrendered for payment, the Trust Agreement, the assignment of the Loan Agreement and the pledge of the Trust Estate and all covenants, agreements and other obligations of the Authority under the Trust Agreement shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon request of an Authorized Officer of the Authority, the Bond Trustee shall cause an accounting for such period or periods as may be requested by an Authorized Officer of the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments, as prepared by or caused to be prepared by the Authority, that may be necessary or desirable to evidence such discharge and satisfaction, and the Bond Trustee shall pay over, transfer, assign or deliver to the Authority all moneys or securities or other property held by it pursuant to the Trust Agreement, which are not required for: (i) the payment of all the charges and reasonable expenses of the Bond Trustee under the Trust Agreement; (ii) the payment or redemption of Series 2024A Bonds not theretofore surrendered for such payment or redemption; or (iii) the payment of any and all sums due to the United States pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE TRUST AGREEMENT – Rebate Fund".

After all of the Outstanding Series 2024A Bonds shall be deemed to have been paid and all other amounts required to be paid under the Trust Agreement shall have been paid, then upon the termination of the Trust Agreement any amounts in the Debt Service Fund shall be paid first to the Bond Trustee and then to the Authority to the extent necessary to repay any unpaid obligations owing to the Bond Trustee and/or the Authority under the Trust Agreement or under the Loan Agreement, and thereafter the remainder, if any, shall be paid to the Borrower.

In connection with the defeasance of any Series 2024A Bonds pursuant to an advance refunding, the Bond Trustee shall receive and may rely upon a verification report and Opinion of Counsel with respect to such defeasance.

(Trust Agreement, Section 10.1)

Discharge of Liability on Series 2024A Bonds

Upon the deposit with the Bond Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided herein under the heading entitled "SUMMARY OF THE TRUST AGREEMENT – Deposit of Money or Securities with Bond Trustee") to pay or redeem any Outstanding Series 2024A Bond (whether upon or prior to the redemption date of such Series 2024A Bond), provided that, if such Series 2024A Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Trust Agreement or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Series 2024A Bond shall cease, terminate and be completely discharged, and the Holder thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Bond Trustee as aforesaid for their payment, subject, however, to the provisions described herein under the heading entitled "SUMMARY OF THE TRUST AGREEMENT – Payment of Series 2024A Bonds After Discharge of Trust Agreement".

The Authority may at any time surrender to the Bond Trustee for cancellation by it any Series 2024A Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Series 2024A Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

(Trust Agreement, Section 10.2)

Deposit of Money or Securities with Bond Trustee

Whenever in the Trust Agreement it is provided or permitted that there be deposited with or held in trust by the Bond Trustee money or securities in the necessary amount to pay or redeem any Series 2024A Bonds, the money or securities so to be deposited or held shall be cash or United States Government Obligations, which United States Government Obligations shall be noncallable and not subject to prepayment, the principal of and interest on which when due will provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to the earliest possible redemption date on the Series 2024A Bonds to be paid or redeemed, as such principal or Redemption Price, if any, and interest become due, provided that, in the case of Series 2024A Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Trust Agreement or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice; provided, in each case, that the Bond Trustee shall have been irrevocably instructed (by written request of an Authorized Officer of the Authority) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Series 2024A Bonds.

(Trust Agreement, Section 10.3)

Payment of Series 2024A Bonds After Discharge of Trust Agreement

Notwithstanding any provisions of the Trust Agreement to the contrary, any moneys held by the Bond Trustee in trust for the payment of the principal or Redemption Price of and interest on any Series 2024A Bonds and remaining unclaimed for the period required by law after the principal of all of the Series 2024A Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Trust Agreement), if such moneys were so held at such date, or the period required by the New Jersey Uniform Unclaimed Property Act, N.J.S.A. 46:30B-1 et seq. after the date of deposit of such moneys if deposited after said date when all of the Series 2024A Bonds became due and payable, shall be repaid to the State Treasurer, free from the trusts created by the Trust Agreement and all liability of the Bond Trustee with respect to such moneys shall thereupon cease; provided, however, that before the payment of such moneys to the State Treasurer as aforesaid, the Bond Trustee may (at the cost and request of the Borrower) first mail to the Holders of Series 2024A Bonds which have not been paid, at the addresses last shown on the registration books maintained by the Bond Trustee, a notice, in such form as may be deemed appropriate by the Bond Trustee with respect to the Series 2024A Bonds so payable and not presented and with respect to the provisions relating to the payment to the State Treasurer of the moneys held for the payment thereof.

(Trust Agreement, Section 10.4)

SUMMARY OF THE MASTER INDENTURE

The following is a brief summary of certain provisions of the Master Indenture.

Accounting Principles and Financial Reporting

(a) All accounting terms not specifically defined in the Master Trust Indenture shall be construed in accordance with GAAP, except as otherwise stated in the Master Trust Indenture. For the avoidance of doubt, subsidiaries that are consolidated with the financial results of a Member of the Combined Group or the Obligated Group shall be included for all purposes with respect to financial covenants and financial reporting in the Master Trust Indenture. If any change in accounting principles from those used in the preparation of the financial statements of the System, the Obligated Group or the Combined Group as of December 31, 2015 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 the Master Trust Indenture, then, at the option of the Combined Group Agent, the accounting terms used in the Master Trust Indenture shall be modified to reflect such change in accounting principles so that the criteria for evaluating the compliance of the Obligated Group, the Combined Group or the System with all financial covenants and tests contained in the Master Trust Indenture shall be the same after such change as if no such change in the accounting principles from those used in the preparation of the financial statements of the System, the Obligated Group or the Combined Group as of December 31, 2015 had been made. If any such modification of the accounting terms used in the Master Trust Indenture shall occur and the Combined Group Agent elects to have the accounting terms used in the Master Trust Indenture modified as provided in the preceding sentence, the Combined Group Agent shall file an Officer's Certificate 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 compliance of the Obligated Group, the Combined Group or the System with all financial covenants and tests contained in the Master Trust Indenture.

(b) Notwithstanding anything else in the Master Trust Indenture to the contrary, in addition to those provisions of the Master Trust Indenture which expressly permit the use of financial or other information on the basis of the System, 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 Combined Group, at the option of the Combined Group Agent, may, unless the context specifically requires otherwise, utilize financial and other information either (i) with respect to the Members of the Combined Group in the aggregate, or (ii), so long as the Combined Group constitutes or is responsible for at least seventy-five percent (75%) of the unrestricted Net Assets and Gross Revenues of the System for the most recent Fiscal Year of the System, with respect to the System in the aggregate, with such percentage being calculated in a manner that excludes intercompany eliminations from the numerator of such calculation. Except where the context otherwise requires, all references in the Master Trust Indenture to "as the case may be" shall be deemed to require an election by the Combined Group Agent of one (and only one) of the foregoing clauses (i) or (ii) applied consistently for the applicable definition, provision or covenant; provided, however, if the most recent audited financial statements delivered under the Master Trust Indenture are those of the System (with consolidating information of the Combined Group), then all officer's certificates and corresponding calculations delivered under the Master Trust Indenture must be

based on the financial statements of the System or the Combined Group. If the most recent audited financial statements delivered under the Master Trust Indenture are those of the Combined Group, then all officer's certificates and corresponding calculations delivered under the Master Trust Indenture must be based on the financial statements of the Combined Group only.

(c) Notwithstanding anything else in the Master Trust Indenture to the contrary, if the Combined Group wishes to effect a transaction for which it is necessary to determine or report certain financial information based upon financial statements of the System or the Combined Group for the immediately preceding Fiscal Year or the most recently ended Fiscal Year, and fewer than 180 days have passed since the end of such Fiscal Year and financial statements of the System or the Combined Group for such Fiscal Year are not available that have been audited by an independent certified public accountant and contain such independent certified public accountant's report thereon (or are otherwise contained in financial statements that have been audited by an independent certified public accountant and contain such independent certified public accountant's report thereon), the Combined Group may effect the transaction in question if the appropriate conditions are met, as evidenced by, at the election of the Combined Group Agent, information contained in (i) the audited financial statements of the System or the Combined Group for the Fiscal Year preceding the one just ended, or (ii) the unaudited financial statements of the System or the Combined Group for the Fiscal Year just ended.

(Master Trust Indenture, Section 103; Fifth Supplemental Indenture, Section 2.3)

Delivery of Financial Statements

At the option of the Combined Group Agent, any requirement for the delivery of the audited or unaudited financial statements of the System or the Combined Group required to be provided pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Financial Statements, Etc." shall be deemed to be satisfied by the delivery of the consolidated financial statements (i) of the System, or (ii) of any ultimate corporate parent of, and that controls, the Members of the Combined Group so long as such financial statements, in either case, include consolidating schedules specifically reflecting the corresponding figures for the Combined Group, either for each Member of the Combined Group individually or for the Members of the Combined Group in the aggregate; provided, however, nothing in this section is intended to supersede the requirements as set forth in subsection (b) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Accounting Principles and Financial Reporting" herein.

(Master Trust Indenture, Section 104; Fifth Supplemental Indenture, Section 2.4)

Issuance of Obligations

Other than the Combined Group Agent, no authorization or approval of any Member of the Obligated Group, Designated Affiliate or System Affiliate is required under the Master Trust Indenture for the issuance of Obligations. No Obligations may be issued under the Master Trust Indenture unless (i) such Obligation is executed by the Combined Group Agent; or (ii) with the written consent of the Combined 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 the Master Trust Indenture is not limited and shall be as set forth in the Supplemental Indenture providing for the issuance thereof. Each series of Obligations shall be issued pursuant to a Supplemental 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 Indenture, Obligations shall be issued as fully registered Obligations.

(Master Trust Indenture, Section 201)

Security for Obligations; Pledge of Gross Revenues; Collateral Assignment

Security. All Obligations issued and outstanding under the Master Trust 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 the Master Trust Indenture except to the extent specifically provided otherwise as permitted by the Master Trust Indenture. All Obligations issued and outstanding under the Master Trust 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 the Master Trust Indenture. Any one or more series of Obligations issued under the Master Trust Indenture 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 Indenture pursuant to which any one or more series of Obligations is issued may provide for such supplements or amendments to the provisions under the Master Trust Indenture 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 the Master Trust Indenture and the performance by the Members of the Obligated Group of their obligations under the Master Trust 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 (a) all of the holders of the Obligations, with respect to the Obligations, and (b) the Master Trustee, with respect to its entitlements to fees, charges and expense reimbursement pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Fees, Charges and Expenses of Master Trustee", 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 has occurred and is continuing. 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. For the avoidance of doubt, the reference to Obligations secured by such Gross Revenue pledge includes all principal, interest, reimbursable fees and expenses, prepayment premiums, make-whole entitlements and other charges in respect of Indebtedness. The Members of the Obligated Group hereby represent that as of the date of the delivery of the Master Trust Indenture, they have granted no security interest in Gross Revenues prior to the security interest granted by this section, except for the Liens on Gross Revenues, if any, described in the Master Trust Indenture. 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. The Master Trust Indenture is intended to be a security agreement pursuant to the New Jersey Uniform Commercial Code.

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 Master Trustee shall 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.

Notwithstanding anything to the contrary in the Master Trust Indenture, upon and during the continuation of an Event of Default, the Master Trustee will have the remedies of a secured party under the New Jersey Uniform Commercial Code and, at its option, may also pursue the remedies permitted in 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 Combined 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 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 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 set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Application of Moneys" and as provided below.

Upon the occurrence and during the continuation of an Event of Default, the Master Trustee may exercise all of the rights and remedies of a secured party, under the New Jersey Uniform Commercial Code or otherwise, with respect to the Lien on Gross Revenues created by this section. Without limiting the generality of the foregoing, to the extent permitted by law, the Master Trustee may realize upon such Lien by any one or more the following actions: (i) take possession of the financial books and records of any Member of the Obligated Group relating to the Gross Revenues and of all checks or other orders for payment of money and cash in the possession of the Member representing Gross Revenues or proceeds thereof; (ii) notify account debtors obligated on any Gross Revenues to make payment directly to the order of the Master Trustee; (iii) collect, compromise, settle, compound or extend Gross Revenues which are in the form of accounts receivable or contract rights from the Member's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Member, whether or not the full amount of any such account receivable or contract right owing shall be paid to the Master Trustee; (iv) require the Member to deposit all cash, money and checks or other orders for the payment of money which represent Gross Revenues within five (5) Business Days after receipt of written notice of such requirement, and thereafter as received, into the Gross Revenues Account to be established for such purpose by the Master Trustee, provided, however, that the requirement to make such deposits shall cease, and the balance in the Gross Revenues Account shall be paid to the Member, when all Events of Default 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 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, 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 the Master Trust 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 Combined Group Agent and in accordance with budgeted amounts proposed by the Combined Group Agent and approved by the Master Trustee, 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 Combined 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 Trust 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 New Jersey Uniform Commercial Code. Upon a cure or waiver of the Event of Default that requires the funding of the Gross Revenues Account, the Master Trustee shall transfer the amounts on deposit in the Gross Revenues Account to or at the direction of the Combined 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 the Master Trust Indenture:

(a) Creation: The Master Trust 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 of the Master Trust Indenture.

(b) Perfection: Under the laws of the jurisdiction in which such Member is organized, 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 Combined Group Agent represents, warrants and covenants that by the date of the effectiveness of the Master Trust Indenture, the Combined 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 the Master Trust Indenture, the Combined Group Agent will file, continue, and amend or cause to be amended all such financing statements and transfer or cause to be transferred such possession and control) as may be necessary to establish and maintain such priority in each jurisdiction in which the Obligated Group or any Member thereof is organized or such collateral may be located or that may otherwise be applicable pursuant to New Jersey Uniform Commercial Code §§9.301--9.306 (provided that the Master Trustee shall be responsible for filing continuation statements to perpetuate the perfection of any security interest under the Master Trust Indenture prior to the expiration of the financing statements originally filed with respect thereto which name the Master Trustee as secured party

and filed copies (or in connection with the issuance of the first Obligation under the Master Trust Indenture, unfiled copies) of which were delivered to the Master Trustee).

(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 by the Master Trust Indenture, except for the Liens on Gross Revenues, if any, described in the Master Trust Indenture. Each Member of the Obligated Group represents, warrants and covenants that it has not described such collateral in a New Jersey Uniform Commercial Code financing statement that will remain effective after the date of the effectiveness of the Master Trust Indenture, except for the Liens on Gross Revenues, if any, described in the Master Trust Indenture. 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 by the Master Trust Indenture, or file any financing statement describing any such pledge, assignment, lien, or security interest, except as expressly permitted under the Master Trust Indenture.

(Master Trust Indenture, Section 208; Fifth Supplemental Indenture, Section 2.5)

Appointment of Combined Group Agent

Each Member, by becoming a Member of the Obligated Group, irrevocably appoints the Combined Group Agent as its agent and true and lawful attorney in fact and grants to the Combined Group Agent full and exclusive power to (a) authorize, negotiate and determine the terms of, and execute and deliver, Obligations and Supplemental 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 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 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, the Master Trust Indenture and any Supplemental Indenture, including, but not limited to, any of the types of documents or agreements mentioned in subsections (b) and (c) above and this subsection (d); and (viii) direction of agents and control, direction and management of third party relationships (such as trustees, paying agents, registrars, issuing authorities, underwriters, remarketing agents, swap counterparties, financial and other advisors, and counsel) related to Indebtedness or the issuance of Obligations. The authority granted in this section shall be and remain irrevocable until and unless any Obligated Group Member is permitted to withdraw from the

Obligated Group in accordance with the terms hereof. Notwithstanding the foregoing and for the avoidance of doubt, the provisions of this section may be amended in accordance with the terms of the Master Trust Indenture.

(Master Trust Indenture, Section 211)

Payment of Principal, Premium, if any, and Interest and Other Amounts; Designated Affiliates and System Affiliates

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 as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Cessation of Status as a Member of the Obligated Group"), 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 the Master Trust 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 in the Master Trust Indenture and in said Obligations according to the true intent and meaning thereof. Notwithstanding any schedule of payments upon the Obligations set forth in the Master Trust Indenture 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 as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Cessation of Status as a Member of the Obligated Group"), 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 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 Combined 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 Combined 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 Indenture and the Master Trust Indenture, when and as the same become payable, whether at maturity, upon call for redemption, by acceleration of maturity or otherwise.

(B) The Combined 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 Combined Group Agent as a Designated Affiliate under the Master Trust Indenture in addition to those Designated Affiliates, if any, initially designated in the Master Trust Indenture by the delivery to the Master Trustee of an Officer's Certificate to be appended to the Master Trust Indenture. The Combined 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 Combined Group Agent as the Controlling Member, shall either (a) 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 the Master Trust 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 (b) execute and have in effect such contracts or other agreements that the Combined 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 the Master Trust Indenture. Any Person will cease to be a Designated Affiliate upon the declaration of the Combined 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 under the Master Trust Indenture. Notwithstanding anything to the contrary in the Master Trust Indenture, 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 paragraph (A) of this section, each of its Designated Affiliates to comply with the terms and conditions of the Master Trust 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 the Master Trust Indenture applicable to the System Affiliates.

(Master Trust Indenture, Section 401)

Performance of Covenants

Each Member covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Master Trust Indenture and in each and every Obligation executed, authenticated and delivered under the Master Trust Indenture and will perform all covenants and requirements imposed on the Combined Group Agent or any Member under the terms of any Related Bond Indenture.

(Master Trust Indenture, Section 402)

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 Indenture acceptable to the Master Trustee which shall be executed by the Master Trustee and the Combined 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 the Master Trust Indenture, including, but not limited to, agreeing to pledge, and pledging, its Gross Revenues in accordance with and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Security for Obligations; Pledge of Gross Revenues; Collateral Assignment", 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 set forth herein under the heading

entitled "SUMMARY OF THE MASTER INDENTURE – Cessation of Status as a Member of the Obligated Group"), to jointly and severally make payments upon each Obligation at the times and in the amounts provided in each such Obligation;

(c) The Combined Group Agent shall have approved the admission of such Person into the Obligated Group, which approval shall be evidenced by the Combined Group Agent executing the Supplemental Indenture referred to in paragraph (b) of this section;

(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 under the Master Trust Indenture, (2) an opinion of Counsel to the effect that (x) the instrument described in paragraph (b) above has been duly authorized, executed and delivered and constitutes a legal, valid and binding agreement of such Person, enforceable in accordance with its terms, subject to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors' rights and application of general principles of equity and to such other exceptions as are not reasonably objected to by the Master Trustee and (y) the addition of such Person to the Obligated Group will not adversely affect the status as a Tax-Exempt Organization of any Member which otherwise has such status, and (3) if all amounts due or to become due on all Related Bonds have not been paid to the holders thereof and provision for such payment has not been made in such manner as to have resulted in the defeasance of all Related Bond Indentures, an opinion of nationally recognized municipal bond counsel to the effect that, under then existing law, the consummation of such transaction will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable on such Related Bond to which such Related Bond would otherwise be entitled;

(e) The Combined 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) The Master Trust Indenture shall be amended by the Combined Group Agent to add such Person as a Member.

(g) 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.

(Master Trust Indenture, Section 403)

Cessation of Status as a Member of the Obligated Group

Each Member covenants that it will not take any action, corporate or otherwise, which would cause it or any successor thereto into which it is merged or consolidated under the terms of the Master Trust Indenture to cease to be a Member of the Obligated Group unless:

(a) if the Member proposing to withdraw from the Obligated Group is a party to any Related Loan Documents with respect to Related Bonds which remain outstanding, another Member of the Obligated Group has issued an Obligation under the Master Trust Indenture 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 under the Master Trust Indenture 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 Combined 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 Combined Group Agent consents in writing to the withdrawal of such Member; and

(g) the Master Trust Indenture shall be amended by the Combined Group Agent to delete such Person as a Member.

(Master Trust Indenture, Section 404)

General Covenants; Right of Contest

Each Member of the Obligated Group hereby covenants to, and each Controlling Member covenants to cause each of its Designated Affiliates to:

(a) Except as otherwise expressly provided in the Master Trust Indenture (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 the Master Trust 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 of the Obligated Group or Designated Affiliate, so long as the Master Trust 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, no Member of the Obligated Group or Designated Affiliate which owns, occupies or otherwise uses Facilities which have been financed or refinanced from the proceeds of any Related Bonds 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 unless prior thereto there shall have been 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 Trust Indenture against any Person.

No Member of the Obligated Group or Designated Affiliate shall be required to remove any Lien permitted under the Master Trust Indenture so long as such Member or Designated 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 or Designated 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 or Designated Affiliate agrees to settle such contest. Each such contest shall be promptly prosecuted to final conclusion (subject to the right of such Member or Designated Affiliate engaging in such a contest to settle such contest), and in any event the Member or Designated Affiliate will save all Obligation holders and the Master Trustee harmless from and against all losses, judgments, decrees and costs (including attorneys' fees and expenses in connection therewith) as a result of such contest and will, promptly after the final determination of such contest or settlement thereof, pay and discharge the amounts which shall be determined to be payable therein, together with all penalties, fines, interests, costs and expenses thereon or incurred in connection therewith.

(Master Trust Indenture, Section 405; Fifth Supplemental Indenture, Section 2.6)

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 (including title insurance proceeds) or condemnation awards paid or payable to the Obligated Group, or to the Master Trustee pursuant to, or in connection with, any Related Bond Indenture or any Related Loan Document, shall be applied, at the direction of the Combined 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 Combined Group Agent for any purpose as may be determined by the Combined

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 direction of the Combined 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 the Master Trust 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 Trust Indenture as a secured party, such insurance proceeds or condemnation awards shall be paid to Master Trustee and applied in accordance with and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Application of Moneys".

(Master Trust Indenture, Section 406)

Days Cash on Hand Requirement

Each Member of the Combined Group covenants and agrees that the Combined Group or, at the option of the Combined Group Agent, the System (if permitted by and as set forth in subsection (b) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Accounting Principles and Financial Reporting" herein), shall be in compliance with the Days Cash on Hand Requirement at the conclusion of each Fiscal Year. The Combined Group Agent shall determine the compliance of the Combined Group or the System, as applicable, with the Days Cash on Hand Requirement after the conclusion of each Fiscal Year based upon the audited financial statements of the Combined Group or the System, as applicable, for such Fiscal Year, and shall deliver an Officer's Certificate evidencing such compliance to the Master Trustee within five (5) Business Days after the audited financial statements of the Combined Group or the System, as applicable, for such Fiscal Year are delivered to the Master Trustee pursuant to and as set forth in subsection (A) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Financial Statements, Etc." herein.

If the Combined Group or the System, as the case may be, is not in compliance with the Days Cash on Hand Requirement as determined in the preceding paragraph, the Combined Group Agent shall, at the expense of the Combined Group, retain a Consultant, in a timely manner but in no event later than ninety (90) days after the date on which the Combined Group Agent determines that the Days Cash on Hand Requirement has not been complied with, to prepare a report setting forth in detail the reasons for such noncompliance and making recommendations with respect to the operation and management of any and all Members of the Combined Group or the System, as the case may be, which in the Consultant's judgment, will enable the Combined Group or the System, as the case may be, to comply with the Days Cash on Hand Requirement at the earliest possible time. Any Consultant so retained shall be required to submit such report and recommendations within sixty (60) days after being retained. So long as the Combined Group has retained a Consultant and has followed the report and recommendations of the Consultant to the extent permitted by applicable laws, the Combined Group shall not be deemed to have violated the covenant set forth in the first paragraph of this section.

A copy of the Consultant's report and recommendations, if any, shall be filed with the Combined Group Agent and the Master Trustee. Each Member of the Obligated Group 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 of the Obligated Group shall take such steps as they consider feasible to cause System Affiliates that are not Members of the Obligated Group 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 Combined Group or the System, as the case may be, from satisfying the other requirements of this section.

Notwithstanding anything else in this section to the contrary, it shall be an Event of Default pursuant to and as set forth in subsection (b) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Events of Default" herein if, at the conclusion of any Fiscal Year, the Combined Group or the System, as the case may be, shall fail to maintain at least sixty (60) Days Cash on Hand.

(Master Trust Indenture, Section 407)

Notwithstanding the foregoing, upon the effectiveness of the provisions of Article Three of the Fourteenth Supplemental Indenture, the above-described Section 407 of the Master Trust Indenture will be deleted and removed from the Master Indenture in its entirety and all references to such Section contained in the Master Indenture will be null and void and of no further force or effect.

Long-Term Debt Service Coverage Ratio

Each Member of the Combined Group 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 it under the Master Trust Indenture to the extent permitted by law. Each Member of the Combined Group 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 Combined Group Agent shall calculate the Income Available for Debt Service of the Combined Group or, at the option of the Combined Group Agent, the System (if permitted by and as set forth in subsection (b) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Accounting Principles and Financial Reporting" herein), for each Fiscal Year as of the end of such Fiscal Year and the Long-Term Debt Service Coverage Ratio of the Combined Group or the System, 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 pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Financial Statements, Etc.".

If in any Fiscal Year the Long-Term Debt Service Coverage Ratio of the Combined Group or the System, as the case may be, is less than 1.10 to 1, the Combined Group Agent shall at the expense of the Combined Group retain a Consultant, in a timely manner but in no event later than ninety (90) days after the date on which the Combined 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 Combined Group or the System, as the case may be, and the methods of operation of the Combined Group or the System, as the case may be, 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 Combined Group has retained a Consultant and has followed the report and recommendations of the Consultant to the extent permitted by applicable laws, the Combined Group shall not be deemed to have violated the provisions of this section.

A copy of the Consultant's report and recommendations, if any, shall be filed with the Combined Group Agent and the Master Trustee. Each Member of the Combined Group 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 of the Combined Group shall take such steps as they consider feasible to cause System Affiliates that are not Members of the Obligated Group 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 Combined Group or the System, 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 Combined Group or the System, as the case may be, is less than 1.10 to 1, the Combined 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 Combined Group or the System, 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 Combined Group or the System, 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 or the Members of the Combined Group, as the case may be, are such that, in the opinion of the Consultant, the System or the Members of the Combined 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 Combined Group or the System, as the case may be, was at least 1.00 to 1 for such Fiscal Year. The Combined 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 Combined Group Agent provides to the Master Trustee an Officer's Certificate or an opinion of Counsel to the effect that the applicable laws and regulations underlying the Consultant's report delivered in respect of the previous Fiscal Year have not changed in any material way.

Notwithstanding anything else in this section to the contrary, it shall be an Event of Default pursuant to and as set forth in subsection (b) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Events of Default" herein if as of the end of any Fiscal Year the Long-Term Debt Service Coverage Ratio of the Combined Group is less than 1.00 to 1.

(Master Trust Indenture, Section 408; Fifth Supplemental Indenture, Section 2.7)

Notwithstanding the foregoing, upon the effectiveness of the provisions of Article Three of the Fourteenth Supplemental Indenture, the above-described Section 408 of the Master Trust Indenture will be amended and restated in its entirety to read as follows:

> Each Member of the Combined Group 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 it under the Master Trust Indenture to the extent permitted by law. Each Member of the Combined Group 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 Combined Group Agent shall calculate the Income Available for Debt Service of the Combined Group or, at the option of the Combined Group Agent, the System (if permitted by and as set forth in subsection (b) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Accounting Principles and Financial Reporting" herein), for each Fiscal Year as of the end of such Fiscal Year and the Long-Term Debt Service Coverage Ratio of the Combined Group or the System, 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 pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Financial Statements, Etc."

Subject to the provisions of the final two sentences of this paragraph and the remainder of this section, if in any Fiscal Year the Long-Term Debt Service Coverage Ratio of the Combined Group or the System, as the case may be, is less than 1.10 to 1, the Combined Group Agent shall at the expense of the Combined Group retain a Consultant, in a timely manner but in no event later than ninety (90) days after the date on which the Combined 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 Combined Group or the System, as the case may be, and the methods of operation of the Combined Group or the System, as the case may be, 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 Combined Group has retained a Consultant and has followed the report and recommendations of the Consultant to the extent permitted by applicable laws, the Combined Group shall not be deemed to have violated the provisions of this section. Notwithstanding the foregoing provisions of this paragraph, if the failure of the Combined Group or the System, as the case may be, to maintain a Long-Term Debt Service Coverage Ratio in any Fiscal Year of at least 1.10 to 1 is a direct or indirect result of the occurrence of a Force Majeure Event, as determined in the sole discretion of the Combined Group Agent, then the Combined Group Agent shall not be required to retain a Consultant for the purposes described in this section. If the Combined Group Agent determines that a Force Majeure Event has occurred, the Combined Group Agent shall deliver an Officer's Certificate to the Master Trustee stating the nature of the Force Majeure Event and describing the steps being taken with respect to the rates, fees and charges or expenses and methods of operation and other factors affecting the financial condition of the Combined Group or the System, as the case may be, in order to improve the Long-Term Debt Service Coverage Ratio for the then current Fiscal Year.

A copy of the Consultant's report and recommendations, if any, shall be filed with the Combined Group Agent and the Master Trustee. Each Member of the Combined Group 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 of the Combined Group shall take such steps as they consider feasible to cause System Affiliates that are not Members of the Obligated Group 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 Combined Group or the System, 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 Combined Group or the System, as the case may be, is less than 1.10 to 1, the Combined 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 Combined Group or the System, 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 Combined Group or the System, 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 Combined Group, as the case may be, are such that, in the opinion of the Consultant, the System Affiliates or the Members of the Combined 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 Combined Group or the System, as the case may be, was at least 1.00 to 1 for such Fiscal Year. The Combined 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 Combined Group Agent provides to the Master Trustee an Officer's Certificate or an opinion of Counsel to the effect that the applicable laws and regulations underlying the Consultant's report delivered in respect of the previous Fiscal Year have not changed in any material way.

Notwithstanding anything else in this section to the contrary, so long as the requirements of this section are being complied with by the Combined Group Agent, the failure to maintain a Long-Term Debt Service Coverage Ratio of at least 1.10 to 1 shall not constitute an Event of Default pursuant to and as set forth in subsection (b) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Events of Default" herein unless, as of the end of any two consecutive Fiscal Years, the Long-Term Debt Service Coverage Ratio of the Combined Group is less than 1.00 to 1.

Notwithstanding the foregoing, upon the effectiveness of the provisions of Article Three of the Fifteenth Supplemental Indenture, the above-described Section 408 of the Master Trust Indenture will be amended and restated in its entirety to read as follows:

Each Member of the Combined Group 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 it under the Master Trust Indenture to the extent permitted by law. Each Member of the Combined Group 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 Combined Group Agent shall calculate the Income Available for Debt Service of the Combined Group or, at the option of the Combined Group Agent, the System (if permitted by and as set forth in subsection (b) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Accounting Principles and Financial Reporting" herein), for each Fiscal Year as

of the end of such Fiscal Year and the Long-Term Debt Service Coverage Ratio of the Combined Group or the System, 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 pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Financial Statements, Etc."

Subject to the provisions of the final two sentences of this paragraph and the remainder of this section, if in any Fiscal Year the Long-Term Debt Service Coverage Ratio of the Combined Group or the System, as the case may be, is less than 1.10 to 1, the Combined Group Agent shall at the expense of the Combined Group retain a Consultant, in a timely manner but in no event later than ninety (90) days after the date on which the Combined 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 Combined Group or the System, as the case may be, and the methods of operation of the Combined Group or the System, as the case may be, 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 Combined Group has retained a Consultant and has followed the report and recommendations of the Consultant to the extent permitted by applicable laws, the Combined Group shall not be deemed to have violated the provisions of this section. Notwithstanding the foregoing provisions of this paragraph, if the failure of the Combined Group or the System, as the case may be, to maintain a Long-Term Debt Service Coverage Ratio in any Fiscal Year of at least 1.10 to 1 is a direct or indirect result of the occurrence of a Force Majeure Event, as determined in the sole discretion of the Combined Group Agent, then the Combined Group Agent shall not be required to retain a Consultant for the purposes described in this section. If the Combined Group Agent determines that a Force Majeure Event has occurred, the Combined Group Agent shall deliver an Officer's Certificate to the Master Trustee stating the nature of the Force Majeure Event and describing the steps being taken with respect to the rates, fees and charges or expenses and methods of operation and other factors affecting the financial condition of the Combined Group or the System, as the case may be, in order to improve the Long-Term Debt Service Coverage Ratio for the then current Fiscal Year.

A copy of the Consultant's report and recommendations, if any, shall be filed with the Combined Group Agent and the Master Trustee. Each Member of the Combined Group 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 of the Combined Group shall take such steps as they consider feasible to cause System Affiliates that are not Members of the Obligated Group 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 Combined Group or the System, 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 Combined Group or the System, as the case may be, is less than 1.10 to 1, the Combined 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 Combined Group or the System, 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 Combined Group or the System, 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 Combined Group, as the case may be, are such that, in the opinion of the Consultant, the System Affiliates or the Members of the Combined 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 Combined Group or the System, as the case may be, was at least 1.00 to 1 for such Fiscal Year. The Combined 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 Combined Group Agent provides to the Master Trustee an Officer's Certificate or an opinion of Counsel to the effect that the applicable laws and regulations underlying the Consultant's report delivered in respect of the previous Fiscal Year have not changed in any material way.

Notwithstanding anything else in this section to the contrary, so long as the requirements of this section are being complied with by the Combined Group Agent, the failure to maintain a Long-Term Debt Service Coverage Ratio of at least 1.10 to 1 shall not constitute an Event of Default pursuant to and as set forth in subsection (b) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Events of Default" herein unless, as of the end of any two consecutive Fiscal Years, (i) the Long-Term Debt Service Coverage Ratio of the Combined Group or the System, as the case may be, is less than 1.00 to 1, (ii) the Combined Group or the System, as the case may be, had less than 150 Days Cash on Hand at the conclusion of such second Fiscal Year, and (iii) the principal amount of all Outstanding Long-Term Indebtedness of the Combined Group or the System, as the case may be, at the conclusion of such second Fiscal Year exceeded 66.66% of the Capitalization of the Obligated Group.

Permitted Reorganizations

(a) Each Member of the Obligated Group agrees that it will not (x) merge into, or consolidate with, one or more corporations or other legal entities, 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, unless (A) after giving effect to such merger, consolidation, sale or conveyance, the successor, resulting, surviving or transferee Person is a Member of the Obligated Group, or (ii) the following requirements are satisfied:

(i) 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 the Master Trust Indenture to be kept and performed by such Member;

(ii) Immediately after such merger or consolidation, or such sale or conveyance, no Member of the Obligated Group would be in default in the performance or observance of any covenant or condition of any Related Loan Document or the Master Trust 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 of the Obligated Group 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 Combined Group Agent shall have consented to such Permitted Reorganization; and

(v) The Combined 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 in the Master Trust Indenture as such Member of the Obligated Group and the Member party to such transaction, if it is not the survivor, shall thereupon be relieved of any further obligation or liabilities under the Master Trust Indenture 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 under the Master Trust Indenture and the predecessor corporation or other legal entity shall be released from its obligations under the Master Trust Indenture 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 under the Master Trust Indenture shall in all respects have the same legal rank and benefit under the Master Trust Indenture as Obligations theretofore or thereafter issued in accordance with the terms of the Master Trust Indenture as though all of such Obligations had been issued under the Master Trust Indenture 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 the Master Trust Indenture 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 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 the Master Trust Indenture. Notwithstanding anything to the contrary in the Master Trust Indenture, 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.

(Master Trust Indenture, Section 409)

Financial Statements, Etc.

Each Member of the Combined Group 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 except as may be disclosed in the notes to the audited financial statements referred to in subparagraph (A) below, and the Combined 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 Combined Group or, at the option of the Combined Group Agent, the System (if permitted by and as set forth in subsection (b) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Accounting Principles and Financial Reporting" herein), for such Fiscal Year certified by a firm of nationally recognized independent certified public accountants selected by the Combined Group Agent prepared on a consolidated basis in accordance with GAAP, covering the operations of the Combined Group or the System, as the case may be, for such Fiscal Year and containing an audited consolidated statement of financial position of the Combined Group or, at the option of the Combined Group Agent, the System, as of the end of such Fiscal Year and an audited consolidated and an unaudited consolidating statement of operations of the Combined Group or, at the option of the Combined Group Agent, the System, for such Fiscal Year, showing in each case in comparative form the financial figures for the preceding Fiscal Year.

(B) As soon as practicable after they are available, but in no event more than 60 days after the last day of each of the first three fiscal quarters of each Fiscal Year, quarterly unaudited financial statements of the System with respect to such fiscal quarter and for the portion of the Fiscal Year ending with such quarter.

(C) At the time of delivery of the financial report referred to in subsection (A) above, an Officer's Certificate, stating that the Combined Group Agent has made a review of the activities of each Member of the Combined Group, Designated Affiliate and System Affiliate during the preceding Fiscal Year for the purpose of determining whether or not the Members of the Combined Group, Designated Affiliates and System Affiliates have complied with all of the terms, provisions and conditions of the Master Trust Indenture and that each Member of the Combined Group, Designated Affiliate and System Affiliate has kept, observed, performed and fulfilled each and every covenant, provision and condition of the Master Trust 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.

(D) The Master Trustee shall have no duty to review any financial statements submitted to it pursuant to the Master Trust Indenture and shall not be considered to have notice of the contents of such financial statements or a default based on such content and does not have a duty to verify the accuracy of such financial statements.

(Master Trust Indenture, Section 410; Fifth Supplemental Indenture, Section 2.8)

Permitted Indebtedness

(a) The Members of the Obligated Group covenant that, except for Permitted Indebtedness described in paragraph (b) of this section, the Members of the Obligated Group shall not incur additional Indebtedness, directly, indirectly or contingently.

(b) Permitted Indebtedness shall include only the following:

(1) Any Indebtedness, if prior to or simultaneously with the incurrence of such Indebtedness there is delivered to the Master Trustee an Officer's Certificate demonstrating that subsections (i) and (ii)(a) of the Transaction Test will be or has been met for, and giving effect to, the incurrence of such Indebtedness; ***provided, however, that upon the effectiveness of the provisions of Article Three of the Fourteenth Supplemental Indenture, this clause (1) will be amended and restated in its entirety to read as follows:***

(1) Any Indebtedness, if prior to or simultaneously with the incurrence of such Indebtedness there is delivered to the Master Trustee an Officer's Certificate of the Combined Group Agent (A) stating that no Event of Default has occurred under the Master Trust Indenture and then exists or would result from the incurrence of such Indebtedness, and (B) demonstrating that either (i) the Income Available for Debt Service of the Combined Group or, at the option of the Combined Group Agent, the System (if permitted by and as set forth in subsection (b) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Accounting Principles and Financial Reporting" herein), following the incurrence of such Indebtedness would not be less than 150% of the Maximum Annual Debt Service of the Combined Group or, at the option of the Combined Group Agent, the System (if permitted by and as set forth in subsection (b) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Accounting Principles and Financial Reporting" herein), such *pro forma* calculation to be based on the most recent audited financial statements of the Combined Group or the System, as the case may be, or (ii) based upon the average of the Income Available for Debt Service of the Combined Group or, at the option of the Combined Group Agent, the System (if permitted by and as set forth in subsection (b) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Accounting Principles and Financial Reporting" herein) in the two most recent Fiscal Years for which audited financial statements of the Combined Group or the System, as the case may be, are available, following the incurrence of such Indebtedness such average Income Available for Debt Service would not be less than 125% of the Maximum Annual Debt Service of the Combined Group or, at the option of the Combined Group Agent, the System (if permitted by and as set forth in subsection (b) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Accounting Principles and Financial Reporting" herein).

(2) 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; and (iv) certifying as to the amount needed for the completion of the facilities in question;

(3) 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 twenty percent (20%), 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 or the payment of the purchase price of any Indebtedness which is payable upon demand of the holder or owner thereof or may be tendered by and at the option of the holder or owner thereof for payment prior to the stated maturity date thereof shall be permitted, without limitation and without the need for the delivery of any Officer's Certificate;

(4) Subordinated Indebtedness, without limitation;

(5) Guarantees, (i) if such Guaranty could then be incurred by the Obligated Group as Indebtedness described in paragraph (b)(1) of this section, (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 described in paragraph (b) of this section; or (iii) if such Guaranty is of Indebtedness of a System Affiliate;

(6) 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 described in paragraph (b) of this section;

(7) Indebtedness in the form of a borrowing from another Member of the Obligated Group or from a System Affiliate;

(8) Indebtedness in the form of any other financial obligation to another Member of the Obligated Group or to a System Affiliate;

(9) 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;

(10) Indebtedness incurred in the ordinary course of business;

(11) 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; and

(12) 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.

(Master Trust Indenture, Section 411; Fifth Supplemental Indenture, Section 2.9)

Permitted Dispositions

(a) The Members of the Obligated Group covenant that, except for Permitted Dispositions described in paragraph (b) of this section, the Members of the Obligated Group shall not sell, lease, remove,

release from the lien of the Master Trust 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 aggregate Value of such Property disposed of in any one Fiscal Year is not in excess of five percent (5%) 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 aggregate Value of such Property disposed of in any one Fiscal Year exceeds five percent (5%) of the Value of the Property of the System; provided, however, that an Officer's Certificate is delivered to the Master Trustee demonstrating that subclauses (i) and (ii)(a) of the Transaction Test shall have been met for, and giving effect to, such proposed Permitted Disposition;

(3) the disposition of real property that is unused or surplus upon which none of the Facilities are situated;

(4) the disposition of Property in the case of any proposed, pending or potential condemnation or taking for public or quasi-public use of the Property or any portion thereof;

(5) the disposition of Property to any Person if such Property has, or within the next succeeding twenty-four (24) calendar months is reasonably expected to, become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property;

(6) the disposition of Property in the ordinary course of business;

(7) the disposition of Property if such Property is replaced promptly by other Property of comparable utility or worth, evidenced in the case of dispositions of real property with a Value in excess of the greater of twenty million dollars ($20,000,000) or one-half of one percent (0.5%) of the Value of the Property of the System or the Obligated Group, as the case may be, by an appraisal by a qualified appraiser satisfactory to the Master Trustee and dated and filed with the Master Trustee not more than thirty (30) days prior to such disposition;

(8) 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;

(9) the disposition of Property if the Obligated Group, or any Member thereof, receives fair market value therefor;

(10) the disposition during any Fiscal Year of accounts receivable by sale, assignment or other disposition in an aggregate amount not to exceed twenty-five percent (25%) of the Obligated Group's accounts receivable (determined as of the end of the immediately preceding Fiscal Year for which financial statements have been delivered pursuant to and as set forth in subsection (A) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Financial Statements, Etc." herein); provided that the transaction is commercially reasonable and for consideration deemed fair and adequate in an Officer's Certificate delivered to the Master Trustee (in such case the Master Trustee shall cooperate in releasing any accounts receivable from the Lien on Gross Revenues);

(11) the disposition of Property to another Member of the Obligated Group or to a System Affiliate;

(12) the disposition of Property in connection with a Permitted Reorganization; and

(13) the disposition of Property in the form of a contribution to any employee benefit plan.

(Master Trust Indenture, Section 412; Fifth Supplemental Indenture, Section 2.10)

Notwithstanding the foregoing, upon the effectiveness of the provisions of Article Three of the Fifteenth Supplemental Indenture, the above-described Section 412 of the Master Trust Indenture will be amended and restated in its entirety to read as follows:

Section 412. Permitted Dispositions. Notwithstanding anything else in the Master Trust Indenture to the contrary, the ability of the Members of the Obligated Group to sell, lease, remove, release from the lien of the Master Trust Indenture, transfer, assign, convey or otherwise dispose (including, without limitation, any involuntary disposition) of any Property of the Members of the Obligated Group for any purpose is not limited or restricted by the provisions of the Master Trust Indenture.

Permitted Encumbrances

No Member of the Obligated Group 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.

(Master Trust Indenture, Section 413; Fifth Supplemental Indenture, Section 2.11)

Permitted Releases

(a) The Members of the Obligated Group covenant that, except for Permitted Releases described in paragraph (b) of this section, the Members of the Obligated Group shall not release any of the Gross Revenues from the security interest created by the Master Trust Indenture or release any of the Property or portions thereof from the covenant against Liens set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Permitted Encumbrances".

(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; and

(2) a release made with respect to the Property of a Member upon the withdrawal of such Member from the Obligated Group in accordance with and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Cessation of Status as a Member of the Obligated Group".

(c) The Master Trustee is authorized to cooperate with the Obligated Group to implement any such Permitted Release.

(Master Trust Indenture, Section 414; Fifth Supplemental Indenture, Section 2.12)

Indemnity

Each Member of the Obligated Group will pay, and will protect, indemnify and save the Master Trustee (and its directors, officers, employees and agents) harmless from and against any and all liabilities, losses, damages, costs and expenses (including reasonable attorneys' fees and expenses of such Member and the Master Trustee), causes of action, suits, claims, demands and judgments of whatsoever kind and nature (including those arising or resulting from any injury to or death of any person or damage to Property) arising from or in any manner directly or indirectly growing out of or connected with the following:

(1) the use, non-use, condition or occupancy of any of the Property of any Member of the Obligated Group, 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 the Master Trust Indenture, except by the Master Trustee;

(3) violation of any contract, agreement or restriction by any Member of the Obligated Group relating to its Property, which shall have existed at the time of execution and delivery of the Master Trust Indenture;

(4) violation of any law, ordinance, regulation or court order affecting any Property of any Member of the Obligated Group or the ownership, occupancy or use thereof;

(5) any statement or information concerning any Member of the Obligated Group 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 of the Obligated Group, its officers and members and its Property not misleading in any material respect, provided that the official statement or other offering document has been approved by a Member of the Obligated Group and the indemnified party did not have knowledge of the omission or misstatement or did not use the official statement or other offering document with reckless disregard of or gross negligence in regard to the accuracy or completeness of the official statement or other offering document; and

(6) the performance by the Master Trustee of its powers, duties and obligations under the Master Trust 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 of the Obligated Group under this section to indemnify and hold harmless the Master Trustee shall survive satisfaction and discharge of the Master Trust 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 Combined Group Agent.

The Master Trustee shall promptly notify the Combined 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 of the Obligated Group, 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 Combined Group Agent.

(Master Trust Indenture, Section 415)

Debt Service on Balloon Indebtedness

For purposes of the calculation of the Debt Service Requirements, whether historic or projected, Balloon Indebtedness shall, at the election of the Combined Group Agent, be deemed to be Indebtedness which is payable over (a) thirty (30) years from the date of such calculation at a rate of interest equal to (i) the actual rate of interest on such Indebtedness, or (ii) that derived from the Bond Index, as determined by an Officer's Certificate, and in each case with level annual debt service on such Indebtedness, or (b) the remaining term to maturity of such Indebtedness, at a rate of interest equal to (i) the actual rate of interest on such Indebtedness, or (ii) that derived from the Bond Index, as determined by an Officer's Certificate, and in each case with level annual debt service on such Indebtedness. In addition, upon delivery to the Master Trustee of (a) an Officer's Certificate, dated within 90 days of the date of calculation of the Debt Service Requirements, stating that financing of a stated term (which shall not extend beyond 30 years after such date of calculation), amortization, and interest rate is reasonably attainable to refund or otherwise directly or indirectly to refinance any amount of such Balloon Indebtedness, then the principal of and premium, if any, and interest and other debt service charges on the amount of such Balloon Indebtedness so certified to be refundable or refinanceable shall be excluded from the calculation of the Debt Service Requirements and the principal of and premium, if any, and interest and other debt service charges on the refunding Indebtedness as so certified which would result from such refunding or refinancing if incurred on the first day of the Fiscal Year for which the Debt Service Requirements are being calculated, shall be added to the calculation of such Debt Service Requirements; or (b) a written consent of the obligor of such Balloon Indebtedness agreeing to retire (and such Balloon Indebtedness shall permit the retirement of), or to fund a sinking fund for, the principal of such Balloon Indebtedness according to a fixed schedule stated in such consent ending on or before the Fiscal Year in which such amount is due or could become due or payable in respect of any required purchase of such Balloon Indebtedness, then the principal of (and, in the case of retirement, the premium, if any, and interest and other debt service charges on) such Balloon Indebtedness shall be computed as if the same were due in accordance with such schedule; provided that this clause (b) shall only be applicable to Balloon Indebtedness for which the installments of principal previously scheduled have been paid or funded on or before the times required by such previous schedule.

(Master Trust Indenture, Section 416)

Notwithstanding the foregoing, upon the effectiveness of the provisions of Article Three of the Fifteenth Supplemental Indenture, the above-described Section 416 of the Master Trust Indenture will be amended and restated in its entirety to read as follows:

> **Section 416. Debt Service on Long-Term Indebtedness.** For purposes of the calculation of the Debt Service Requirements on Long-Term Indebtedness, at the election of the Combined Group Agent, all Long-Term Indebtedness shall be deemed to be Indebtedness which is payable over (a) thirty (30) years from the date of such calculation at a rate of interest equal to (i)

the actual rate of interest on such Indebtedness, or (ii) that derived from the Bond Index, as determined by an Officer's Certificate, and in each case with level annual debt service on such Indebtedness, or (b) such other amortization period which does not extend beyond the remaining term to maturity of such Indebtedness, at a rate of interest equal to (i) the actual rate of interest on such Indebtedness, or (ii) that derived from the Bond Index, as determined by an Officer's Certificate, and in each case with level annual debt service on such Indebtedness. In addition, upon delivery to the Master Trustee of (a) an Officer's Certificate, dated within 90 days of the date of calculation of the Debt Service Requirements, stating that financing of a stated term, amortization, and interest rate is reasonably attainable to refund or otherwise directly or indirectly to refinance any amount of such Long-Term Indebtedness, then the principal of and premium, if any, and interest and other debt service charges on the amount of such Long-Term Indebtedness so certified to be refundable or refinanceable shall be excluded from the calculation of the Debt Service Requirements and the principal of and premium, if any, and interest and other debt service charges on the refunding Indebtedness as so certified which would result from such refunding or refinancing if incurred on the first day of the Fiscal Year for which the Debt Service Requirements are being calculated, shall be added to the calculation of such Debt Service Requirements; or (b) a written consent of the obligor of such Long-Term Indebtedness agreeing to retire (and such Long-Term Indebtedness shall permit the retirement of), or to fund a sinking fund for, the principal of such Long-Term Indebtedness according to a fixed schedule stated in such consent ending on or before the Fiscal Year in which such amount is due or could become due or payable in respect of any required purchase of such Long-Term Indebtedness, then the principal of (and, in the case of retirement, the premium, if any, and interest and other debt service charges on) such Long-Term Indebtedness shall be computed as if the same were due in accordance with such schedule; provided that this clause (b) shall only be applicable to Long-Term Indebtedness for which the installments of principal previously scheduled have been paid or funded on or before the times required by such previous schedule.

Debt Service on Variable Rate Indebtedness

For purposes of the computation of the projected (but not historic) Debt Service Requirements, Variable Rate Indebtedness shall be deemed Indebtedness maturing in accordance with its terms, and which bears interest at a rate equal to (i) the average rate of interest on such Variable Rate Indebtedness during any 12 consecutive month period ending within 30 days prior to the date of calculation of the Debt Service Requirements (or such lesser time as such Variable Rate Indebtedness has been outstanding), or (ii) that rate of interest which is equal to the average rate of the Bond Index during any 12 consecutive month period ending within 30 days prior to the date of calculation of the Debt Service Requirements, all as determined by an Officer's Certificate delivered to the Master Trustee.

(Master Trust Indenture, Section 417)

Debt Service on Discount Indebtedness

For purposes of the computation of the Debt Service Requirements, whether historic or projected, the amount of principal represented by Discount Indebtedness shall, at the election of the Combined Group Agent, be deemed to be the accreted value of such Indebtedness computed on the basis of a constant yield to maturity.

(Master Trust Indenture, Section 418)

Debt Service on Guarantees

Notwithstanding any provision of the Master Trust Indenture to the contrary, for purposes of the computation of the Debt Service Requirements, whether historic or projected, the Debt Service Requirements on such Guaranty shall be deemed to be equal twenty percent (20%) of the principal of (and premium, if any) and interest and other debt service charges on the Indebtedness of the Primary Obligor which is the subject of such Guaranty, provided, however, that (a) if the Obligated Group has not made any payments on such Guaranty during the current and two mostly recently completed Fiscal Years of the Obligated Group, the Debt Service Requirements on such Guaranty shall be deemed to be zero, or (b) regardless of whether the Obligated Group has made any payments on such Guaranty during the current and two mostly recently completed Fiscal Years of the Obligated Group, (i) if the principal of and interest on such Indebtedness of the Primary Obligor is included in the calculation of the Debt Service Requirements of the Obligated Group, the Debt Service Requirements on such Guaranty shall be deemed to be zero for purposes of the calculation of the Debt Service Requirements, and (ii) if the payment of the principal of and interest on such Indebtedness of the Primary Obligor has also been guaranteed or otherwise assured by a letter of credit, insurance policy or guarantee from an institution the long term debt of which has a rating assigned to it by any rating agency that is at least as high as the rating on the Long-Term Indebtedness of the Obligated Group immediately prior to the delivery by such institution of its letter of credit, insurance policy or guarantee, the Debt Service Requirements on such Guaranty shall be deemed to be zero for purposes of the calculation of the Debt Service Requirements.

(Master Trust Indenture, Section 419)

Right to Consent, Etc.

Each Member of the Obligated Group, with the prior written consent of the Combined Group Agent, shall have the right to agree in any Related Bond Indenture, Related Loan Document or Supplemental 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 the Master Trust Indenture that:

(a) provide for approval, consent, direction or appointment by the Master Trustee,

(b) provide that anything must be satisfactory or acceptable to the Master Trustee or not unacceptable to the Master Trustee, or

(c) 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:

(x) 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

(y) that all items required to be delivered or addressed to the Master Trustee under the Master Trust Indenture 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.

(Master Trust Indenture, Section 420; Fifth Supplemental Indenture, Section 2.13)

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 Indenture pursuant to which such Obligation was issued); or

(b) any failure of any Member of the Obligated Group to comply with, observe or perform any other covenants, conditions, agreements or provisions in the Master Trust Indenture or of any Obligation and to remedy such default within 60 days after written notice thereof to such Member and the Combined 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 such Member to remedy such default within such 60-day period shall not constitute a default under the Master Trust Indenture if such 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 of the Obligated Group in the Master Trust Indenture or in any Supplemental 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 of the Obligated Group pursuant to the Master Trust Indenture or any Supplemental 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 Combined 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 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 of the Obligated Group, 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 of the Obligated Group, 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" under the Master Trust Indenture 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 Combined 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, the Combined Group or the Obligated Group, as applicable; or

(e) any judgment, writ or warrant of attachment or of any similar process shall be entered or filed against any Member of the Obligated Group or against any Property of any Member of the Obligated Group 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 under the Master

Trust Indenture 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 Combined 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, the Combined Group or the Obligated Group, as applicable; or

(f) 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

(g) 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

(h) 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.

(Master Trust Indenture, Section 501)

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 Combined Group Agent, declare the entire principal amount of or other amounts evidenced under all Obligations then outstanding under the Master Trust Indenture 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 pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Waiver of Events of Default" with respect to waivers of Events of Default, or contrary direction pursuant to the provisions set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Direction of Proceedings by Holders".

(Master Trust Indenture, Section 502)

Remedies; Rights of Obligation Holders

Upon the occurrence of any Event of Default under the Master Trust Indenture, 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 under the Master Trust Indenture and any other sums due under the Obligations or under the Master Trust Indenture and may collect such sums in the manner provided by law out of the Property of any Member wherever situated.

If an Event of Default shall have occurred and is continuing, and if it shall have been requested so to do by the holders of 25% or more in aggregate principal amount of Debt Obligations outstanding (and upon the provision of indemnity satisfactory to the Master Trustee in its sole discretion), the Master Trustee

shall be obligated to exercise such one or more of the rights and powers conferred by this section 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 the Master Trust 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 under the Master Trust Indenture 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 under the Master Trust Indenture, 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.

(Master Trust Indenture, Section 503)

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 and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Acceleration" 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 the Master Trust Indenture or for the appointment of a receiver or any other proceedings under the Master Trust Indenture; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Master Trust 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 the Master Trust Indenture, the Supplemental 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 the Master Trust Indenture.

(Master Trust Indenture, Section 504)

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 the Master Trust 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 under the Master Trust Indenture 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.

(Master Trust Indenture, Section 505)

Application of Moneys

All moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of the Master Trust Indenture (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 the Master Trust 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 the Master Trust Indenture, then, subject to the provisions of paragraph (b) of this section, 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.

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 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 Combined Group Agent on behalf of the Members. When all Obligations and interest thereon have been paid under the provisions of this section and all expenses and charges of the Master Trustee have been paid, the Combined Group Agent shall be authorized to terminate of record any financing statements or other filings or evidence of any Lien granted under the Master Trust Indenture.

(Master Trust Indenture, Section 506)

Remedies Vested in Master Trustee

All rights of action including the right to file proof of claims under the Master Trust 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 the Master Trust Indenture, the Master Trustee shall, in addition to any other remedies available under the Master Trust Indenture 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 pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Payment of Principal, Premium, if any, and Interest and Other Amounts; Designated Affiliates and System Affiliates".

(Master Trust Indenture, Section 507)

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 the Master Trust Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy under the Master Trust Indenture, 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 and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Acceleration" 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 the Master Trust Indenture and to any action or cause of action for the enforcement of the Master Trust Indenture, or for the appointment of a receiver or for any other remedy under the Master Trust Indenture; 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 the Master Trust Indenture by its, his or their action or to enforce any right under the Master Trust Indenture except in the manner provided in the Master Trust Indenture, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Master Trust Indenture and for the equal benefit of the holders of all Obligations outstanding. Nothing in the Master Trust 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 under the Master Trust Indenture to the respective holders thereof at the time and place, from the source and in the manner in said Obligations expressed.

(Master Trust Indenture, Section 508)

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 subsection (a) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Events of Default" herein) 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 the Master Trust Indenture, other than the nonpayment of any amounts due under such Obligations that shall have become due by acceleration, shall have been remedied, then and in every such case the holders of a majority in aggregate principal amount of all Debt Obligations then outstanding, by written notice to the Combined Group Agent and to the Master Trustee, may waive all Events of Default and rescind and annul such declaration and its consequences; but no such waiver or rescission and annulment shall extend to or affect any subsequent Event of Default, or shall impair any right consequent thereon.

No delay or omission of the Master Trustee or of any holder to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given 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 under the Master Trust Indenture.

In case of any waiver by the Master Trustee of an Event of Default under the Master Trust Indenture, the Members of the Obligated Group, the Master Trustee and the holders shall be restored to their former positions and rights under the Master Trust Indenture, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

(Master Trust Indenture, Section 510)

Related Bond Trustee or Bondholders Deemed To Be Obligation Holders

For the purposes of the Master Trust 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 Trust Indenture, including without limitation, all approvals, consents and directions under the Master Trust Indenture.

(Master Trust Indenture, Section 512)

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 under the Master Trust Indenture 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 to compensate the Master Trustee to pay or reimburse the Master Trustee for expenses, disbursements or advances, shall survive satisfaction and discharge of the Master Trust Indenture.

(Master Trust Indenture, Section 602)

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 under the Master Trust Indenture 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 in the Master Trust Indenture to the contrary notwithstanding.

(Master Trust Indenture, Section 605)

Corporate Master Trustee Required; Eligibility

There shall at all times be a Master Trustee under the Master Trust Indenture 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 the Master Trust Indenture and its successors pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Successor Master Trustee") 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, it shall resign immediately in the manner pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Resignation by the Master Trustee". 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 pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Concerning Any Successor Master Trustee".

(Master Trust Indenture, Section 606)

Resignation by the Master Trustee

The Master Trustee and any successor Master Trustee may at any time resign from the trusts created by the Master Trust Indenture by giving thirty days' written notice to the Combined 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 the Master Trust 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 by the Master Trust Indenture, 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 Combined Group Agent may be served personally or sent by registered or certified mail.

(Master Trust Indenture, Section 607)

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 Combined 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 under the Master Trust Indenture, the Master Trustee may be

removed with or without cause at any time by an instrument or concurrent instruments in writing signed by the Combined Group Agent, delivered to the Master Trustee.

(Master Trust Indenture, Section 608)

Appointment of Successor Master Trustee by the Obligation Holders; Temporary Master Trustee

In case the Master Trustee under the Master Trust Indenture shall resign or be removed, or be dissolved, or shall be in the process of dissolution or liquidation, or otherwise becomes incapable of acting under the Master Trust Indenture, 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 Combined 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 the Master Trust Indenture within 30 days after such notice, the Master Trustee may make a request to a court of competent jurisdiction to appoint a successor.

(Master Trust Indenture, Section 609)

Concerning Any Successor Master Trustee

Every successor Master Trustee appointed under the Master Trust Indenture shall execute, acknowledge and deliver to its predecessor and also to the Combined Group Agent an instrument in writing accepting such appointment under the Master Trust Indenture, 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 Combined 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 under the Master Trust Indenture; and every predecessor Master Trustee shall deliver all securities and moneys held by it as Master Trustee under the Master Trust Indenture 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 under the Master Trust Indenture shall be filed and/or recorded by the successor Master Trustee in each recording office, if any, where the Master Trust Indenture shall have been filed and/or recorded.

(Master Trust Indenture, Section 610)

Supplemental Indentures Not Requiring Consent of Obligation Holders

Subject to the limitations set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Supplemental Indentures Requiring Consent of Obligation Holders" with respect to this section, the Members (or the Combined 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 the Master Trust Indenture, for any one or more of the following purposes:

(a) To cure any ambiguity or defective provision in or omission from the Master Trust Indenture in such manner as is not inconsistent with and does not impair the security of the Master Trust 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 under the Master Trust Indenture 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 the Master Trust 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 under the Master Trust Indenture;

(e) To permit the qualification of the Master Trust 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 set forth in subsection (b) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Permitted Indebtedness" herein);

(g) To provide for the issuance of Obligations as permitted under the Master Trust Indenture;

(h) To reflect the addition to or withdrawal of a Member from the Obligated Group or the addition or deletion of any Designated Affiliate in the Master Trust Indenture, or to reflect any release of Property to be released from the Lien on Gross Revenues created under the Master Trust Indenture to the extent such release constitutes a Permitted Disposition;

(i) To provide for the issuance of Obligations with original issue discount, provided such issuance would not materially adversely affect the holders of Outstanding Obligations;

(j) To permit an Obligation to be secured by security that is not extended to all Obligation holders to the extent not prohibited under the Master Trust Indenture;

(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 the Master Trust Indenture; provided, however, that such Supplemental 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 Indenture;

(m) To modify, eliminate or add to the provisions of the Master Trust Indenture (other than the pledge of the Gross Revenues) 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 Combined 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 the Master Trust Indenture or any indenture supplemental to the Master Trust Indenture 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 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 in the Master Trust Indenture and in the Supplemental 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 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 Combined Group Agent shall request the Master Trustee to enter into any Supplemental Indenture pursuant to subsection (m) above, the Master Trustee shall cause notice of the proposed execution of such Supplemental Indenture to be given to each rating agency then maintaining a rating on any Obligations or Related Bonds, in the manner provided in the Master Trust Indenture at least 15 days prior to the execution of such Supplemental Indenture, which notice shall include a copy of the proposed Supplemental Indenture.

(Master Trust Indenture, Section 701; Fifth Supplemental Indenture, Section 2.14)

Supplemental Indentures Requiring Consent of Obligation Holders

In addition to Supplemental Indentures covered by and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Supplemental Indentures Not Requiring Consent of Obligation Holders" and subject to the terms and provisions contained in this section and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Note and Document Substitution" (other than as to clause (e) below), and not otherwise, the holders of not less than a majority in aggregate principal amount of all Debt Obligations which are Outstanding under the Master Trust Indenture at the time of the execution of such Supplemental 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 under the Master Trust Indenture at the time of the execution of such Supplemental Indenture, shall have the right, from time to time, to consent to and approve the execution by the Members and the Master Trustee of such Supplemental 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 the Master Trust Indenture or in any Supplemental Indenture; provided, however, that nothing contained in this section or as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Supplemental Indentures Not Requiring Consent of Obligation Holders" 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 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, (c) modification of the rights, duties or immunities of the Master Trustee, without the written consent of the Master Trustee; (d) amending the provisions set forth in subsection (m) under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Supplemental Indentures Not Requiring Consent of Obligation Holders" herein without the consent of all of the holders of Obligations then Outstanding who would be adversely affected by the proposed amendment, or (e) amending the provisions set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Note and Document Substitution" with respect to the requirements for maintaining priority among holders of Obligations as to covenants and security upon the occurrence of a Substitution Transaction without the consent of all the holders of the Obligations then outstanding who would be adversely affected by the proposed amendment.

If at any time the Combined Group Agent shall request the Master Trustee to enter into any such Supplemental Indenture for any of the purposes of this section, the Master Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental 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 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 Indenture when consented to and approved as provided in this section. 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 under the Master Trust Indenture at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as provided in the Master Trust Indenture, 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 Indenture as in this section permitted and provided, the Master Trust 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 pursuant to and as set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Related Bond Trustee or Bondholders Deemed To Be Obligation Holders".

(Master Trust Indenture, Section 702; Fifth Supplemental Indenture, Section 2.15)

Note and Document Substitution

(a) The Master Trust Indenture may be amended or supplemented pursuant to and as set forth herein under the headings entitled "SUMMARY OF THE MASTER INDENTURE – Supplemental Indentures Not Requiring Consent of Obligation Holders" and "SUMMARY OF THE MASTER INDENTURE – Supplemental Indentures Requiring Consent of Obligation Holders".

(b) In addition, the Obligated Group and the Master Trustee, may, without the consent of any of the holders of any Obligations or any Related Bonds, but only (i) with the prior written consent of the credit enhancers, if any, of the Related Bonds of the affected series of Related Bonds, and (ii) upon receipt by the Master Trustee of an Officer's Certificate demonstrating satisfaction of the Substitution Transaction Test (as defined below), enter into one or more supplements, amendments, restatements, replacements or substitutions to the Master Trust Indenture, to modify, amend, restate, supplement, replace, substitute, change or remove any covenant, agreement, term or provision of the Master Trust Indenture, in whole or in part, including, but not limited to, an amendment, restatement or substitution of the Master Trust Indenture, in whole to relate to all of the Obligations, or in part to relate to a portion of the Obligations, including, but not limited to, a series or subseries of the Obligations secured by payment obligations of the health care facilities on whose behalf the allocable portion of the proceeds of the Obligations were utilized, or an affiliate of such health care facilities, in order to effect (i) the affiliation of the Corporation, the Obligated Group, any Members of the Obligated Group, any System Affiliates or any Designated Affiliates with any of the foregoing or with another entity or entities in order to create a new or modified credit group or structure or in order to provide for the inclusion of the Corporation, the Obligated Group, any Members of the Obligated Group, any System Affiliates or any Designated Affiliates in another obligated group, combined group or other unified credit group or structure, (ii) the release or discharge of any collateral securing the Obligations, including, but not limited to, the release or discharge of (A) any or all Obligations, in whole or in part, issued pursuant to the Master Trust Indenture to secure the Related Bonds and (B) the Corporation, the Obligated Group, any Members of the Obligated Group, any System Affiliates or any Designated Affiliates from any or all liability (whether direct or indirect) with respect to the Obligations or a portion thereof, any Related Bond or other Related Loan Document, any Related Bond Indenture, the Obligations, or the Master Trust Indenture or any portion of any thereof, in consideration for the issuance of a note or notes to secure the Obligations or portion of the Obligations that are to become an obligation of the new affiliated entities or the new obligated group, combined group or other unified credit group, which note or notes would constitute obligations of the new affiliated entities or the members of the new obligated group, combined group or other unified credit group, (iii) the replacement of all or a portion of the financial and operating covenants and related definitions set forth in the Master Trust Indenture with those of the new affiliated entities or the new obligated group, combined group or other unified credit group, set forth in the new agreement or master indenture, and (iv) the termination of the status of any Designated Affiliates as Designated Affiliates (the "Undesignated Affiliates"), concurrently with (A) the substitution of the underlying credit source for any Obligations the proceeds of which are allocable to the facilities of such Undesignated Affiliates, from being the Corporation under any Related Loan Document, and the Obligated Group under the Obligations and the Master Trust Indenture to being such Undesignated Affiliates or any affiliate of such Undesignated Affiliates, under a replacement or substitute loan agreement, bond indenture, note or notes and master indenture, and (B) the release and discharge of (I) any or all Obligations, in whole or in part, issued pursuant to the Master Trust Indenture to secure other Obligations or such Related Bonds allocable to such Undesignated Affiliates and (II) the Corporation, the Obligated Group, any Members of the Obligated Group, any System Affiliates or any Designated Affiliates from any or all liability (whether direct or indirect) with respect to the Related Bonds allocable to the Undesignated Affiliates, any Related Loan Document, any Related Bond Indenture, the Obligations, or the Master Trust Indenture or any portion of any thereof allocable to the Undesignated Affiliates (such transaction is referred to collectively in the Master Trust Indenture as the "Substitution Transaction"); provided, however, in no event may a Substitution Transaction alter the priority among holders of Obligations Outstanding

immediately prior to the consummation of the Substitution Transaction with respect to any covenants or security as in effect immediately prior to the consummation of the Substitution Transaction. For the avoidance of doubt, the foregoing proviso is not intended to prohibit the termination or amendment of any covenants, or the release or substitution of any security, in whole or in part, in a Substitution Transaction so long as the priority among holders of Obligations is not affected with respect to any covenants or security that survive or arise upon a Substitution Transaction. By way of example and not of limitation, if all holders of Obligations share *pari passu* under the Master Trust Indenture with respect to a Lien upon certain collateral, then after giving effect to the Substitution Transaction, such holders (now holders of new obligations under a substitute master trust indenture) must share *pari passu* in any surviving collateral, if any, or any new collateral, if any that is granted under the substitute master trust indenture.

(c) The Substitution Transaction Test shall mean, and be satisfied if, the Combined Group Agent delivers to the Master Trustee either:

(A) Rating Upgrade. An Officer's Certificate demonstrating that, upon consummation of the Substitution Transaction, and after giving effect to such Substitution Transaction, (i) at least one rating agency that has provided a long-term rating on any Obligation or the publicly sold Related Bonds provides written confirmation to the effect that the long-term rating by such rating agency on such Obligation or Related Bonds will be no less than "Aa3" or "AA-" or its equivalent, as applicable, as a result of and giving effect to the implementation of the Substitution Transaction; and (ii) the new obligated group satisfies the Transaction Test, assuming the incurrence of $1.00 of additional Long-Term Indebtedness; or

(B) Rating Confirmation. An Officer's Certificate demonstrating that, upon consummation of the Substitution Transaction, and after giving effect of such Substitution Transaction, (i) each rating agency that has provided a long-term rating on any Obligation or the publicly sold Related Bonds provides written confirmation to the effect that the long-term ratings by each such rating agency on such Obligation or Related Bonds, as a result of and giving effect to the implementation of the Substitution Transaction, will be no less than the then-current rating on such Obligation or Related Bonds immediately prior to the implementation of the Substitution Transaction, or the then-current rating will not be decreased or withdrawn (a rating decrease shall include instances where the rating category level remains unchanged but the rating modifier (such as "+" or "-") is decreased as a result of the implementation of the Substitution Transaction, but a rating decrease shall not include instances where the outlook alone is decreased); (ii) the new obligated group satisfies the Transaction Test, assuming the incurrence of $1.00 of additional Long-Term Indebtedness; and (iii) the new master indenture contains a pledge of gross revenues substantially similar to the pledge of Gross Revenues established under the Master Trust Indenture.

(d) Upon the implementation of the Substitution Transaction pursuant to paragraph (c)(A) above, and concurrently therewith, the Master Trustee shall, as may be directed in writing by the Combined Group Agent, at the option of the Combined Group Agent, release and discharge the pledge of and security interest in Gross Revenues or any portion thereof, and file or record or allow to be filed or recorded any termination statements that may be applicable thereto.

(e) If all amounts due or to become due on the Related Bonds have not been fully paid to the Holder thereof, at or prior to the implementation of the Substitution Transaction there shall also be delivered to the Master Trustee: (i) an opinion of nationally recognized bond counsel to the effect that under then existing law the implementation of the Substitution Transaction and the execution of the amendments, supplements, restatements, replacements or substitutions contemplated in this section, in and of themselves, would not adversely affect the validity of the Related Bonds or the exclusion from federal income taxation of interest payable on the Related Bonds, and (ii) an opinion of counsel to the new affiliated entities or the new obligated group, combined group or other unified credit group to the effect that (1) the note or notes

of the new affiliated entities or the new obligated group, combined group or other unified credit group to be delivered to secure the Related Bonds allocable to the Undesignated Affiliates constitute legal, valid and binding obligations of the new affiliated entities or the new obligated group, combined group or other unified credit group enforceable in accordance with their terms, except to the extent that the enforceability of such note or notes may be limited by any applicable bankruptcy, insolvency, liquidation, rehabilitation or other similar laws or enactment affecting the enforcement of creditors' rights, and (2) the issuance of the note or notes will not cause the Related Bonds or such note or notes to become subject to the registration requirements pursuant to the Securities Act of 1933, as amended.

(f) In addition, upon the implementation of the Substitution Transaction, the Combined Group Agent shall direct the Master Trustee to give written notice thereof, by first-class mail, to the Holders of the Obligations then Outstanding.

(Master Trust Indenture, Section 703; Fifth Supplemental Indenture, Section 2.16)

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, 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 Combined 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 Combined 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 under the Master Trust Indenture 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 the Master Trust 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 set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Satisfaction of Related Bonds"), the Master Trust Indenture and the estate and rights granted under the Master Trust Indenture shall cease, determine, and become null and void, and thereupon the Master Trustee shall, upon written request of the Combined 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 the Master Trust Indenture have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging the Master Trust Indenture and the lien hereof. The satisfaction and discharge of the Master Trust 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 the Master Trust Indenture (other than said Escrow Securities or other moneys deposited in trust as above provided) shall, upon the full satisfaction of the Master Trust Indenture, forthwith be transferred, paid over and distributed to the Combined 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.

Upon the defeasance of any of the Obligations pursuant to an advance refunding, the Master Trustee shall be entitled to receive and rely upon a verification report and an opinion of Counsel relating thereto.

(Master Trust Indenture, Section 801)

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, 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 Combined 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 Combined 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 under the Master Trust Indenture 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 Trust 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 set forth herein under the heading entitled "SUMMARY OF THE MASTER INDENTURE – Satisfaction of Related Bonds") such Obligations shall cease to be entitled to any lien, benefit or security under the Master Trust 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.

(Master Trust Indenture, Section 802)

Satisfaction of Related Bonds

The provisions set forth herein under the headings entitled "SUMMARY OF THE MASTER INDENTURE – Defeasance" and "SUMMARY OF THE MASTER INDENTURE – Provision for Payment of a Particular Series of Obligations or Portion Thereof" 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 Trust Indenture in the circumstances relating to the satisfaction, repayment or defeasance of such Related Bonds described in the Master Trust Indenture; and (ii) shall not be deemed paid and shall continue to be entitled to the lien, benefit and security under the Master Trust 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.

(Master Trust Indenture, Section 803)

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APPENDIX D

FORM OF BOND COUNSEL OPINION

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Upon the issuance of the Series 2024A Bonds, Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel, anticipates rendering its final opinion in substantially the following form:

May ___, 2024

New Jersey Health Care Facilities
Financing Authority
Station Plaza, Building #4
22 South Clinton Avenue
Trenton, New Jersey 08609-1212

Ladies and Gentlemen:

We have acted as Bond Counsel to the New Jersey Health Care Facilities Financing Authority (the "Authority"), a public body corporate and politic constituting a political subdivision of the State of New Jersey (the "State"), in connection with the issuance by the Authority on the date hereof of $_____ aggregate principal amount of its Revenue and Refunding Bonds, RWJ Barnabas Health Obligated Group Issue, Series 2024A (the "Series 2024A Bonds"). The Series 2024A Bonds are being issued under and pursuant to: (i) the laws of the State, including particularly, the New Jersey Health Care Facilities Financing Authority Law, L. 1972, c. 29 (N.J.S.A. 26:2I-1 et seq., as amended) (the "Act"), (ii) a resolution adopted by the Authority on March 28, 2024 entitled "A Resolution Authorizing the Issuance of New Jersey Health Care Facilities Financing Authority Revenue and Refunding Bonds, RWJ Barnabas Health Obligated Group Issue, Series 2024" (the "Bond Resolution"), and (iii) a Series 2024A Trust Agreement, dated as of May 1, 2024 (the "Trust Agreement"), by and between the Authority and U.S. Bank Trust Company, National Association, as Bond Trustee (the "Bond Trustee"). Capitalized terms used herein and not otherwise defined shall have the meaning ascribed to such terms in the Trust Agreement and the Bond Resolution.

The Series 2024A Bonds are dated the date hereof, mature on the dates and in the principal amounts and bear interest from their date at the respective rates and payable on the dates and contain such other terms and conditions as are set forth in the Trust Agreement. The Series 2024A Bonds are subject to redemption prior to maturity on the terms and conditions set forth in the Trust Agreement. The Series 2024A Bonds are being issued in fully registered form, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company ("DTC"). So long as DTC or its nominee is the registered owner of the Series 2024A Bonds, payments of the principal or Redemption Price of and interest on the Series 2024A Bonds will be made by the Bond Trustee, as paying agent, directly to Cede & Co., as nominee for DTC. Disbursal of such payments to the beneficial owners of the Series 2024A Bonds is the responsibility of the DTC participants.

The Series 2024A Bonds are being issued by the Authority for the purpose of providing funds which, together with other available moneys, if any, will be used by RWJ Barnabas Health, Inc., a nonprofit corporation incorporated and existing under the laws of the State (the "Borrower"), to (i)

reimburse the Borrower for the costs of planning, development, acquisition, construction, equipping, expansion, furnishing and/or renovation of all or a portion of one or more various capital projects and facilities of the Borrower and its affiliates; (ii) legally defease and purchase of all of the Authority's outstanding Revenue and Refunding Bonds, RWJ Barnabas Health Obligated Group Issue, Series 2019B-1, which are subject to mandatory tender for purchase on July 1, 2024; and (iii) pay all or a portion of the costs incurred in connection with the issuance and sale of the Series 2024A Bonds.

On the date hereof, the Authority is loaning the proceeds of the Series 2024A Bonds to the Borrower pursuant to the terms and provisions of a Series 2024A Loan Agreement, dated as of May 1, 2024 (the "Loan Agreement"), by and between the Authority and the Borrower. Pursuant to the Loan Agreement, the Borrower is obligated, among other things, to make payments to the Bond Trustee sufficient to pay the principal or Redemption Price of and interest on the Series 2024A Bonds, when due.

As security for its obligation to pay the principal or Redemption Price of and interest on the Series 2024A Bonds when due, the Authority has assigned, among other things, all of its right, title and interest (subject to the reservation of certain rights by the Authority) in the Loan Agreement to the Bond Trustee for the benefit of the Holders of the Series 2024A Bonds pursuant to the Trust Agreement and an Assignment, dated as of May 1, 2024 (the "Assignment"), from the Authority to the Bond Trustee. Under the terms of the Trust Agreement, the principal or Redemption Price of and interest on the Series 2024A Bonds are payable from the Revenues, including all payments received by the Authority pursuant to the Loan Agreement, and the amounts on deposit in the Funds and Accounts (other than the Rebate Fund) created and established under the Trust Agreement.

To evidence and secure its obligations under the Loan Agreement, the Borrower has issued and delivered its Obligated Group Promissory Note, Series 2024A, dated the date hereof, in the principal amount of $_____ (the "Series 2024A Note") to the Authority which, in turn, has assigned its rights (subject to the reservation of certain rights by the Authority) in the Series 2024A Note to the Bond Trustee pursuant to the Trust Agreement. The Series 2024A Note is issued under and pursuant to, and secured by, a Master Trust Indenture, dated as of November 1, 2016 (the "Master Trust Indenture"), by and between the Borrower, on behalf of itself and the other members of the Obligated Group, and The Bank of New York Mellon, as master trustee (the "Master Trustee"), as amended and supplemented from time to time as permitted therein, including as amended and supplemented by a Fifteenth Supplemental Indenture, dated as of May 1, 2024 (the "Fifteenth Supplemental Indenture"), by and between the Borrower and the Master Trustee. The Master Trust Indenture, as amended and supplemented, including as amended and supplemented by the Fifteenth Supplemental Indenture, is hereinafter collectively referred to as the "Master Indenture".

To secure the payment obligations of the Borrower and any other member of the Obligated Group pursuant to the Master Indenture, including, without limitation, the payment obligations of the Borrower with respect to the Series 2024A Note and any other Obligations (as defined in the Master Indenture) heretofore or hereafter issued pursuant to the Master Indenture, the Borrower and each of the other members of the Obligated Group has pledged and assigned to the Master Trustee, and granted a security interest in, all of its Gross Revenues (as defined in the Master Indenture). Pursuant to the Master Indenture, each member of the Obligated Group is jointly and severally liable for the performance of all obligations of the Borrower and all other members of the Obligated Group under

the Master Indenture, including, without limitation, all payment obligations with respect to the Series 2024A Note and any other Obligations.

In rendering this opinion, we have examined, among other things: (a) a certified copy of the Bond Resolution; (b) original counterparts or copies of the Trust Agreement, the Loan Agreement, the Assignment, the Series 2024A Note, the Preliminary Official Statement of the Authority, dated April 17, 2024, relating to the Series 2024A Bonds (the "Preliminary Official Statement"), the Official Statement of the Authority, dated April __, 2024, relating to the Series 2024A Bonds (the "Official Statement"), and the Bond Purchase Contract, dated April __, 2024, between the Authority and the underwriters of the Series 2024A Bonds named therein and approved by the Borrower; (c) the opinion of Hawkins Delafield & Wood LLP, counsel to the Borrower, dated the date hereof, upon which we have relied as to the matters set forth therein; and (d) such matters of law, including, without limitation, the Act and the Internal Revenue Code of 1986, as amended (the "Code"), and such other opinions, agreements, proceedings, certificates, records, approvals, resolutions and documents as to various matters with respect to the issuance of the Series 2024A Bonds as we have deemed necessary.

We have assumed the due authorization, execution and delivery by, and enforceability against, all parties, other than the Authority, of the documents and other instruments which we have examined. We have relied upon the genuineness, accuracy and completeness of the documents and other instruments that we have examined.

Based on the foregoing and subject to the further assumptions and qualifications set forth below, we are of the opinion that:

1. The Authority is a public body corporate and politic constituting a political subdivision of the State, is validly existing under the Act, and had and has full power and authority under the Act to adopt the Bond Resolution, to enter into and perform its obligations under the Trust Agreement, the Loan Agreement and the Assignment and to issue and to sell the Series 2024A Bonds.

2. The Bond Resolution has been duly adopted by the Authority.

3. The Trust Agreement has been duly authorized, executed and delivered by the Authority and the covenants and agreements of the Authority contained therein are valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms. The Trust Agreement creates the valid pledge which it purports to create of the Revenues and the amounts on deposit in the Funds and Accounts (other than the Rebate Fund) created and established under the Trust Agreement, subject only to the provisions of the Trust Agreement permitting the application of the Revenues and the amounts on deposit in such Funds and Accounts for the purposes and on the terms and conditions set forth in the Trust Agreement.

4. The Loan Agreement and the Assignment have been duly authorized, executed and delivered by the Authority and the covenants and agreements of the Authority contained therein are valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms.

5. All right, title and interest of the Authority (subject to the reservation of certain rights) in and to the Loan Agreement and the Series 2024A Note have been validly assigned by the Authority to the Bond Trustee for the benefit of the Holders of the Series 2024A Bonds.

6. The issuance and sale of the Series 2024A Bonds have been duly authorized by the Authority, and the Series 2024A Bonds are valid and binding special and limited obligations of the Authority enforceable in accordance with their terms and are entitled to the benefit and security of the Trust Agreement, the Loan Agreement and the Series 2024A Note to the extent provided for therein.

7. The Code establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance of the Series 2024A Bonds in order for the interest on the Series 2024A Bonds to be and remain excluded from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause the interest on the Series 2024A Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the Series 2024A Bonds. The Authority and the Borrower have each covenanted to comply with the provisions of the Code applicable to the Series 2024A Bonds and not to take any action or fail to take any action that would cause the interest on the Series 2024A Bonds to lose the exclusion from gross income for Federal income tax purposes under Section 103 of the Code.

Under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Authority and the Borrower with their covenants described above, interest on the Series 2024A Bonds is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Code and is not treated as a preference item under Section 57 of the Code for purposes of calculating the Federal alternative minimum tax; however, interest on the Series 2024A Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to alternative minimum tax imposed under Section 55 of the Code.

[Under Section 171(a)(2) of the Code, no deduction is allowed for the amortizable bond premium (determined in accordance with Section 171(b) of the Code) on the Series 2024A Bonds that are initially offered and sold at a premium. Under Section 1016(a)(5) of the Code, however, an adjustment must be made to the purchaser's basis in such Series 2024A Bonds to the extent of any amortizable bond premium that is disallowable as a deduction under Section 171(a)(2) of the Code.]

8. Under existing laws of the State, interest on the Series 2024A Bonds and any gain realized on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended.

The foregoing opinions are qualified to the extent that the enforceability of the Trust Agreement, the Loan Agreement, the Assignment and the Series 2024A Bonds may be limited by (i) bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent transfer, fraudulent conveyance, and other similar laws (and court decisions with respect thereto) now or hereafter in effect and affecting the rights and remedies of creditors generally or providing for the relief of debtors; (ii) the refusal or discretion of a particular court or other adjudicative body to grant (a) equitable remedies, including, without limitation, the remedy of specific performance or injunctive relief, or (b) a particular remedy sought by any party under the Trust Agreement, the Loan Agreement, the Assignment or the Series 2024A Bonds as opposed to another remedy provided for therein or another remedy available

at law or in equity; and (iii) general principles of equity (regardless of whether such remedies are sought in a proceeding in equity or at law).

Except as stated above, we express no opinion as to any Federal, state, local or foreign tax consequences of the ownership or disposition of the Series 2024A Bonds.

We express no opinion as to the effect, if any, on the tax status of the interest paid or to be paid on the Series 2024A Bonds as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

This opinion is rendered on the basis of the laws of the United States of America and the State of New Jersey as enacted and construed on the date hereof. We express no opinion as to any matter not set forth in the numbered paragraphs herein, including, without limitation, with respect to the accuracy or completeness of the Preliminary Official Statement or the Official Statement and make no representation that we have independently verified the contents thereof.

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

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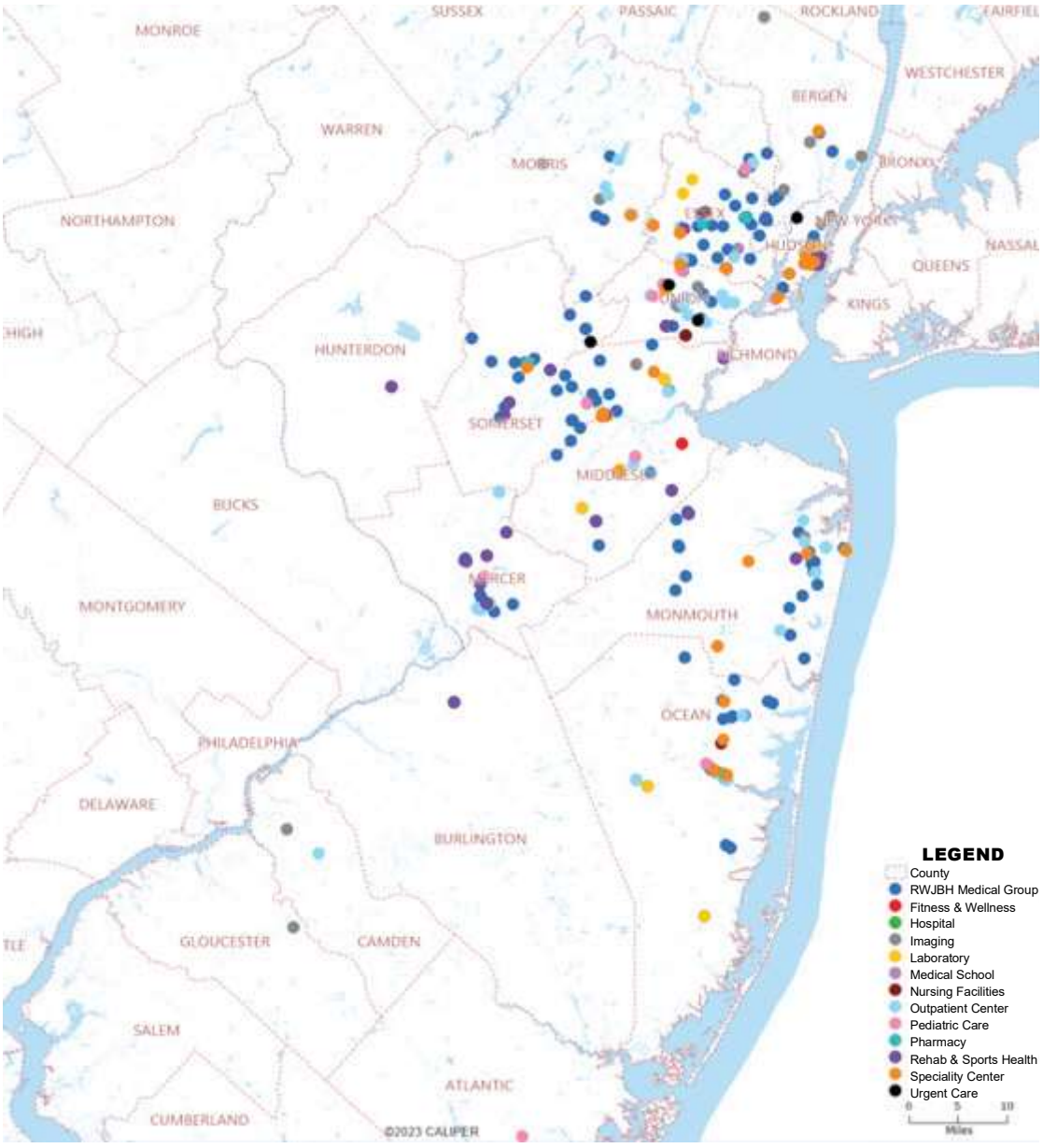
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