NEW ISSUES – BOOK-ENTRY ONLY

Ratings: S&P: BBB+
Fitch: BBB
See "**RATINGS**" herein

In the opinion of Stevens & Lee, P.C., Reading, Pennsylvania, Bond Counsel, based upon existing laws, regulations and rulings, and assuming, among other matters, the accuracy of certain representations and compliance by the Authority and the Obligated Group with certain covenants to comply with provisions of the Internal Revenue Code of 1986, as amended (the "Code") and all regulations applicable thereunder, interest on the Series 2020 Bonds is not includable in gross income of the holders of the Series 2020 Bonds under Section 103(a) of the Code. In the further opinion of Bond Counsel, interest on the Series 2020 Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes on individuals; also see "TAX MATTERS" herein for a brief description of some of the other provisions of the Code affecting the purchasers and holders of the Series 2020 Bonds. Bond Counsel expresses no opinion regarding any other federal tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2020 Bonds. Under the laws of the Commonwealth of Pennsylvania, the Series 2020 Bonds and interest on the Series 2020 Bonds shall be free from taxation for State and local purposes within the Commonwealth of Pennsylvania, but this exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied directly on the Series 2020 Bonds or the interest thereon. Under the laws of the Commonwealth of Pennsylvania, profits, gains or income derived from the sale, exchange or other disposition of the Series 2020 Bonds are subject to State and local taxation within the Commonwealth of Pennsylvania. See the information contained herein under the caption "TAX MATTERS".

THE BERKS COUNTY MUNICIPAL AUTHORITY
Revenue Bonds
(Tower Health Project)

consisting of:

$44,660,000	$64,565,000	$82,450,000	$72,920,000
Series 2020A	**Series 2020B-1**	**Series 2020B-2**	**Series 2020B-3**

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

The Berks County Municipal Authority (the "*Authority*") is issuing its (a) $44,660,000 Revenue Bonds (Tower Health Project), Series 2020A (the "*Series 2020A Bonds*") and (b) $64,565,000 Revenue Bonds (Tower Health Project), Series 2020B-1 (the "*Series 2020B-1 Bonds*"), $82,450,000 Revenue Bonds (Tower Health Project), Series 2020B-2 (the "*Series 2020B-2 Bonds*") and $72,920,000 Revenue Bonds (Tower Health Project), Series 2020B-3 (the "*Series 2020B-3 Bonds*" and, together with Series 2020B-1 Bonds and the Series 2020B-2 Bonds, the "*Series 2020B Bonds*" and, together with the Series 2020A Bonds, the "*Series 2020 Bonds*") for the benefit of Tower Health (the "*Corporation*"), and certain of its affiliates that constitute the Obligated Group (defined herein) to refinance certain outstanding indebtedness, to finance certain capital expenditures of the Obligated Group and to pay certain costs of refinancing and costs of issuance of the Series 2020 Bonds, as described herein. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein. The Series 2020 Bonds will be issued as described herein.

Each series of Series 2020 Bonds will bear interest at the rates and mature on the dates set forth on the inside cover. The principal or redemption price of the Series 2020 Bonds will be payable upon presentation and surrender thereof at the office of Manufacturers and Traders Trust Company (the "*Bond Trustee*"). Interest on the Series 2020 Bonds will be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2020. So long as The Depository Trust Company, New York, New York ("*DTC*") or its nominee, Cede & Co., is the registered owner of the Series 2020 Bonds, payments of the principal or redemption price of, and interest on, the Series 2020 Bonds will be made to DTC. Additional information concerning the terms of the Series 2020 Bonds of each series is contained under the captions "THE SERIES 2020A BONDS" and "THE SERIES 2020B BONDS" herein.

The Series 2020 Bonds will be issued as fully registered bonds without coupons, and, when initially issued, will be registered in the name of Cede & Co., as registered owner and nominee for DTC. DTC will act as securities depository of the Series 2020 Bonds. Individual purchases will be made only in book-entry form, in authorized denominations as described herein. So long as Cede & Co., as nominee for DTC, is the registered owner of the Series 2020 Bonds, references herein to the Bondholders or registered owners (other than under the caption "CONTINUING DISCLOSURE" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the related Series 2020 Bonds.

Each series of Series 2020 Bonds is issued and secured under the provisions of the related Trust Indenture, dated as of February 1, 2020 (each, a "*Bond Indenture*"), by and between the Authority and the Bond Trustee. Each series of Series 2020 Bonds is payable, in addition to the sources described herein, from loan repayments made by the Corporation pursuant to the related Loan Agreement (defined herein), each between the Authority and the Corporation, and the Corporation's obligations under the Loan Agreement are evidenced and secured by the related Series 2020 Master Note (defined herein), to be delivered under the terms of the Master Indenture (defined herein) by the Corporation. See **Appendix C** – "SUMMARY OF THE BOND INDENTURES AND THE LOAN AGREEMENTS" and **Appendix D** – "SUMMARY OF THE MASTER INDENTURE" hereto.

This Official Statement summarizes certain terms of the Series 2020A Bonds while the Series 2020A Bonds bear interest at Fixed Rates to be established prior to the original issue date of the Series 2020A Bonds and of the Series 2020B Bonds only while the Series 2020B Bonds bear interest at Term Rates. Should a series of the Series 2020B Bonds be converted to operate in a different Interest Rate Period or a new Term Rate Period (except in the case of an adjustment from a Daily Rate Period to a Weekly Rate Period or from a Weekly Rate Period to a Daily Rate Period), the related series of Series 2020B Bonds will be subject to mandatory tender and purchase and, at that time, it is expected that a reoffering circular or a supplement to this Official Statement or other disclosure document will be prepared for such series of Series 2020B Bonds.

The Series 2020A Bonds are subject to extraordinary redemption prior to maturity, and the Series 2020B Bonds are subject to optional, mandatory and extraordinary redemption and mandatory tender prior to maturity, each as described herein. See "THE SERIES 2020A BONDS – Redemption Provisions" and "THE SERIES 2020B BONDS – Redemption" herein.

THE SERIES 2020 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY AND DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE COUNTY OF BERKS, THE COMMONWEALTH, OR ANY POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY THEREOF OTHER THAN THE AUTHORITY. NEITHER THE CREDIT NOR THE TAXING POWER OF ANY STATE OR ANY POLITICAL SUBDIVISION, AGENCY OR PUBLIC INSTRUMENTALITY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2020 BONDS. THE AUTHORITY HAS NO TAXING POWER AND IS NOT LIABLE FOR THE PAYMENT OF THE SERIES 2020 BONDS EXCEPT FROM THE SOURCES HEREIN DESCRIBED.

This cover page contains information for quick reference only. It is not a summary of the issues. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. **There are risks associated with an investment in the Series 2020 Bonds, some of which are outlined under the caption "BONDHOLDERS' RISKS" herein.**

The Series 2020 Bonds are offered when, as and if issued by the Authority and received by the Underwriters, subject to prior sale and to approval of legality by Stevens & Lee, P.C., Reading, Pennsylvania, Bond Counsel; and to the approval of certain matters for the Authority by its counsel, Masano Bradley LLP, Wyomissing, Pennsylvania; for the Corporation and the other Members of the Obligated Group by their counsel, Stevens & Lee, P.C., Reading, Pennsylvania; and for the Underwriters by their special counsel, Dentons US LLP, Chicago, Illinois. H2C Securities Inc. served as financial advisor to the Corporation and the Members of the Obligated Group in connection with the Series 2020 Bonds. It is expected that the Series 2020 Bonds in definitive form will be available for delivery to DTC in New York, New York on or about February 11, 2020.

Citigroup

J.P. Morgan **PNC Capital Markets LLC**

The date of this Official Statement is February 4, 2020.

The Berks County Municipal Authority
Revenue Bonds
(Tower Health Project)

$44,660,000
Series 2020A Bonds

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIPs†

Maturity (February 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2021	$3,750,000	5.000%	1.200%	103.661%	084538HN0
2022	3,995,000	5.000	1.260	107.262	084538HP5
2023	6,770,000	5.000	1.330	110.660	084538HQ3
2024	2,735,000	5.000	1.390	113.903	084538HR1
2025	2,865,000	5.000	1.440	117.022	084538HS9
2026	3,015,000	5.000	1.550	119.606	084538HT7
2027	3,165,000	5.000	1.660	121.903	084538HU4
2028	3,325,000	5.000	1.770	123.917	084538HV2
2029	3,490,000	5.000	1.830	126.119	084538HW0
2030	3,660,000	5.000	1.900	128.040	084538HX8
2031	3,850,000	5.000	2.070	128.626	084538HY6
2032	4,040,000	5.000	2.160	129.818	084538HZ3

$219,935,000
Series 2020B Bonds

PRINCIPAL AMOUNT, MATURITY, INITIAL INTEREST RATE PERIOD INFORMATION, YIELD AND CUSIP†

Series	Principal Amount	Maturity (February 1)	Last Day of Initial Term Rate Period	Initial Purchase Date	Interest Rate	Yield	CUSIP†
2020B-1	$64,565,000	2040	January 31, 2025	February 1, 2025	5.000%	1.520%	084538JA6
2020B-2	82,450,000	2040	January 31, 2027	February 1, 2027	5.000	1.720	084538JB4
2020B-3	72,920,000	2040	January 31, 2030	February 1, 2030	5.000	1.980	084538JC2

† A registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services ("*CGS*"), managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. The CUSIP numbers are provided for convenience and reference only. None of the Authority, the Obligated Group, the Bond Trustee or the Underwriters assume any responsibility for the accuracy of such numbers.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2020 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2020 BONDS TO CERTAIN DEALERS AT PRICES LOWER THAN THE OFFERING PRICES STATED ON THE INSIDE COVER HEREOF AND SAID OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS WITHOUT NOTICE.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Obligated Group or the Underwriters to give any information or to make any representations, other than those 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, and there shall not be any sale of the Series 2020 Bonds in any state in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been obtained from the Authority, the Obligated Group and other sources that are believed to be reliable, but the accuracy or completeness of the information is not guaranteed and the information is not to be construed as a representation by the Underwriters. 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 Authority or the Obligated Group since the date hereof. This Official Statement is submitted in connection with the issuance of securities referred to herein and may not be used, in whole or in part, for any other purpose.

The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

THE SERIES 2020 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 NOR HAVE THE BOND INDENTURES NOR THE MASTER INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2020 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2020 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN THE 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 2020 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements generally are identifiable by the terminology used, such as "plan," "expect," "estimate," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements under the caption "BONDHOLDERS' RISKS" in the forepart of this Official Statement and in **Appendix A** – "TOWER HEALTH AND THE OTHER MEMBERS OF THE OBLIGATED GROUP" attached hereto.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Obligated Group does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations of events, conditions or circumstances on which such statements are based occur.

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OFFICIAL STATEMENT

The Berks County Municipal Authority
Revenue Bonds
(Tower Health Project)

consisting of:

$44,660,000	**$64,565,000**	**$82,450,000**	**$72,920,000**
Series 2020A	**Series 2020B-1**	**Series 2020B-2**	**Series 2020B-3**

INTRODUCTORY STATEMENT

This Official Statement, including the cover page and Appendices attached hereto, is furnished in connection with the offering by The Berks County Municipal Authority (the "*Authority*") of its (a) $44,660,000 Revenue Bonds (Tower Health Project), Series 2020A (the "*Series 2020A Bonds*") and (b) $64,565,000 Revenue Bonds (Tower Health Project), Series 2020B-1 (the "*Series 2020B-1 Bonds*"), $82,450,000 Revenue Bonds (Tower Health Project), Series 2020B-2 (the "*Series 2020B-2 Bonds*") and $72,920,000 Revenue Bonds (Tower Health Project), Series 2020B-3 (the "*Series 2020B-3 Bonds*" and, together with Series 2020B-1 Bonds and the Series 2020B-2 Bonds, the "*Series 2020B Bonds*" and, together with the Series 2020A Bonds, the "*Series 2020 Bonds*"). The Series 2020A Bonds are being issued and sold by the Authority pursuant to (i) the Municipality Authorities Act, approved June 19, 2001, P.L. 22, as amended (the "*Act*"), (ii) resolutions adopted by the Board of the Authority on December 17, 2019 (the "*Authority Resolutions*") and (iii) a Trust Indenture, dated as of February 1, 2020 (the "*Series 2020A Bond Indenture*"), by and between the Authority and Manufacturers and Traders Trust Company, as bond trustee (the "*Bond Trustee*"), and each series of Series 2020B Bonds is being issued and sold by the Authority pursuant to (a) the Act, (b) the Authority Resolutions and (c) a separate Bond Indenture dated as of February 1, 2020 (collectively, the "*Series 2020B Bond Indentures*" and, together with the Series 2020A Bond Indenture, the "*Bond Indentures*"), each by and between the Authority and the Bond Trustee.

The Series 2020 Bonds are being issued to make a loan to the Corporation, a Pennsylvania nonprofit corporation (the *"Corporation"*), in a principal amount equal to the aggregate principal amount of the Series 2020 Bonds (the proceeds of which loan will be equal to the proceeds received from the sale of the Series 2020 Bonds), with respect to the Series 2020A Bonds, pursuant to a Loan Agreement dated as of February 1, 2020 (the "*Series 2020A Loan Agreement*"), between the Authority and the Corporation and, with respect to the Series 2020B Bonds, pursuant to a Loan Agreement dated as of February 1, 2020 (the "*Series 2020B Loan Agreement*" and together with the Series 2020A Loan Agreement, the "*Loan Agreements*") between the Authority and the Corporation. The Corporation serves as the parent organization of Reading Hospital, Brandywine Hospital, LLC, Chestnut Hill Hospital, LLC, Jennersville Hospital, LLC, Phoenixville Hospital, LLC and Pottstown Hospital, LLC (such entities, together with the Corporation, are collectively the "*Members*" of the "*Obligated Group*"), that together with certain other affiliates form an integrated healthcare system located in the Counties of Berks, Chester and Montgomery, Pennsylvania and the City of Philadelphia, Pennsylvania (the Obligated Group and such affiliates are collectively referred to herein as the "*System*"). The Obligated Group accounted for 85.4% and 86.7% of consolidated revenues of Tower Health and Subsidiaries for the fiscal years ended June 30, 2018 and 2019, respectively, and accounted for 97.7% and 95.4% of the consolidated assets of Tower Health and Subsidiaries at June 30, 2018 and 2019, respectively. See **Appendix A** – "TOWER HEALTH AND THE OTHER MEMBERS OF THE OBLIGATED GROUP."

Pursuant to the related Loan Agreement, the Authority will lend the proceeds of the related series of Series 2020 Bonds to the Corporation for the purpose of financing the costs of a project (the "*Project*"), including the refunding of the Prior Bonds (as defined herein). See "PLAN OF FINANCE," "ESTIMATED SOURCES AND USES OF FUNDS" and **Appendix A** – "TOWER HEALTH AND THE OTHER MEMBERS OF THE OBLIGATED GROUP."

The Series 2020 Bonds will be issued in the aggregate principal amount, bear interest at the rates and mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Series 2020 Bonds is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2020. The Series 2020 Bonds will be authorized in denominations of $5,000 and any integral multiple thereof. Additional information concerning the terms of the Series 2020 Bonds is contained under the captions "THE SERIES 2020A BONDS" and "THE SERIES 2020B BONDS" herein.

Taxable Bonds

Concurrently with the issuance of the Series 2020 Bonds, the Corporation will issue $190,720,000 in aggregate principal amount of taxable bonds (the "*Taxable Bonds*" and, together with the Series 2020 Bonds, the "*Bonds*"), which are described in a separate offering memorandum.

Security

Pursuant to the Loan Agreements, the Corporation has agreed to make payments at such times and in such amounts as to provide for payment of the principal of, and premium, if any, and interest on, the related series of Series 2020 Bonds as well as certain fees and expenses of the Authority.

To evidence and secure the Corporation's obligations under the related Loan Agreements, the Corporation, on behalf of itself and the other Members of the Obligated Group, will issue to the Authority, as payee, its Master Note, Series A of 2020 (The Berks County Municipal Authority) related to the Series 2020A Bonds (the "*Series 2020A Master Note*"), its Master Note, Series B-1 of 2020 (The Berks County Municipal Authority) related to the Series 2020B-1 Bonds (the "*Series 2020B-1 Master Note*"), its Master Note, Series B-2 of 2020 (The Berks County Municipal Authority) related to the Series 2020B-2 Bonds (the "*Series 2020B-2 Master Note*") and its Master Note, Series B-3 of 2020 (The Berks County Municipal Authority) related to the Series 2020B-3 Bonds (the "*Series 2020B-3 Master Note*" and, together with the Series 2020B-1 Master Note and the Series 2020B-2 Master Note, the "*Series 2020B Master Notes*" and, together with the Series 2020A Master Note, the "*Series 2020 Master Notes*"), each dated the date of issuance of the Series 2020 Bonds. The Authority's right, title and interest in the Series 2020 Master Notes will be assigned to the Bond Trustee. The Series 2020 Master Notes will be issued under and secured pursuant to a Master Trust Indenture dated as of June 1, 1993 (the "*Master Trust Indenture*"), among the Members of the Obligated Group and The Bank of New York Mellon Trust Company, N.A., as master trustee (in such capacity, the "*Master Trustee*"), as amended, modified or supplemented from time to time, including by the Thirty-Eighth Supplemental Master Trust Indenture dated as of February 1, 2020 related to the Series 2020A Master Note ("*Supplement No. 38*"), the Thirty-Ninth Supplemental Master Trust Indenture dated as of February 1, 2020 related to the Series 2020B-1 Master Note ("*Supplement No. 39*"), the Fortieth Supplemental Master Trust Indenture dated as of February 1, 2020 related to the Series 2020B-2 Master Note ("*Supplement No. 40*") and the Forty-first Supplemental Master Trust Indenture dated as of February 1, 2020 related to the Series 2020B-3 Master Note ("*Supplement No. 41*" and, such supplements, together with the Master Trust Indenture, collectively the "*Master Indenture*").

The Series 2020 Master Notes and any additional notes issued under the Master Indenture are to be secured, on a parity basis with the other Master Indenture Obligations that heretofore have been issued under the Master Indenture by a lien on and a security interest in the Gross Revenues of the Obligated

Group or certain corporate entities that may become members of the Obligated Group for the equal and ratable benefit of the holders of all Master Indenture Obligations. Following the issuance of the Bonds and the refunding of the Prior Debt (as defined below), approximately $1,205.9 million in Master Indenture Obligations will be outstanding and secured under the Master Indenture. See "SECURITY FOR THE SERIES 2020 BONDS" herein and **Appendix D** – "SUMMARY OF THE MASTER INDENTURE" for a further description of the Master Indenture.

Bond Indenture-held Funds

Each series of Series 2020 Bonds will be further secured by the moneys and securities in certain accounts held by the Bond Trustee under the related Bond Indenture. The moneys and securities held in such accounts secure the series of Series 2020 Bonds issued under the related Bond Indenture.

The Series 2020 Bonds are special, limited obligations of the Authority issued and separately secured under the related Bond Indentures. Except to the extent payable from the proceeds of the Series 2020 Bonds, the Series 2020 Bonds will be payable solely from loan repayments made by the Corporation under the related Loan Agreements and by the Obligated Group under the related Series 2020 Master Note.

See "SECURITY FOR THE SERIES 2020 BONDS" and **Appendix D** – "SUMMARY OF THE MASTER INDENTURE" hereto for a summary of the terms of the Master Indenture.

Financial Information

Appendix A to this Official Statement includes financial data as of and for the fiscal years ended June 30, 2019 and 2018, which have been derived from the audited consolidated financial statements of Tower Health and Subsidiaries, and financial data as of and for the three months ended September 30, 2019 and 2018, which has been derived from the unaudited quarterly financial statements of Tower Health and Subsidiaries, which data in the opinion of management, include all adjustments, consisting of normal, recurring adjustments, necessary for a fair presentation of the financial data solely for such periods.

Appendix B to this Official Statement contains the audited consolidated financial statements of Tower Health and Subsidiaries for the fiscal years ended June 30, 2019 and 2018.

Use of this Official Statement

This Official Statement summarizes certain terms of the Series 2020A Bonds while the Series 2020A Bonds bear interest at fixed rates to be established prior to the original issue date of the Series 2020A Bonds and of the Series 2020B Bonds only while the Series 2020B Bonds bear interest at a Term Rate. Should a series of the Series 2020B Bonds be converted to operate in a different Interest Rate Period or a new Term Rate Period (except in the case of an adjustment from a Daily Rate Period to a Weekly Rate Period or from a Weekly Rate Period to a Daily Rate Period), such Series 2020B Bonds will be subject to mandatory tender and purchase and, at that time, it is expected that a reoffering circular or a supplement to this Official Statement or other disclosure document will be prepared for such Series 2020B Bonds.

Bondholders' Risks

An investment in the Series 2020 Bonds involves the assumption of certain risks that relate primarily to the ability of the Corporation and the other Members of the Obligated Group to generate revenues from operations that will be sufficient to pay debt service on the Series 2020 Bonds and other indebtedness of the Obligated Group. The disclosure of risks contained herein under the caption

"BONDHOLDERS' RISKS" is based upon the assessment of management of the Obligated Group of the impact that such risks might have on the Members of the Obligated Group, taken as a whole. In the event that the identity or composition of the Obligated Group changes, the impact of such risks might differ from the present assessment of management of the impact of such risks.

Defined Terms

All capitalized terms used in this Official Statement, unless otherwise defined or the context otherwise indicates, have the same meaning included in "Definitions of Certain Terms" in **Appendix C** – "SUMMARY OF THE BOND INDENTURES AND THE LOAN AGREEMENTS" and "Definitions of Certain Terms" in **Appendix D** – "SUMMARY OF THE MASTER INDENTURE" hereto.

Underlying Documents

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document. Copies of the Master Indenture, the Loan Agreements and the Bond Indentures will be available on and after the date of delivery of the Series 2020 Bonds in reasonable quantities upon written request to the Bond Trustee.

THE AUTHORITY

The Authority is a public instrumentality of the Commonwealth of Pennsylvania (the "*Commonwealth*") and a public body corporate and politic organized and existing under the Act. The Authority has the power to exercise any and all powers granted under the Act, which include, among other things, the power to acquire, hold, construct, finance, improve, maintain, own and lease, either in the capacity of lessor or lessee, land and buildings devoted for use as hospitals or health centers and real estate and related facilities and other projects acquired, constructed or improved for hospital or health center purposes.

The governing body of the Authority consists of a board of seven members (the "*Board of the Authority*"), appointed by the Board of Commissioners of the County of Berks, Pennsylvania. Members of the Authority's board are appointed for five-year terms and may be reappointed. Present members of the Board of the Authority are shown below:

Board Members

John T. Connelly	Chairman
Douglas F. Didyoung, Sr.	Vice Chairman
Elaine McDevitt	Secretary
Norman Wilikofsky	Treasurer
James A. Gilmartin	Board Member
Robert H. Kauffman	Board Member
Andre C. Bourrie	Board Member

THE SERIES 2020 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY, AND THE MEMBERS, OFFICERS AND EMPLOYEES OF THE AUTHORITY ARE NOT PERSONALLY LIABLE ON THE SERIES 2020 BONDS. THE AUTHORITY HAS NO TAXING POWER. NEITHER THE CREDIT NOR THE TAXING POWER OF THE COUNTY, THE COMMONWEALTH OR ANY OF THEIR POLITICAL SUBDIVISIONS IS PLEDGED FOR PAYMENT OF THE SERIES 2020 BONDS, AND THE SERIES 2020 BONDS SHALL NOT BE OR BE DEEMED AN OBLIGATION OF THE COUNTY, THE COMMONWEALTH OR ANY OF THEIR POLITICAL SUBDIVISIONS, AGENCIES OR INSTRUMENTALITIES, OTHER THAN (TO A LIMITED EXTENT) THE AUTHORITY.

The Authority has not prepared or assisted in the preparation of this Official Statement and is not responsible for the statements made herein except with respect to the information specifically related to the Authority under this section entitled "THE AUTHORITY." Except for the execution and delivery of documents required to effect the issuance of the Series 2020 Bonds, the Authority has not otherwise assisted in the public offer, sale or distribution of the Series 2020 Bonds. Accordingly, except as aforesaid, the Authority disclaims responsibility for the disclosures set forth in this Official Statement or otherwise made in connection with the offer, sale and distribution of the Series 2020 Bonds.

The Authority has in the past and may in the future issue other revenue bonds and notes. None of the revenues of the Authority with respect to its other revenue bonds or notes are or will be pledged as security for the Series 2020 Bonds. Further, the Authority's other revenue bonds and notes are not and will not be payable from or secured by the revenues of the Authority and other moneys securing the Series 2020 Bonds. All such other revenue bonds and notes which were or may be issued for the benefit of any institution or municipality are and will be secured separately and distinctly from the issues on behalf of every other such institution or municipality and each will be payable solely from revenues and receipts derived from the institution or municipality on whose behalf such bonds or notes were issued.

PLAN OF FINANCE

The proceeds of the Series 2020 Bonds are expected to be used to finance, among other things, (a) the current refunding of the outstanding principal amount of and accrued interest on the Authority's (i) Fixed Rate Revenue Bonds (The Reading Hospital and Medical Center Project), Series 2009A-3; (ii) Variable Rate Revenue Bonds (The Reading Hospital and Medical Center Project), Series B of 2012; (iii) Revenue Bond (The Reading Hospital and Medical Center Project), Series C of 2012; (iv) Revenue Notes (Reading Hospital Project) Series A of 2016; (v) Amended and Restated Revenue Note (Reading Hospital Project) Series C of 2016; (vi) Revenue Bonds (Reading Hospital Project), Series D of 2016; and (vii) Revenue Bonds (Tower Health Project), Series A of 2017 (collectively referred to herein as the "Prior Bonds") and (b) the payment of a portion of the costs and expenses incident to the issuance of the Series 2020 Bonds.

Taxable Bonds

The proceeds of the Taxable Bonds are expected to be used to finance among other things, the following: (a) the refinancing of certain outstanding indebtedness of the Corporation (collectively with the Prior Bonds, the "*Prior Debt*"); (b) the costs of terminating certain interest rate management agreements; (c) general corporate purposes of the Corporation; and (d) the payment of costs and expenses associated with issuance of the Taxable Bonds and the Series 2020 Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated proceeds of the sale of the Series 2020 Bonds and the Taxable Bonds and the estimated uses of such funds are shown below:

Sources:	**Series 2020A Bonds**	**Series 2020B Bonds**	**Taxable Bonds**
Par Amount	$44,660,000	$219,935,000	$190,720,000
Bond Trustee-held funds	844	1	--
Premium	8,341,170	48,254,586	--
Total	$53,002,014	$268,189,587	$190,720,000
Uses:			
Refund Prior Debt	$53,000,110	$268,069,574	--
Swap Termination Costs	--	--	$36,204,229
General Corporate Purposes	--	--	150,000,000
Costs of Issuance[(1)]	1,904	120,013	4,515,771
Total	$53,002,014	$268,189,587	$190,720,000

(1) Includes estimated costs of issuance of the Series 2020 Bonds and the Taxable Bonds, including fees and expenses of Bond Counsel, counsel to the Members of the Obligated Group, and counsel to the Underwriters, underwriting discount, accountant's fees, fees of the Rating Agencies, printing costs and other miscellaneous expenses. Underwriting fees for the Series 2020 Bonds will be paid out of proceeds of the Taxable Bonds.

ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS*

The following table sets forth the schedule of the estimated annual debt service requirements on the Indebtedness secured by the Master Indenture Obligations of the Obligated Group assuming the issuance of the Bonds and the refunding of the Prior Debt.

Fiscal Year (June 30)	Series 2020A Bonds Principal	Series 2020A Bonds Interest	Series 2020B Bonds Principal	Series 2020B Bonds Interest[(1)]	Taxable Bonds Debt Service	Other Debt Service	Total Debt Service
2020	--	--	--	--	--	$ 17,638,319	$ 17,638,319
2021	$ 3,750,000	$ 2,170,972	--	$ 10,691,285	$ 8,253,143	35,276,638	60,142,038
2022	3,995,000	2,045,500	--	10,996,750	8,488,947	37,002,388	62,528,585
2023	6,770,000	1,845,750	--	10,996,750	8,488,947	38,152,138	66,253,585
2024	2,735,000	1,507,250	--	10,996,750	8,488,947	40,832,513	64,560,460
2025	2,865,000	1,370,500	--	10,996,750	8,488,947	41,066,638	64,787,835
2026	3,015,000	1,227,250	--	8,749,888	8,488,947	41,273,513	62,754,598
2027	3,165,000	1,076,500	--	8,749,888	8,488,947	41,482,388	62,962,723
2028	3,325,000	918,250	--	6,045,528	8,488,947	41,691,763	60,469,488
2029	3,490,000	752,000	--	6,045,528	8,488,947	41,934,263	60,710,738
2030	3,660,000	577,500	--	6,045,528	8,488,947	42,167,638	60,939,613
2031	3,850,000	394,500	$ 15,815,000	3,843,344	8,488,947	42,395,513	74,787,304
2032	4,040,000	202,000	15,855,000	3,585,006	8,488,947	42,617,788	74,788,741
2033	--	--	24,860,000	3,326,270	8,488,947	38,110,588	74,785,805
2034	--	--	24,840,000	2,920,558	8,488,947	38,537,088	74,786,593
2035	--	--	24,800,000	2,515,190	8,488,947	38,981,313	74,785,450
2036	--	--	24,360,000	2,110,450	8,488,947	39,830,063	74,789,460
2037	--	--	24,205,000	1,712,888	8,488,947	40,379,813	74,786,648
2038	--	--	24,165,000	1,256,769	8,488,947	40,876,563	74,787,279
2039	--	--	24,175,000	790,593	8,488,947	41,330,688	74,785,228
2040	--	--	16,860,000	323,277	8,488,947	49,115,638	74,787,862
2041	--	--	--	--	8,488,947	67,910,338	76,399,285
2042	--	--	--	--	8,488,947	67,911,044	76,399,991
2043	--	--	--	--	8,488,947	67,913,750	76,402,697
2044	--	--	--	--	8,488,947	67,912,500	76,401,447
2045	--	--	--	--	8,488,947	67,910,500	76,399,447
2046	--	--	--	--	8,488,947	67,912,625	76,401,572
2047	--	--	--	--	8,488,947	67,914,750	76,403,697
2048	--	--	--	--	8,488,947	67,914,750	76,403,697
2049	--	--	--	--	8,488,947	67,910,875	76,399,822
2050	--	--	--	--	199,208,947	67,915,000	267,123,947
2051	--	--	--	--	--	67,914,000	67,914,000
Total	**$44,660,000**	**$14,087,972**	**$219,935,000**	**$112,698,990**	**$445,152,612**	**$1,577,733,375**	**$2,414,267,949**

* Includes *de minimis* rounding adjustments.

(1) Assumed interest rate on each series of Series 2020B Bonds is equal to the related pricing yield for such Series 2020B Bonds following the related initial Term Rate Mandatory Purchase Date.

THE SERIES 2020A BONDS

General Description

The Series 2020A Bonds will be issued in the aggregate principal amount of $44,660,000, will be dated the date of delivery of the Series 2020A Bonds and will be issuable as fully-registered bonds, without coupons, in book-entry form. The Series 2020A Bonds will be issuable in denominations of $5,000 and any integral multiple thereof and initially will be registered in the name of Cede & Co., as registered owner and nominee for DTC, which will act as securities depository for the Series 2020A Bonds.

The Series 2020A Bonds will bear interest from their date of delivery at the rates and mature on the dates set forth on the inside cover page hereof, subject to redemption prior to maturity. Interest on the Series 2020A Bonds will be payable semiannually on February 1 and August 1 of each year (each, an "*Interest Payment Date*"), commencing August 1, 2020, until maturity or redemption. Interest on the Series 2020A Bonds will be computed on the basis of a 360-day year composed of twelve 30-day months.

Unless the book-entry system for the Series 2020A Bonds is discontinued (as described below), prospective purchasers will acquire beneficial ownership interests in the Series 2020A Bonds, in authorized denominations, as described below, but will not receive Series 2020A Bond certificates representing such ownership interests.

Payment of Principal and Interest

The principal of any Series 2020A Bonds will be payable when due to a registered owner upon presentation and surrender of such Series 2020A Bonds at the designated trust office of the Bond Trustee in Harrisburg, Pennsylvania. Payment of interest on any Series 2020A Bond on any Interest Payment Date will be made to the Person appearing on the registration books maintained by the Bond Trustee on behalf of the Authority (the "*Bond Register*") as the registered owner thereof the close of business on the 15th day of the calendar month (whether or not a Business Day) next preceding the applicable Interest Payment Date (the "*Record Date*"). Such payments will be made by check mailed on the applicable Interest Payment Date to the registered owner at his or her address as it appears on the Bond Register, or by wire transfer of funds if Cede & Co. or a successor Securities Depository is the registered owner, or, upon written request filed not less than 20 days prior to the applicable Interest Payment Date, by wire transfer of funds to the registered owner, if such registered owner is the owner of Series 2020A Bonds in an aggregate principal amount of $1,000,000 or more at such wire transfer address as specified in such request. If and to the extent that the Authority fails to make payment or provision for payment of interest on any Series 2020A Bonds on any Interest Payment Date, such defaulted interest will be payable to the Persons in whose names the Series 2020 Bonds are registered at the close of business on a special record date (the "Special Record Date") for the payment of such defaulted interest established by notice mailed by the Bond Trustee on behalf of the Authority to the registered owners of the Series 2020A Bonds not less than 15 days preceding such Special Record Date and not less than 20, but not more than 30, days prior to the interest payment date. Such notice shall be mailed to the Persons in whose names the Series 2020A Bonds are registered at the close of business on the Business Day preceding the date of mailing.

If the date for payment of the principal of, premium, if any, or interest on the Series 2020A Bonds is a Saturday, Sunday, legal holiday or a day on which banking institutions in the city where the corporate trust office of the Bond Trustee responsible for the administration of the related Bond Indenture is located are authorized or required by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date will have the same force and effect as if made on the stated date of payment.

As long as DTC or its nominee is the registered owner of the Series 2020A Bonds, payments of principal or redemption price of, and interest on, the Series 2020A Bonds will be made directly to DTC or its nominee and all such payments will be valid and effective to fully satisfy and discharge the obligations of the Authority and the Obligated Group with respect to the principal or redemption price of, and interest on, the Series 2020A Bonds to the extent of the sum or sums so paid. So long as DTC or its nominee is the registered owner of the Series 2020A Bonds, references herein to the registered owners of the Series 2020A Bonds will be deemed to refer to DTC or its nominee and not to the owners of beneficial interests in the Series 2020A Bonds. See "BOOK-ENTRY ONLY SYSTEM" below.

Redemption Provisions

Extraordinary Optional Redemption. The Series 2020A Bonds are subject to extraordinary redemption, at the option of the Authority, at the direction of the Corporation, as a whole, at any time, or, from time to time, in part, in the event of damage to, destruction of or condemnation of any material properties of the Corporation, from proceeds of insurance or condemnation that are applied to the prepayment of the Corporation's obligations under the related Loan Agreement and the Series 2020A Master Note, upon payment of a redemption price of 100% of the principal amount to be redeemed, together with interest accrued thereon to the date fixed for redemption, as provided in the related Bond Indenture. In the event that less than all of the Series 2020A Bonds of any particular maturity are to be redeemed, the Series 2020A Bonds of such maturity will be drawn by lot by the Bond Trustee.

Purchase in Lieu of Redemption. The Authority has granted the Corporation the option to purchase, at any time and from time to time any Series 2020A Bond which is to be redeemed pursuant to the extraordinary optional redemption provisions of the related Bond Indenture on the dates of such redemption and at a purchase price equal to the redemption price therefor. In order for the Corporation to exercise such option, the Corporation must notify the Bond Trustee not less than ten (10) Business Days prior to the proposed redemption date that amounts available to pay the redemption price of such Series 2020A Bonds are to be applied to purchase such Series 2020A Bonds in lieu of redemption. No notice other than the notice of redemption need be given in connection with any such purchase in lieu of redemption. On the day fixed for redemption, following the receipt of a Favorable Opinion, the Bond Trustee will purchase the Series 2020A Bonds to be redeemed in lieu of such redemption and, following such purchase, the Bond Trustee will cause such Series 2020A Bonds to be registered in the name of or upon the written direction of the Corporation and deliver them to or as directed by the Corporation. No purchase of Series 2020A Bonds pursuant to these provisions will operate to extinguish the indebtedness of the Authority evidenced thereby. No Holder may elect to retain a Series 2020A Bond subject to purchase in lieu of redemption.

Notice of Redemption. Any redemption of Series 2020A Bonds will be upon not more than 60 days' and not less than 20 days' prior notice by first class mail to the registered owners of Series 2020A Bonds to be redeemed at their addresses shown on the Bond Register, unless a notice is waived in accordance with the provisions of the related Bond Indenture by the registered owners of the Series 2020A Bonds to be called for redemption, and will be in the manner and under the terms and conditions and with the effect provided in the related Bond Indenture. A Notice shall specify the maturities and, if less than all Series 2020A Bonds then outstanding of such maturity are to be redeemed, the numbers of the Series 2020A Bonds or portions thereof to be redeemed, the date fixed for redemption and the redemption price, and shall further state that, subject to prior rescission as described below, on such date the Series 2020A Bonds or portions thereof called for redemption will be due and become payable at the office of the Bond Trustee designated in the Notice, and that from and after such date interest thereon shall cease to accrue. Upon surrender of any Series 2020A Bond for redemption in part, the Bond Trustee will authenticate and deliver one or more Series 2020A Bonds in exchange therefor, in an aggregate principal amount equal to the unredeemed portion of the Series 2020A Bond so surrendered. So long as the Series 2020A Bonds or any

portion thereof are held by DTC, the Bond Trustee is required to send each notice of redemption of such Series 2020A Bonds to DTC. Failure to mail any such notice or defect in the mailing thereof in respect of any Series 2020A Bonds will not affect the validity of the redemption of any other Series 2020A Bonds.

Conditional Notice; Rescission. Any notice of redemption may be rescinded by written notice given to the Bond Trustee by the Corporation no later than two Business Days prior to the date specified for redemption. The Bond Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner, and to the same Persons, as notice of such redemption was given. If at the time of mailing of notice of any redemption there has not been deposited moneys with the Bond Trustee sufficient to redeem all the Series 2020A Bonds called for redemption, such notice must state that it is conditional, in that it is subject to the deposit of such redemption moneys with the Bond Trustee not later than the opening of business on the scheduled redemption date, in which case such notice will be of no effect unless such moneys are so deposited. Failure to deposit such moneys or rescission of the notice of redemption shall not constitute an Event of Default under the related Bond Indenture.

If less than all Series 2020A Bonds of any one maturity are to be redeemed, the selection of the particular Series 2020A Bonds of such maturity to be redeemed will be made by the Bond Trustee by lot in such manner as the Bond Trustee in its discretion may determine. In the case of a partial redemption of Series 2020A Bonds, when Series 2020A Bonds of denominations greater than $5,000 are then outstanding, each such Series 2020A Bond will be treated as representing such number of separate Series 2020A Bonds, each of the denomination of $5,000, as is obtained by dividing the actual principal amount thereof by $5,000.

THE SERIES 2020B BONDS

General

The Series 2020B Bonds are issuable as fully registered bonds without coupons in Authorized Denominations. Interest on the Series 2020B Bonds will be payable on each Interest Payment Date. Interest on the Series 2020B Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. The Series 2020B Bonds initially will be issued in a Term Rate Period. The initial Term Rate and the initial Term Rate Period for each series of the Series 2020B Bonds are set forth on the inside cover of this Official Statement. Thereafter, each series of Series 2020B Bonds will bear interest at Term Rates for successive Term Rate Periods as directed by the Corporation, until a Conversion at the Corporation's election of a series of Series 2020B Bonds to a new Interest Rate Period, as provided in the related Bond Indenture. The Term Rate will not exceed the Maximum Interest Rate (as defined in **Appendix C**). **THIS OFFICIAL STATEMENT SHALL NOT BE RELIED UPON IN DETERMINING WHETHER TO PURCHASE A SERIES OF SERIES 2020B BONDS THAT ARE (I) NOT OPERATING IN A TERM RATE PERIOD AND/OR (II) SUPPORTED BY A CREDIT FACILITY OR A LIQUIDITY FACILITY. AT ANY TIME THE INTEREST RATE ON A SERIES OF SERIES 2020B BONDS IS CONVERTED, OR IF A CREDIT FACILITY OR A LIQUIDITY FACILITY IS PROVIDED TO SUPPORT A SERIES OF SERIES 2020B BONDS, ADDITIONAL DISCLOSURE WILL BE PROVIDED TO THE HOLDERS PURCHASING SUCH CONVERTED SERIES 2020B BONDS OR SUCH SERIES 2020B BONDS ENTITLED TO A CREDIT FACILITY OR A LIQUIDITY FACILITY, AS THE CASE MAY BE.**

Payment of the interest on any Series 2020B Bond shall be made to the person appearing on the Registration Books as the Holder thereof as of the close of business of the Bond Trustee on the Record Date for such interest payment. The Series 2020B Bonds, as initially issued, will be dated their date of issuance. Subsequently issued Series 2020B Bonds will be dated as of the most recent Interest Payment Date to which interest has been paid on or prior to the date on which it is authenticated or, if authenticated prior to the first Interest Payment Date, as of the date of their initial issuance.

The Depository Trust Company, or DTC, will act as the initial securities depository for the Series 2020B Bonds. Ownership interests in the Series 2020B Bonds may be purchased in book-entry form only. See the information herein under the caption, "BOOK-ENTRY ONLY SYSTEM." The Holders of the Series 2020B Bonds have no right to a book-entry only system for the Series 2020B Bonds. The information under this caption, "THE SERIES 2020B BONDS" is subject in its entirety to the provisions described below under the caption, "BOOK-ENTRY ONLY SYSTEM" while the Series 2020B Bonds are in the book-entry only system.

Determination of Term Rates

The initial Term Rate and initial Term Rate Period for each series of the Series 2020B Bonds were determined by the Underwriters and are set forth on the inside cover page of this Official Statement. The Term Rate for each Term Rate Period shall be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if borne by the Series 2020B Bonds, would enable the Remarketing Agent to sell such Series 2020B Bonds on the date and at the time of such determination at a price (without regarding accrued interest) equal to the principal amount thereof.

Notwithstanding the foregoing, for the Series 2020B Bonds, the Term Rate for a Term Rate Period following the initial Term Rate Period shall be the rate of interest per annum determined by the Remarketing Agent to be the interest rate which, if borne by the Series 2020B Bonds, would enable the Remarketing Agent to sell the Series 2020B Bonds on the date and at the time of such determination at a price which will result in the lowest net interest cost for the Series 2020B Bonds, after taking into account any premium or discount at which the Series 2020B Bonds are sold by the Remarketing Agent, provided that: (i) the Remarketing Agent certifies to the Bond Trustee, the Tender Agent and the Corporation that the sale of such Series 2020B Bonds at the interest rate and premium or discount specified by the Remarketing Agent is expected to result in the lowest net interest cost for such Series 2020B Bonds on the Term Conversion Date; (ii) the Corporation consents in writing to the sale of such Series 2020B Bonds by the Remarketing Agent at such premium or discount; (iii) in the case of such Series 2020B Bonds to be sold at a discount, either (a) a Liquidity Facility is in effect with respect to such Series 2020B Bonds and provides for the purchase of such Series 2020B Bonds, including the amount of such discount or (b) the Corporation agrees to transfer to the Tender Agent on the Term Conversion Date for such Series 2020B Bonds, in immediately available funds, for deposit in the Corporation Purchase Account, an amount equal to such discount; (iv) in the case of Series 2020B Bonds to be sold at a premium, such Remarketing Agent shall transfer to the Bond Trustee for deposit in the Revenue Fund an amount equal to such premium; (v) on or before the date of the determination of the Term Rate, the Corporation delivers to the Bond Trustee a letter of Bond Counsel to the effect that Bond Counsel expects to be able to give a Favorable Opinion of Bond Counsel on the Term Conversion Date; and (vi) on or before the Term Conversion Date, a Favorable Opinion of Bond Counsel shall have been received by the Bond Trustee.

Mandatory Tender of Series 2020B Bonds for Purchase; Conversions

Mandatory Tenders. After an initial Term Rate Period, the related series of Series 2020B Bonds may be converted in whole or in part to a new Term Rate Period and/or the Interest Rate Period may be converted to a different Interest Rate Period, as provided in the related Bond Indenture. Each series of Series 2020B Bonds are subject to mandatory tender: (i) on the first day following the last day of the Term Rate Period for such series of Series 2020B Bonds (a "*Term Rate Mandatory Purchase Date*") and (ii) on a Conversion Date for such Series 2020B Bonds to a new Interest Rate Period (except in the case of an adjustment from a Daily Rate Period to a Weekly Rate Period or from a Weekly Rate Period to a Daily Rate Period). The Authority has not agreed in the related Bond Indenture or in any other document to purchase such tendered Series 2020B Bonds.

Mandatory Tender On First Day Following the Last Day of a Term Rate Period; Notice. Series 2020B Bonds operating in a Term Rate Period are subject to mandatory tender for purchase on the related Term Rate Mandatory Purchase Date. The Bond Trustee shall give notice of an adjustment to a new Interest Rate Period or the establishment of another Term Rate Period for such Series 2020B Bonds to the Holders of such Series 2020B Bonds not less than ten (10) days prior to the proposed effective date of such Interest Rate Period. Such notice shall state: (1) that the Purchase Price of any Series 2020B Bond so subject to mandatory tender for purchase shall be payable only upon surrender of such Bond to the Tender Agent at its Principal Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Holder thereof or by the Holder's duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange; (2) that all Series 2020B Bonds so subject to mandatory tender for purchase shall be purchased on the mandatory purchase date which shall be explicitly stated; and (3) that in the event that any Holder of a Series 2020B Bond so subject to mandatory tender for purchase shall not surrender such Series 2020B Bond to the Tender Agent for purchase on such mandatory purchase date, then such Series 2020B Bond shall be deemed to be an Undelivered Bond, and that no interest shall accrue thereon on and after such mandatory purchase date and that the Holder thereof shall have no rights under the Series 2020B Bond Indenture other than to receive payment of the Purchase Price thereof.

Conditions to Conversion. No Conversion of a series of Series 2020B Bonds shall take effect under the Series 2020B Bond Indenture unless each of the following conditions, to the extent applicable, shall have been satisfied.

(i) The Bond Trustee shall have received on the Conversion Date a Favorable Opinion of Bond Counsel with respect to such Conversion.

(ii) In the case of any Conversion with respect to which there shall be no Liquidity Facility in effect to provide funds for the purchase of such Series 2020B Bonds on the Conversion Date, the remarketing proceeds available on the Conversion Date and the amounts required to be paid by the Corporation on the Conversion Date pursuant to the Loan Agreement shall not be less than the amount required to purchase all of the Bonds at the Purchase Price.

If any condition to the Conversion shall not have been satisfied, then the Interest Rate Period shall not be converted, such Series 2020B Bonds shall continue to bear interest at the current interest rate as in effect immediately prior to such proposed Conversion Date and such Series 2020B Bonds shall not be subject to mandatory tender for purchase on the proposed Conversion Date unless such Conversion Date is also a Purchase Date for such Series 2020B Bonds for a reason other than Conversion

Rescission of Conversion. Notwithstanding anything in the Series 2020B Bond Indenture, in connection with any Conversion, the Corporation shall have the right to deliver to the Bond Trustee, the Remarketing Agent, the Tender Agent, and the Authority not later than 10:00 a.m., New York City time, on the second Business Day preceding the effective date of any such Conversion a notice to the effect that the Corporation elects to rescind its election to make such Conversion. If the Corporation rescinds its election to make such Conversion, then the Interest Rate Period shall not be converted and the Series 2020B Bonds shall continue to bear interest at the Interest Rate Period in effect immediately prior to such proposed Conversion and the Series 2020B Bonds shall not be subject to mandatory tender for purchase on the date that would have been the effective date of the Conversion whether or not notice of such Conversion was mailed to the Holders of the Series 2020B Bonds as provided in in the Series 2020B Bond Indenture.

Delivery of Series 2020B Bonds. The Purchase Price of any Series 2020B Bond purchased upon mandatory tender shall be payable only upon surrender of such Series 2020B Bond to the Tender Agent at its Principal Office, accompanied by an instrument of transfer thereof, in form satisfactory to such Tender

Agent, executed in blank by the Holder thereof or by the Holder's duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange at or prior to 10:00 a.m., New York City time, on the date specified for such delivery.

If any Holder of a Series 2020B Bond who shall have given notice of tender of purchase pursuant to the Series 2020B Bond Indenture shall fail to deliver such Bond to the Tender Agent at the place and on the applicable date and at the time specified, or shall fail to deliver such Bond properly endorsed, such Series 2020B Bond shall constitute an Undelivered Bond. If funds in the amount of the Purchase Price of the Undelivered Bond are available for payment to the Holder thereof on the date and at the time specified, from and after the date and time of that required delivery, (1) the Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be Outstanding under the Series 2020B Bond Indenture; (2) interest shall no longer accrue thereon; and (3) funds in the amount of the Purchase Price of the Undelivered Bond shall be held by the Tender Agent for such Series 2020B Bond for the benefit of the Holder thereof, to be paid on delivery (and proper endorsement) of the Undelivered Bond to the Tender Agent at its Principal Office. Any funds held by the Tender Agent as described in clause (3) of the preceding sentence shall be held uninvested.

Payment of the Purchase Price. The Tender Agent agrees to hold all Series 2020B Bonds delivered to it pursuant to the Series 2020B Bond Indenture in trust for the benefit of the respective Holders which shall have so delivered such Series 2020B Bonds until moneys representing the Purchase Price of such Series 2020B Bonds have been delivered to such Holder in accordance with the provisions of the Series 2020B Bond Indenture and until such Series 2020B Bonds shall have been delivered by the Tender Agent in accordance with the Series 2020B Bond Indenture. As used in the Series 2020B Bond Indenture, the term "Purchase Price" of any Purchased Bond means the principal amount thereof plus accrued interest to, but not including, the Purchase Date; provided, however, that if the Purchase Date for any Purchased Bond is an Interest Payment Date, the Purchase Price thereof shall be the principal amount thereof, and interest on such Bond shall be paid to the Holder of such Bond pursuant to the Series 2020B Bond Indenture.

Moneys delivered to the Tender Agent on a Purchase Date shall be applied at or before 3:00 p.m., New York City time, on such Purchase Date to pay the Purchase Price of Purchased Bonds in immediately available funds as follows in the indicated order of application and, to the extent not so applied on such date, shall be held in the separate and segregated accounts of the Bond Purchase Fund for the benefit of the Holders of the Purchased Bonds which were to have been purchased: (A) proceeds of the sale of the Series 2020B Bonds remarketed pursuant to a Remarketing Agreement and furnished to the Bond Trustee by the Remarketing Agent; (B) if a Liquidity Facility is in place, money furnished by the Liquidity Facility Provider to the Bond Trustee from a drawing on the Liquidity Facility, if any (provided that moneys from draws on the Liquidity Facility shall not be used to purchase Bank Bonds or Series 2020B Bonds held by the Corporation); and (C) moneys required to be provided by the Corporation to the Bond Trustee pursuant to the related Loan Agreement. **The obligation of the Corporation to purchase the Series 2020B Bonds upon mandatory tender is not initially supported by a bank or other third party Liquidity Facility.**

If sufficient funds are not available for the purchase of all Series 2020B Bonds tendered or deemed tendered and required to be purchased on a Purchase Date, no purchase shall be consummated. **Failure of the Corporation to provide sufficient funds for the purchase of all Series 2020B Bonds tendered or deemed tendered and required to be purchased on a Purchase Date shall constitute an Event of Default under the related Bond Indenture and the related Loan Agreement. If such Series 2020B Bonds are not purchased when required, then such Series 2020B Bonds shall bear interest at the Maximum Interest Rate from such Purchase Date until the actual purchase or payment of such Series 2020B Bonds.**

Redemption

General. The Series 2020B Bonds are subject to mandatory, optional and extraordinary optional redemption and purchase in lieu of redemption, as described below.

Optional Redemption. During the initial Term Rate Period, the Series 2020B-1 Bonds are subject to optional redemption in whole or in part, at the option of the Corporation, out of amounts prepaid on the Series 2020B-1 Master Note, in such amounts as may be specified by the Corporation, at any time on or after August 1, 2024, at a Redemption Price determined as described in **Appendix G**, plus interest accrued thereon, if any, to the date fixed for redemption.

During the initial Term Rate Period, the Series 2020B-2 Bonds are subject to optional redemption in whole or in part, at the option of the Corporation, out of amounts prepaid on the Series 2020B-2 Master Note, in such amounts as may be specified by the Corporation, at any time on or after August 1, 2026, at a Redemption Price determined as described in **Appendix G**, plus interest accrued thereon, if any, to the date fixed for redemption.

During the initial Term Rate Period, the Series 2020B-3 Bonds are subject to optional redemption in whole or in part, at the option of the Corporation, out of amounts prepaid on the Series 2020B-3 Master Note, in such amounts as may be specified by the Corporation, at any time on or after August 1, 2029, at a Redemption Price determined as described in **Appendix G**, plus interest accrued thereon, if any, to the date fixed for redemption.

Extraordinary Optional Redemption. The Series 2020B Bonds are subject to redemption prior to their stated maturity, upon Request of the Corporation given to the Bond Trustee at least 25 days prior to the redemption date (or such shorter period as is acceptable to the Bond Trustee), in whole or in part on any date, from hazard insurance or condemnation proceeds received with respect to the facilities of any of the Obligated Group and deposited in the Special Redemption Account, at a Redemption Price equal to the principal amount thereof, plus accrued interest thereon (if any) to the date fixed for redemption, without premium but only with Available Moneys.

Mandatory Sinking Fund Redemption. The Series 2020B Bonds are also subject to redemption in part prior to their stated maturity from Sinking Fund Installments established pursuant to the related Bond Indenture on the following dates at the redemption price of 100% of the principal amount of the Series 2020B Bonds to be redeemed plus accrued interest to the redemption date and without premium:

Series 2020B-1 Bonds

YEAR (FEBRUARY 1)	PRINCIPAL AMOUNT
2031	$6,840,000
2032	6,985,000
2033	10,940,000
2034	10,940,000
2035	10,910,000
2036	10,715,000
2037	2,925,000
2038	1,550,000
2039	1,430,000
2040*	1,330,000

* Maturity

Series 2020B-2 Bonds

YEAR (FEBRUARY 1)	PRINCIPAL AMOUNT
2031	$8,975,000
2032	8,870,000
2033	13,920,000
2034	13,900,000
2035	13,890,000
2036	13,645,000
2037	3,725,000
2038	1,985,000
2039	1,835,000
2040*	1,705,000

* Maturity

Series 2020B-3 Bonds

YEAR (FEBRUARY 1)	PRINCIPAL AMOUNT
2037	$17,555,000
2038	20,630,000
2039	20,910,000
2040*	13,825,000

* Maturity

Selection of Series 2020B Bonds for Redemption. Whenever provision is made in the applicable Bond Indenture for the redemption of less than all of a series of the Series 2020B Bonds or any given portion thereof, the Bond Trustee shall select such Series 2020B Bonds to be redeemed, from all subject to redemption or such given portion thereof not previously called for redemption, by random selection.

Notice of Redemption. Notice of redemption shall be mailed by the Bond Trustee, not less than 20 days nor more than 60 days prior to the redemption date to the Holders of Series 2020B Bonds called for redemption at their addresses appearing on the Registration Books as of the date of the giving of such notice, with a copy to the Master Trustee and the Authority. The Bond Trustee shall also give notice of redemption by overnight mail or courier service to the Securities Depository. Each notice of redemption shall state the date of such notice, the series designation and date of issue of the Series 2020B Bonds to be redeemed, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Bond Trustee), the Maturity Date, the CUSIP numbers, if any, and, in the case of a series of Series 2020B Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that, subject to the deposit of sufficient funds with the Bond Trustee on or prior to the redemption date to effect the redemption and to prior rescission as provided in the following paragraph, on that date there will become due and payable on each of the Series 2020B Bonds the Redemption Price thereof or of the specified portion of the principal amount thereof in the case of a series of Series 2020B Bonds to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Series 2020B Bonds be then surrendered.

Any notice given pursuant to the related Bond Indenture shall state (i) that redemption is conditioned upon receipt by the Bond Trustee of sufficient funds (which shall be Available Moneys if required pursuant to related Bond Indenture) to pay the Redemption Price of the Series 2020B Bonds so redeemed and (ii) that the notice may be rescinded by written notice given to the Bond Trustee by the Corporation no later than two Business Days prior to the date specified for redemption, and in either of such cases such notice and redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described herein. Any Series 2020B Bond for which a notice of redemption has been rescinded or for which sufficient funds to pay the Redemption Price thereof have not been deposited with the Bond Trustee on or prior to the redemption date shall remain outstanding and neither the rescission of the notice nor the failure to fund the Redemption Price shall constitute an Event of Default under the related Bond Indenture. The Bond Trustee shall give notice of such rescission or failure to fund the Redemption Price as soon thereafter as practicable in the same manner, and to the same Persons, as notice of such redemption was given pursuant to the provisions of the related Bond Indenture summarized under this subheading.

Failure by the Bond Trustee to give notice pursuant to the provisions of the related Bond Indenture summarized under this subheading to any one or more of the securities information services or depositories, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. Failure by the Bond Trustee to mail notice of redemption pursuant to the provisions of the related Bond Indenture summarized under this subheading to any one or more of the respective Holders of any Series 2020B Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed.

Partial Redemption of Bonds. Upon surrender of any Series 2020B Bond redeemed in part only, the Authority shall execute (but need not prepare) and the Bond Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Corporation, a new Series 2020B Bond or Series 2020B Bonds of Authorized Denominations, and of the same maturity, equal in aggregate principal amount to the unredeemed portion of the Series 2020B Bond surrendered.

Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Series 2020B Bonds (or portions thereof) so called for redemption being held by the Bond Trustee, on the redemption date designated in such notice, the Series 2020B Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice together with interest accrued thereon to the redemption date, interest on the Series 2020B Bonds so called for redemption shall cease to accrue, said Series 2020B Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the related Bond Indenture and the Holders of said Series 2020B Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the date fixed for redemption from funds held by the Bond Trustee for such payment.

Purchase in Lieu of Redemption. Any Series 2020B Bonds subject to optional redemption and cancellation pursuant to the related Bond Indenture shall also be subject to optional call for purchase and, at the option of the Corporation, holding, resale or cancellation by the Corporation (i.e., a so called purchase in lieu of redemption) at the same times and at the same Redemption Prices as are applicable to the optional redemption of such Series 2020B Bonds as provided in such paragraphs. To exercise such option, the Corporation shall give the Bond Trustee a direction exercising such option within the time period specified in the related Bond Indenture as though such direction were a written request for redemption, and the Bond Trustee shall thereupon give the holders of the Series 2020B Bonds to be purchased notice of such purchase in the manner specified under "**Notice of Redemption**" above as though such purchase were a redemption and the holders shall be required to tender such Series 2020B Bonds for payment. In the case of the purchase of less than all of the Series 2020B Bonds, the particular Series 2020B Bonds to be purchased shall be selected in accordance with the provisions of the related Bond Indenture summarized under

"**Selection of Series 2020B Bonds for Redemption**" above. On the date fixed for purchase pursuant to any exercise of such option, the Corporation shall pay the purchase price of the Series 2020B Bonds then being purchased to the Bond Trustee in immediately available funds (which shall be Available Moneys), and the Bond Trustee shall pay the same to the sellers of such Series 2020B Bonds against delivery thereof. No purchase of the Series 2020B Bonds pursuant to these provisions shall operate to extinguish the indebtedness of the Authority evidenced thereby (subject to all the terms and limitations contained in the related Bond Indenture). No Holder or Beneficial Owner may elect to retain a Series 2020B Bond subject to mandatory purchase in lieu of redemption.

Registration and Transfers

If the book-entry only system is discontinued, the following provisions shall apply. The Series 2020B Bonds would be transferable upon its presentation at the Principal Office of the Bond Trustee if it is accompanied by a written instrument of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Bond Trustee, duly executed by the registered owner or by such owner's duly authorized attorney. The Bond Trustee will exchange any Series 2020B Bond by delivering to the owner presenting the Series 2020B Bonds for exchange at the Principal Office of the Bond Trustee one or more new Series 2020B Bonds that have been executed by the Authority, have been authenticated by the Bond Trustee, are in an Authorized Denomination and have the same form, terms, interest rate, maturity and aggregate principal amount as the Series 2020B Bond being exchanged. Pursuant to the provisions of the Bond Indentures, the owner requesting any transfer or exchange of any Series 2020B Bonds may be required to pay a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto but no service charge shall be imposed upon the owner for an exchange or transfer. Neither the Authority nor the Bond Trustee will be required to register the transfer or exchange of any Series 2020B Bond (a) after such Series 2020B Bond or any portion thereof has been called for redemption or (b) during the 15-day period next preceding the mailing of a notice of redemption with respect to any Series 2020B Bonds of the same Series and maturity. For a description of the transfer procedures while DTC acts as securities depository for the Series 2020B Bonds, see "BOOK-ENTRY ONLY SYSTEM**"** below.

BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Series 2020 Bonds. The Series 2020 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 bond certificate will be issued for the Series 2020 Bonds of each series and each maturity within a series, each in the aggregate principal amount of such maturity, and will be deposited with DTC

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing

Corporation 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 the Series 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2020 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 2020 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2020 Bonds, except in the event that use of the book-entry system for the Series 2020 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020 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 2020 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 2020 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2020 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2020 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the Series 2020 Bonds may wish to ascertain that the nominee holding the Series 2020 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption and tender notices shall be sent to DTC. If less than all of the Series 2020 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2020 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, premium, if any, interest and redemption prices, respectively, on the Series 2020 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 the Bond Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Trustee, the Authority, the Master Trustee, the Corporation or any other Obligated Group Member, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest and redemption prices to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority of the Bond Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2020 Bonds at any time by giving reasonable notice to the Authority or the Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2020 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2020 Bond certificates will be printed and delivered to DTC.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2020 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE OWNERS OF THE SERIES 2020 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2020 BONDS. PRINCIPAL, PREMIUM, IF ANY, AND INTEREST PAYMENTS ON THE SERIES 2020 BONDS ARE TO BE MADE TO CEDE & CO., AND ALL SUCH PAYMENTS SHALL BE VALID AND EFFECTIVE TO SATISFY FULLY AND TO DISCHARGE THE OBLIGATIONS OF THE AUTHORITY AND THE OBLIGATED GROUP WITH RESPECT TO, AND TO THE EXTENT OF, PRINCIPAL, PREMIUM, IF ANY, AND INTEREST SO PAID.

The Obligated Group and the Authority cannot and do not give any assurances that DTC will distribute to Direct Participants, or that the Direct Participants or others will distribute to the Beneficial Owners payments of principal of, premium, if any, and interest on the Series 2020 Bonds or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the Obligated Group nor the Authority is responsible or liable for the failure of DTC or any Direct Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Series 2020 Bonds or any error or delay relating thereto.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT ARE BELIEVED TO BE RELIABLE, BUT NONE OF THE AUTHORITY, THE OBLIGATED GROUP, THE BOND TRUSTEE AND THE UNDERWRITERS TAKES ANY RESPONSIBILITY FOR THE ACCURACY THEREOF. NO REPRESENTATION IS MADE BY THE AUTHORITY, THE OBLIGATED GROUP, THE BOND TRUSTEE, OR THE UNDERWRITERS AS TO THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF. NO ATTEMPT HAS BEEN MADE BY THE AUTHORITY, THE OBLIGATED GROUP, THE BOND TRUSTEE OR THE UNDERWRITERS TO DETERMINE WHETHER DTC IS OR WILL BE FINANCIALLY OR OTHERWISE CAPABLE OF

FULFILLING ITS OBLIGATIONS. NEITHER THE AUTHORITY, THE OBLIGATED GROUP, THE BOND TRUSTEE NOR THE UNDERWRITERS (EXCEPT AS DIRECT PARTICIPANTS) WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS FOR THE SERIES 2020 BONDS, OR FOR ANY PRINCIPAL, REDEMPTION PREMIUM, IF ANY, OR INTEREST PAYMENT THEREON.

SECURITY FOR THE SERIES 2020 BONDS

General

As security for the payment of the principal, redemption price of and interest on each series of Series 2020 Bonds, the Authority will pledge and assign to the Bond Trustee, in accordance with the related Bond Indenture, all its right, title and interest in the related Loan Agreement (except its right to certain fees and expenses, to indemnification and to amounts required for rebate) and the related Series 2020 Master Note. Each series of Series 2020 Bonds will also be secured by the money and securities in the funds and accounts held by the Bond Trustee under the related Bond Indenture. Pursuant to the Master Indenture, the Series 2020 Master Notes will be secured on a parity basis with any other outstanding Notes by a lien on and security interest in the Gross Revenues of the Obligated Group.

The Loan Agreements

The Loan Agreements are an absolute and unconditional obligation of the Corporation. Each Loan Agreement provides, among other things, that (i) the Authority will make a loan to the Corporation in an amount equal to the aggregate proceeds of the sale of the related series of Series 2020 Bonds; (ii) the aggregate proceeds of such related series of Series 2020 Bonds will be applied to finance the costs of the Project; (iii) the obligations of the Corporation under the Loan Agreement will be evidenced and secured by the related Series 2020 Master Note to be executed by the Corporation, made payable to the Authority and endorsed and assigned by the Authority, without recourse, to the Bond Trustee; and (iv) the Corporation will pay the principal of, premium, if any, and interest on such Series 2020 Master Note directly to the Bond Trustee, for the account of the Authority, at the times and in amounts sufficient to make full and prompt payment of the principal of, premium, if any, and interest on the related series of Series 2020 Bonds as the same will become due and payable. All of the right, title and interest of the Authority in and to the Loan Agreements, except the Authority's rights with respect to indemnification and payment of expenses and amounts required to be rebated to the federal government, are assigned to the Bond Trustee.

The Master Indenture

Pursuant to the Master Indenture, the Corporation will issue the Series 2020 Master Notes to evidence and secure the obligations of the Corporation under the related Loan Agreement to make payments that are fixed as to time and amount to enable the Authority to make timely payment of the principal of, premium, if any, and interest on the related series of Series 2020 Bonds. The Series 2020 Master Notes will be the joint and several obligation of the Members of the Obligated Group pursuant to the Master Indenture.

The Master Indenture provides for a pledge of Gross Revenues of the Members of the Obligated Group to secure the payment of Master Indenture Obligations. The pledge of Gross Revenues is for the equal and ratable benefit of the holders of all outstanding Master Indenture Obligations issued under the Master Indenture.

The Master Indenture permits other entities, under certain conditions, to become obligated under the Master Indenture and to have Master Indenture Obligations issued thereunder on their behalf with the

approval of the Obligated Group. Each Member will, subject to the right of such Member to withdraw from the Obligated Group under certain circumstances, jointly and severally covenant to promptly make any and all payments on all Master Indenture Obligations theretofore or thereafter issued under the Master Indenture, including the Series 2020 Master Notes, according to the terms thereof.

Pursuant to the Master Indenture, the Obligated Group has agreed with the Master Trustee to subject itself to certain operational and financial restrictions contained therein. Each entity that becomes a Member of the Obligated Group will be required to comply with such restrictions as well. The operational and financial restrictions contained in the Master Indenture relate primarily to limitations on the creation of liens, the incurrence of additional indebtedness, debt service coverage requirements, the ability to transfer assets, including both physical and liquid assets, and the ability to effect mergers and consolidations.

See **Appendix D** – "SUMMARY OF THE MASTER INDENTURE" for a description of the Master Indenture.

Rate Covenant

Pursuant to the Master Indenture, each Member of the Obligated Group covenants to set rates and charges for its facilities such that the Long-Term Debt Service Coverage Ratio, calculated at the end of each fiscal year of the Obligated Group, will not be less than 1.10x. If the Long-Term Debt Service Coverage Ratio, as calculated at the end of any fiscal year, is below 1.10x, the Obligated Group covenants to retain a Consultant to make recommendations to increase such Long-Term Debt Service Coverage Ratio for subsequent fiscal years to the level required or, if in the opinion of the Consultant the attainment of such level is impracticable, to the most practicable level. Each member of the Obligated Group agrees that it will, to the extent permitted by law, follow the recommendations of the Consultant. In the event the recommendations of the Consultant are implemented by each member of the Obligated Group affected thereby and the Long-Term Debt Service Coverage Ratio does not meet the requirements of the foregoing rate covenant, there shall be no Event of Default under the Master Indenture, so long as the Long-Term Debt Service Coverage Ratio is not less than 1.00x, but the Obligated Group will be under a continuing obligation to engage a Consultant for the purposes described above. If a report of a Consultant is delivered to the Master Trustee stating that Governmental Restrictions have been imposed which make it impossible for the foregoing ratio requirement to be met, then such ratio requirement will be reduced to the maximum coverage permitted by such Governmental Restrictions, but in no event less than 1.00x. See "Debt Service Coverage Ratio" in **Appendix D** – "SUMMARY OF THE MASTER INDENTURE."

Permitted Indebtedness

The Master Indenture authorizes the Obligated Group and any other Master Indenture Obligor to issue additional Master Indenture Obligations under the Master Indenture upon compliance with the requirements set forth therein. See "Limitations on Incurrence of Additional Indebtedness" in **Appendix D** – "SUMMARY OF THE MASTER INDENTURE."

Limited Obligations

Each series of Series 2020 Bonds and the interest thereon, are special, limited obligations of the Authority secured under the provisions of the related Bond Indenture and the Master Indenture and will be payable solely from the payments and other moneys received by the Authority under the related Loan Agreement, from moneys otherwise received pursuant to the related Bond Indenture, and from payments by the Obligated Group under the related Series 2020 Master Note, which is secured by a pledge of Gross Revenues of the Obligated Group. See "SECURITY FOR THE SERIES 2020 BONDS – The Master Indenture." The Series 2020 Bonds shall not be deemed to constitute a debt or liability of the County, the

Commonwealth or of any political subdivision thereof within the meaning of any constitutional provision or statutory limitation of the Commonwealth and shall not constitute a pledge of the full faith and credit of the County, the Commonwealth or of any political subdivision thereof. The issuance of the Series 2020 Bonds shall not, directly, indirectly or contingently, obligate the County, the Commonwealth or any political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment. Neither the County nor the Commonwealth shall in any event be liable for the payment of the principal of, premium, if any, or interest on the Series 2020 Bonds or for the performance of any pledge, mortgage, obligation or agreement of any kind whatsoever which may be undertaken by the Authority. No breach by the Authority of any such pledge, mortgage, obligation or agreement may impose any liability, pecuniary or otherwise, upon the County or the Commonwealth or any charge upon their general credit or taxing power. Neither the general credit of the Authority nor the general credit or taxing power of the County, the Commonwealth or any political subdivision thereof is pledged to the payment of the Series 2020 Bonds. The Authority has no taxing power.

Master Indenture Amendments

Upon the issuance of the Series 2020 Bonds, certain amendments to the Master Indenture will become effective. The initial purchasers of the Series 2020 Bonds, by their purchase and acceptance of the Series 2020 Bonds, shall be deemed to have approved and consented to the amendments to the Master Indenture, which consent shall be binding upon all present and future holders of the Series 2020 Bonds. See **Appendix D** – "SUMMARY OF THE MASTER INDENTURE" for a description of the Master Indenture as amended.

Replacement Master Indenture

Pursuant to the Bond Indentures, in the event that a Substitute Obligation (as defined in the Master Indenture) under a Replacement Master Indenture (as defined in the Master Indenture) is delivered to the Bond Trustee in accordance with the provisions of the Master Indenture, references to the Master Indenture and the Series 2020 Master Notes herein shall be deemed to be references to such Replacement Master Indenture and such Substitute Obligation, references to the Obligated Group shall be deemed to be references to the New Group (as defined in the Master Indenture) and references to the Master Trustee shall be deemed to be references to the New Trustee under the Replacement Master Indenture. The Bond Trustee has no duty or obligation to review the terms of any Replacement Master Indenture. See **Appendix D**, "SUMMARY OF THE MASTER INDENTURE – Substitution of Master Indenture Obligations upon Replacement of Master Indenture" hereto, for a description of the requirements to replace the Master Indenture.

Master Indenture Obligations Outstanding

Following the issuance of the Bonds and the refunding of the Prior Debt, approximately $1,205.9 million in Master Indenture Obligations will be outstanding and secured under the Master Indenture.

BONDHOLDERS' RISKS

General

The principal, premium, if any, and interest on the Series 2020 Bonds are payable solely from amounts payable by the Corporation to the Authority under the related Loan Agreements. See "SECURITY FOR THE SERIES 2020 BONDS."

The System and the Obligated Group are subject to numerous known and unknown risks many of which are described below and elsewhere in this Official Statement. Any of the events described below could have a material adverse effect on their business, financial conditions and results of operation. Additional risks and uncertainties that the System and the Obligated Group are not aware of, or that they currently deem to be immaterial, could also impact their business and results of operations. The risk factors discussed below should be considered in evaluating the ability of the System and the Obligated Group to make payments in amounts sufficient to meet their obligations under the Master Indenture. This discussion is not, and is not intended to be, exhaustive.

Future Financial Condition of the System and the Obligated Group

The future financial condition of the System and the Obligated Group could be affected adversely by, among other things, legislation, regulatory actions, economic conditions, increased competition from other health care providers, changes in the demand for health care services, demographic changes and professional liability claims and other litigation costs and claims. The occurrence of one or more of these risks could have a material adverse effect on the financial conditions and results of operations of the System and the Obligated Group and, in turn, the ability of the System to make payments under the Loan Agreement. The Underwriters and the Authority have 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.

The health care industry is highly dependent on a number of factors that may limit the ability of the System to meet its obligations under the Loan Agreement, many of which are beyond the System's and the Obligated Group's 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.

The Obligated Group is a health care provider which derives significant portions of its revenues from Medicare, Medicaid, Blue Cross and other third-party payor programs. The Obligated Group is subject to governmental regulation applicable to health care providers, and the receipt of future revenues by the Obligated Group is subject to, among other factors, federal and state policies affecting the health care industry and other conditions which are impossible to predict. Such conditions may include limits on increasing charges and fees charged by the Obligated Group, changes in federal and state laws and regulations affecting payments for health services, the continued increase in managed care or development of new third-party payment policies which reduce revenues, unanticipated competition from other health care providers, and changes in demand for health services.

The receipt of future revenues by the System and the Obligated Group is also subject to demand for health care services, the ability to provide the services required by patients, management capabilities, physicians' relationships with the Obligated Group, the design and success of strategic plans, economic developments in the service area, the ability to control expenses, maintenance of relationships with third-party payors, competition, rates, costs, third-party reimbursement, legislation and governmental regulation, receipt of private contributions, the continued funding by the Commonwealth for medically indigent patient care, future economic conditions, and other conditions which are impossible to predict.

No assurances can be given that patient utilization or revenues available to the System and the Obligated Group from their operations will remain stable or increase. The System and the Obligated Group expect that they will experience increases in operating costs due to inflation and other factors. There is no assurance that cost increases will be matched by increased revenue in amounts sufficient to generate an excess of revenues over expenses.

Patient Protection and Affordable Care Act and Health Care Reform Initiatives

In March 2010, President Obama signed the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the laws are referred to as the "*ACA*"). The ACA was intended to address disparities in access, cost, quality and the delivery of health care to United States residents.

The changes to various aspects of the health care system in the ACA are far-reaching and include substantial adjustments to Medicare reimbursement, establishment of individual and employer mandates for health insurance coverage, extension of Medicaid coverage to certain populations, provision of incentives for employer-provided health care insurance, restrictions on physician-owned hospitals, and increased efficiency and oversight provisions. The implementation of the various provisions of the ACA continues to be subject to legislative or administrative changes or threats thereof.

The ACA changed the sources and methods by which consumers pay for health care and imposed new requirements for employers' provision of health insurance to their employees and dependents. These reforms expanded the base of consumers of health care services. One of the primary goals of the ACA is to provide or make available, or subsidize the premium costs of, health care insurance for consumers who are uninsured (or underinsured) and who fall below certain income levels. The ACA is intended to accomplish that objective by a number of means, including:

- Creating state organized insurance markets (referred to as exchanges) in which individuals and small employers can purchase health care insurance for themselves and their families or their employees and dependents;
- Providing subsidies for premium costs to individuals and families based upon their income relative to federal poverty levels;
- Mandating that individual consumers obtain and certain employers provide a minimum level of health care insurance, and providing for penalties or taxes on consumers and employers that do not comply with these mandates (the "Individual Mandate");
- Establishing insurance reforms that expand coverage generally through such provisions as prohibitions on denials of coverage for pre-existing conditions and elimination of lifetime or annual cost caps; and
- Expanding existing public programs, including Medicaid for individuals and families.

Some of the specific provisions of the ACA that may affect hospital operations, financial performance or financial conditions are described below. The ACA is complex and comprehensive, and includes a myriad of programs and initiatives and changes to existing programs, policies, practices and laws.

- Annual inflation adjustments to Medicare payments have been reduced, and are expected to be lower than historic averages.
- As of federal fiscal year 2014, hospitals receiving supplemental "disproportionate share hospital" ("*DSH*") payments from Medicare (i.e., those hospitals that care for a disproportionate share of Medicare Beneficiaries) have their DSH payments reduced by 75%. A portion of this reduction is potentially offset by new, additional payments based on the volume of uninsured and uncompensated care provided by each such hospital. Medicaid DSH allotments to each state were also reduced based on state-wide reduction in uninsured and uncompensated care.
- Many state Medicaid programs have expanded to a broader population resulting in more Medicaid-eligible patients.

- Medicare began reducing payments to hospitals found to have an excess readmissions ratio for certain conditions and this information is available to the public.
- Federal payments to states for Medicaid services related to hospital-acquired conditions were prohibited.
- Beginning in 2013, a value-based purchasing program was established under the Medicare program. Under this program, hospital payments will increase or decrease depending on a hospital's performance vis-à-vis established quality measures.
- To reduce waste, fraud, and abuse in public programs, the ACA provides for provider enrollment screening, enhanced oversight periods for new providers and suppliers, and enrollment moratoria in areas identified as being at elevated risk of fraud in all public programs. It also requires Medicare and Medicaid program providers and suppliers to establish compliance programs. The ACA requires the development of a database to capture and share health care provider data across federal health care programs and provides for increased penalties for fraud and abuse violations, and increased funding for anti-fraud activities.
- The ACA imposes substantial new data reporting obligations on hospital initiatives to improve the quality of care, reduce errors and improve health outcomes.

The ACA has been subject to opposition in the political and judicial arenas. Multiple challenges to the constitutionality of the ACA were filed by private and state parties in federal courts, culminating in a hearing by the Supreme Court in March 2012 and a decision on June 28, 2012, which largely upheld the ACA as constitutional. The Supreme Court limited the scope of the ACA in one important respect, restricting the federal government's ability to condition Medicaid funding on states' participation in the Medicaid expansion. As a result, states effectively have the option but not the obligation to extend Medicaid coverage to the indigent adult population specified in the ACA. Certain amendments to the ACA were contained in the American Taxpayer Relief Act of 2012 (the "*ATRA*") signed into law by former President Obama in January 2013.

Medicaid coverage for Pennsylvania adults earning below 133 percent of the federal poverty line, or about $15,500, began in January 2015. Beginning in 2016, adults earning above the federal poverty line had to pay premiums worth no more than 2 percent of household income.

On June 25, 2015, the United States Supreme Court issued its opinion in *King v. Burwell*, the case challenging whether the IRS can offer tax credit subsidies to individuals enrolled in health insurance through a federally operated exchange. The Court ruled 6-3 that this action is within the IRS's power. The decision meant that low- and middle-income individuals who purchase coverage through a federal exchange will remain eligible for tax credit subsidies. As a result of the decision, Governor Tom Wolf withdrew his plan to establish a state-run exchange in the Commonwealth, for which he had received permission from the Department of Health and Human Services ("*HHS*"). Medicaid expansion in Pennsylvania began in April 2015. According to the Pennsylvania Department of Human Services, as of October 2019, over 2 million Pennsylvanians had enrolled in HealthChoices, Pennsylvania's managed care Medicaid program.

The ACA and its implementation have been, and remain, politically controversial. Accordingly, the ACA has continually faced legal and legislative challenges, including repeated repeal efforts, since its enactment. In addition, many of the reductions in reimbursement to health care providers included in the ACA have yet to take full effect, and the increased health care coverage anticipated to derive from the ACA has not yet been realized. The practical consequences of the ACA, as well as of other future federal and state actions affecting the health care delivery system cannot be foreseen.

Management of the Obligated Group cannot predict the impact any major modification or repeal of the ACA, or any replacement health care reform legislation, might have on the Obligated Group's business or financial condition, though such effects could be material. In particular, any legal, legislative or executive action that reduces federal health care program spending, increases the number of individuals without health insurance, reduces the number of people seeking health care, or otherwise significantly alters the health care delivery system or insurance markets could have a material adverse effect on the Obligated Group's business or financial condition.

In November 2015, the Bipartisan Budget Act of 2015 (the "BBA") repealed a provision of the ACA which would require employers that offer one or more health benefit plans and have more than 200 full-time employees to automatically enroll new full-time employees in a health plan.

President Donald J. Trump and 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 taken steps to repeal or rescind certain provisions of the ACA, including introducing and voting on various bills aimed at repealing and replacing all or portions of the ACA (generally, the "*Repeal Bills*"). To date, no Repeal Bills have passed both chambers of Congress. The Congressional Budget Office ("*CBO*") has issued reports on versions of the Repeal Bills, estimating increases in the number of uninsured by as much as 24 million people by 2026. However, the Tax Cuts and Jobs Act discussed below effectively eliminated a key provision of the ACA — the Individual Mandate — by reducing the penalty to zero dollars effective 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 was essential to and inseverable from the remainder of the ACA. The case was brought by a number of Republican state attorneys general and other plaintiffs. In a letter dated March 25, 2019, the U.S. Department of Justice opined that the entire law should be overturned, including its provision that protects the insurability of persons with pre-existing health conditions. The attorneys general of California and other states that expanded their Medicaid programs under the ACA are defending the ACA. On appeal, the U.S. Court of Appeals for the Fifth Circuit ruled the Individual Mandate was unconstitutional but remanded the case back to the lower court on the larger issue of constitutionality of the entire ACA. The ACA will remain law while the case proceeds through the appeals process; however, the case creates additional uncertainty as to whether any or all of the ACA will be struck down. Management of the Obligated Group cannot predict the effect of the elimination of the Individual Mandate, the final result and effect of the *Texas v. Azar* case, the likelihood of any Repeal Bills or other health care reform bill becoming law, or the subsequent effects of any such laws, though such effects could materially impact the Obligated Group's business or financial condition.

Executive branch actions can also have a significant impact on the viability of the ACA. President Trump has issued broad executive orders aimed at de-regulation as well as executive actions aimed directly at the ACA, including: (i) requiring all federal agencies with authorities and responsibilities under the ACA to "exercise all authority and discretion available to them to waive, defer, grant exemptions from, or delay" parts of the ACA that place "unwarranted economic and regulatory burdens" on states, individuals or health care providers; (ii) the issuance of a final rule in June 2018 by the Department of Labor to enable the formation of health plans that would be exempt from certain ACA essential health benefits requirements; (iii) the issuance of a final rule in August 2018 by the Departments of Labor, Treasury, and Health and Human Services to expand the availability of "association health plans" and short-term health insurance, which plans have fewer benefit requirements than those sold through ACA insurance exchanges; (iv) eliminating cost-sharing reduction payments to insurers that would otherwise offset deductibles and other out-of-pocket expenses for health plan enrollees at or below 250 percent of the federal poverty level; (v) relaxing requirements for state innovation waivers that could reduce enrollment in the individual and small group markets and lead to additional enrollment in association health plans and short-term health insurance; and (vi) the issuance of a proposed rule by the Department of Labor that would incentivize the use of health

reimbursement accounts by employers to permit employees to purchase health insurance in the individual market. These executive orders have the potential to significantly impact the insurance exchange market by reducing the number of healthy individuals in the ACA health insurance exchanges. In general, there was reduced exchange enrollment in 2018 with final CMS reported data for 2019 indicating further decline. Further, insurance companies may sustain financial losses and, as a result, increase insurance premiums for health plans offered in the exchange or cease to participate in the exchange. The exchanges have had increasing difficulty in attracting and retaining enough insurance companies to create a competitive insurance market, or even to participate at all. The reasons for withdrawal of many insurance companies from the exchanges are varied and disputed. In light of these challenges and recent executive branch actions, it is unclear whether the exchanges will continue to be a viable mechanism for the provision of health insurance in the future. It is also anticipated that these and future policies may create additional cost and reimbursement pressures on hospitals. Management of the Obligated Group cannot predict the likelihood or effect of any such executive actions on the Obligated Group's business or financial condition, though such effects could be material.

To the extent the ACA remains law, it is difficult to predict the full impact of the ACA on the Obligated Group's future revenues and operations due to uncertainty regarding a number of material factors, including: (1) how many currently uninsured individuals will ultimately obtain and retain insurance coverage as a result of the ACA, (2) what percentage of any newly insured patients will be covered under the Medicaid program 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 puts pressure on the profitability of health insurers, which in turn might cause them to seek to reduce payments to health care providers, and (8) the extent of lost revenues, if any, resulting from the ACA's quality initiatives.

It is not known which additional proposals may be proposed or adopted or, if adopted, what effect such proposals would have on the Obligated Group's operations or revenue. However, the increase in focus and interest on federal and state health care reform may increase the likelihood of further significant changes affecting the health care industry in the near future. There can be no assurance that recently enacted, currently proposed or future health care legislation, regulation or other changes in the administration or interpretation of governmental health care programs will not have an adverse effect on the Obligated Group. Reductions in funding levels of the Medicare program, changes in payment methods under the Medicare and Medicaid programs, reductions in state funding, or other legislative or regulatory changes could adversely affect the Obligated Group's income.

Investors should continuously review legislative, judicial and regulatory developments relating to the ACA as they occur to assess their potential effects on health care providers and the health care industry.

Overview of 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, as the country's largest payer of health care services, 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. Health care reform legislation continues these practices. These laws reflect the national policy that persons who are aged and persons who are poor should have access to medical care regardless of ability to pay. The Obligated Group serves this population and it is unlikely that the Obligated Group could attract sufficient numbers of private pay patients to their facilities to become self-sufficient without reimbursement from government sources.

Medicare provides certain health care benefits to beneficiaries who are 65 years of age or older, disabled, or who qualify for Medicare's End Stage Renal Disease Program. Medicare Part A covers inpatient hospital, home health, nursing home care and certain other services, and Medicare Part B covers certain physicians services, certain outpatient ancillary care services, medical supplies and durable medical equipment. Medicare Part C, the Medicare Advantage program, enables Medicare beneficiaries to choose to obtain their benefits through a variety of private, managed care, risk-based plans.

Medicare Part D makes outpatient prescription drug benefits available to Medicare beneficiaries. The private Medicare Part D plans are funded through premium payments from enrolled Medicare beneficiaries and subsidies from the federal government. Enrollment is available on an ongoing and intermittent basis. While participation in the program is voluntary, those who wait to enroll beyond their initial point of eligibility are penalized with additional surcharges which increase over time. The ACA included changes to the Medicare Part D program, including the gradual reduction of the cost sharing burden by beneficiaries under Medicare Part D (the so-called "donut hole"). Although Medicare Part D reimbursement does not cover inpatient prescriptions, changes in enrollment or program administration could affect the System's and the Obligated Group's revenues. Going forward, an expansion of coverage for outpatient pharmaceutical therapy may reduce the Obligated Group's admissions or shift the characteristics of those patients that are admitted.

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.

The Obligated Group is highly dependent on the Medicare and Medicaid programs and could be adversely affected by changes to federal or state policy or funding relating to these programs. For fiscal years ended June 30, 2019 and 2018, respectively, approximately 30% and 35% of the net patient revenues of the System were derived from the Medicare program, and approximately 12% and 11% were derived from the Medicaid program. See **Appendix A** – "TOWER HEALTH AND THE OTHER MEMBERS OF THE OBLIGATED GROUP."

Conditions of Participation. Hospitals must comply with standards called "Conditions of Participation" in order to be eligible for Medicare and Medicaid reimbursement. The Centers for Medicare and Medicaid Services ("*CMS*") of HHS is the federal agency responsible for ensuring that hospitals meet the regulatory Conditions of Participation. Generally, under Medicare rules, hospitals accredited by The Joint Commission (a private nonprofit corporation that accredits health care programs and providers in the United States) and other CMS approved accreditation bodies are deemed to meet the Conditions of Participation. The Obligated Group's facilities are currently accredited by The Joint Commission but there is no guarantee that the Obligated Group will continue to be accredited or will meet the Conditions of Participation in the future. Failure to maintain accreditation or to otherwise comply with the Conditions of Participation could have a materially adverse effect on the continued participation in the Medicare and Medicaid programs, and ultimately on the revenues of the Obligated Group.

Medicare Reimbursement

Overview. Medicare is administered by CMS, which delegates to the states the process for certifying those health care organizations to which CMS will make payment. HHS's rule-making authority is substantial and the rules are extensive and complex. Substantial deference is given by courts to rules promulgated by HHS.

Most Medicare hospital services are paid at a fixed rate per case under the reimbursement methods described below. Some Medicare recipients, however, enroll in Medicare Advantage managed care plans,

which reimburse providers on a contractually determined 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.

The ACA reduces cost sharing by Medicare beneficiaries for certain preventive services and wellness visits and expands coverage for these services. In addition, the ACA includes programs that link Medicare payments for hospitals and physicians with quality outcomes and the development of new patient care models that stress primary care and community-based care. The objective of these programs is to manage chronic diseases better and to reduce inpatient admissions and other high cost care provided by health care facilities, such as hospitals and nursing homes. While additional governmental reporting, oversight and audits are a certainty, it is difficult to determine what effect the health care reform legislation and its implementation will ultimately have on the financial or operating condition of the System, the Obligated Group or their competitors in the future.

Inpatient Services. Medicare payments for operating expenses incurred in the delivery of inpatient hospital services are based on a prospective payment system ("*PPS*"), which 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*") or, more recently, the Medical Severity Diagnosis Related Group ("*MS-DRG*"). DRG rates are adjusted annually by the use of an "update factor" based on the projected increase in a market basket inflation index which measures changes in the costs of goods and services purchased by hospitals, but the adjustments historically have not kept pace with inflation. Inpatient psychiatric and rehabilitation services are also reimbursed on a case-mix adjusted prospective payment methodology.

With limited exceptions, MS-DRG payments are not adjusted for actual costs, variations in intensity of illness, or length of stay. If a hospital treats a patient and incurs less cost than the applicable MS-DRG-based payment, the hospital is entitled to retain the difference. Conversely, if a hospital's cost for treating the patient exceeds the MS-DRG-based payment, the hospital generally will not be entitled to any additional payment. If a case is unusually complex or expensive, it may qualify for an "outlier" payment, which is added to the MS-DRG-adjusted base rate payment. There can be no assurance that payments under the PPS will be sufficient to cover all actual costs of providing inpatient hospital services to Medicare patients.

Medicare and Medicaid currently make additional payments to hospitals that serve a disproportionate share ("*DSH*") of low-income patients. According to the Medicaid and CHIP Payment and Access Commission, the ACA began to incrementally decrease the federal DSH allotments. Reductions in DSH payments were based on an assumption that the ACA's coverage and access provisions would substantially reduce uncompensated care provided by hospitals. Subsequent to the passage of ACA, other federal legislation has impacted the reduction of DSH payments.

The PPS amount and the DSH adjustments described above are calculated using formulae established by CMS that are revised periodically pursuant to federal budgetary policy. There can be no assurance that payments received by the Obligated Group will be sufficient to cover all actual costs of providing inpatient hospital services to Medicare patients.

Hospitals report certain quality measures under the Hospital Inpatient Quality Initiative. Hospitals that report these measures receive the full DRG inflation update - known as the "hospital market basket", while non-participating hospitals suffer a 2% reduction from the market basket update. For federal fiscal year 2020, CMS increased acute care hospital rates by approximately 3.1% for those acute care hospitals that successfully participate in the Hospital Quality Initiative and are meaningful electronic health record

users. This increase reflects a market basket increase of 3.0% reduced by a 0.4% multi-factor productivity adjustment. This also reflects an increase of 0.5% required by the Medicare Access and Children's Health Insurance Program Reauthorization Act ("*MACRA*"). The hospitals affiliated with the Obligated Group participate in CMS' Inpatient Hospital Quality Initiative. There is no assurance that future updates in DRG payments will keep pace with the increases in providing inpatient hospital services.

Outpatient Services. Medicare payments for hospital outpatient services also are established through a PPS methodology. Under outpatient PPS, procedures, evaluations, management services, drugs and devices in outpatient departments are classified into one of approximately 750 groups called Ambulatory Payment Classifications ("*APCs*"). Services provided within an APC are similar clinically and in terms of the resources they require. Each APC has been assigned a weight derived from the median hospital cost of the services in the group relative to the median hospital cost of the services included in the APC for mid-level clinic visits, adjusted to account for variations in hospital labor costs across geographic regions. Payment rates for each APC are then calculated by multiplying the relative weight for an APC by a conversion factor to arrive at a dollar figure.

Outpatient PPS includes additional adjustments for transitional pass-through payments and outlier payments. Transitional pass-through payments are costs associated with new technology items (drugs, biologicals and medical devices) that were not reflected in the data that CMS used to calculate outpatient PPS payment rates, and are intended to allow for adequate payment of new and innovative technology until there is enough data to incorporate the costs for these items into the base APC group.

APCs include payment for related ancillary services provided in conjunction with a procedure or medical visit. Although hospitals may receive payment for more than one APC for an encounter, payment for multiple surgical APC procedures are subject to substantial discounting.

Outpatient renal dialysis services are reimbursed on the basis of prospective reimbursement, though different rates are paid for hospital-based and free-standing facilities, and are adjusted for geographic differences in labor costs. This composite rate is the same regardless of whether the treatment is furnished in the facility or in the patient's home to incentivize home dialysis, and must be accepted by the facility as payment in full for covered outpatient dialysis.

Under outpatient PPS, a hospital with costs exceeding the applicable payment rate would incur losses on such services provided to Medicare beneficiaries. There can be no assurance that outpatient PPS payments will be sufficient to cover all of the Obligated Group's actual costs of providing hospital outpatient services to Medicare patients.

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

The nationally-uniform conversion factor was previously calculated utilizing the sustainable growth rate ("*SGR*") system. The SGR formula, a limit on the growth of Medicare payments for physician services, was enacted in 1997 and linked to changes in the U.S. Gross Domestic Product over a ten-year period. Each year since 2003, Congress provided temporary relief from scheduled "negative" updates that would have reduced physician payments. In April of 2015, Congress enacted MACRA, which substantially revised payment methodology for physician services. Specifically, MACRA increases physician reimbursement by 0.5% annually until 2019, by 0.25% in 2019 pursuant to the Bipartisan Budget Act of 2018, and then provides for no additional increases to base physician reimbursement through 2025.

Beginning January 1, 2026, and effective January 1 of each subsequent calendar year, physician payments will be increased 0.75% for physicians who adequately participate in qualified alternative payment models, but only 0.25% for those who do not.

MACRA moved Medicare physician reimbursement from a fee-for-service to a pay-for-performance model that will continue to control the growth of physician payments based on clinical outcomes and quality reporting. In addition to the base payment methodology, physicians can earn merit-based payments based on factors including compliance with meaningful use of certified electronic health records technology and demonstration of quality-based medicine.

The outcomes of these programs, including the likelihood of being revised or expanded or their effect on health care organizations revenues or financial performance cannot be predicted, and it remains unclear what effect this legislation will have on the Obligated Group members' hospitals.

Capital Expenditures. Medicare payments for capital costs are based upon a PPS system similar to that applicable to operating costs. Payment for capital related costs for all hospitals are determined based on a standardized amount referred to as the federal rate.

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. As noted above, ACA includes reductions over time to the disproportionate share payments.

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

Medical Education Costs. Under PPS, teaching hospitals receive additional payments from Medicare for certain direct and indirect costs related to their graduate medical education ("*GME*") programs. Direct GME payments compensate teaching hospitals for the cost directly related to educating residents. Such costs include the residents' salaries and benefits, the salaries and benefits of supervising faculty, other costs directly attributable to the GME program, and allocated overhead costs. Payment for direct medical education costs are calculated based upon set formulae taking into account hospital-specific medical education costs associated with each resident, the number of full-time equivalent residents, and the proportion of Medicare inpatient days to non-Medicare inpatient days. Indirect GME payments compensate teaching hospitals for the higher patient care costs they incur relative to non-teaching hospitals. Those indirect payments are issued as a percentage adjustment to the PPS payments. The calculation for both the direct part and the indirect part of Medicare payments for GME include certain limitations on the number and classification of full-time equivalent residents reimbursed by Medicare.

The formulae used to determine payments 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 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.

Outlier Payments. As previously noted, hospitals are eligible to receive additional payments known as "outlier payments" under the inpatient PPS for individual cases incurring extraordinarily high costs. Costs must exceed a certain threshold in order for the hospital to be eligible to charge for outlier payments. A percentage of costs, based on the marginal cost factor, is then applied to only the costs

exceeding the threshold to figure out the payment. Both operating costs and capital (asset) costs are applied when calculating the outlier payments.

After determining that some hospitals might be manipulating current hospital charge data to maximize reimbursement from Medicare for outlier payments, CMS amended the regulations on how outlier payments were to be calculated. The Office of Inspector General for HHS ("*OIG*") scrutinizes 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. Although the Obligated Group members believe that their outlier payments have been calculated appropriately, there can be no assurance that they will not become the subject of an investigation or audit with respect to their past outlier payments, or that such an audit would not have a material adverse impact on the Obligated Group members. Moreover, there can be no assurance that any future revisions to the formula for calculating outlier payments will not reduce payments to the Obligated Group members, or that any such reduction will not have a material adverse impact on the Obligated Group members.

Medicare Managed Care Program. Every individual entitled to Medicare Part A benefits, and who is 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, known as the Medicare Advantage Program. 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. Payments for Medicare Advantage plans are based on competitive bids to the government rather than administered pricing.

Public and private health maintenance organizations, preferred provider organizations, fee for service and medical savings account plans may qualify as authorized Medicare Advantage plans. With limited exceptions, Medicare Advantage plans are risk-bearing programs that accept a fixed annual amount in return for providing beneficiaries with a defined level of benefits (basic or basic plus supplemental), either directly or through arrangements with other providers. All Medicare Advantage plans are required to provide coverage, even if out of network, for emergency services, renal dialysis services provided while the enrollee was temporarily outside of the plan's service area, post-stabilization care services (under limited circumstances) and services for which coverage was denied but, following appeal by the enrollee, were determined to be covered services. Providers wishing to participate in Medicare Advantage plans are subject to specific requirements concerning enrollee protection and accountability.

The shift of Medicare eligible beneficiaries from traditional Part A and Part B coverage to Part C Medicare Advantage programs was intended to increase competitive pressure to improve benefits, reduce premiums and generate cost reductions. However, because the cost to the Medicare Advantage program was on average 114% higher than traditional Medicare, ACA changed some of the Medicare Advantage payment methodologies. The resulting reductions in the Medicare Part C program may have an impact on reimbursement from these insurance plans, which in turn may have a material negative impact upon the revenue of the Obligated Group and its affiliates.

Provider-Based Standards. Some health care providers bill for services as "provider-based entities" and as, such, are subject to CMS' provider-based regulations. In 2017, CMS implemented a "site neutral" reimbursement policy to reduce payment discrepancies between identical services performed at off-campus provider-based hospital departments ("*PBDs*") and other facilities. A hospital outpatient department is considered to be "off-campus" if it is located more than 250 yards from a main provider hospital or a remote location of a hospital. The site-neutral payments apply to services performed at PBDs established on or after November 1, 2015, and not otherwise subject to an exception. Pursuant to the 2019 OPPS final rule, grandfathered PBDs will be paid for services at 70% of the OPPS rate in 2019 and 40% of the OPPS rate in 2020 and beyond. The American Hospital Association and the Association of American

Medical Colleges, along with three hospital plaintiffs, challenged the rule, and in September 2019, the U.S. District Court for the District of Columbia ruled in favor of the plaintiffs, overturning the site-neutral payments aspect of the 2019 OPPS final rule. In October 2019, the District Court refused to modify its previous order and denied CMS's request to stay the order pending appeal. Remedies in the lawsuit are still to be determined. Because of the uncertainty associated with the outcome of any appeal by CMS, as well as any subsequent CMS rulemaking, there can be no assurances regarding the impact of these payment and policy changes. Implementation of the site-neutral policy is likely to have a significant financial impact on hospitals.

Audits, Exclusions, Fines and Enforcement Actions. Medicare-participating hospitals are subject to audits and retroactive audit adjustments with respect to reimbursement claimed under the Medicare, Medicaid and commercial programs. Although management of the Obligated Group members believes the reserves of the Obligated Group members are adequate, such adjustments could be substantial and could exceed reserves maintained therefor by the Obligated Group members. Medicare regulations also provide for withholding Medicare payment in certain circumstances, and such withholds could have a material adverse effect on the financial condition of the Obligated Group members. Management of the Obligated Group is not aware of any situation whereby a material Medicare payment is being withheld from the Obligated Group members.

Medicare-participating hospitals are also subject to Recovery Audit Contractor ("*RAC*") audits. RAC auditors are authorized, in most cases, to look back three years from the date the claim was paid, and to review the appropriateness of each claim by applying the same standards and guidance as would a Medicare contractor. The ACA expanded the scope of the RAC program to include Medicare Parts C and D and Medicaid. Medicaid RAC audit programs are overseen by states in accordance with federal guidelines. Medicare RAC recovery amounts have increased substantially over the last couple years. Although RACs are required to identify overpayments and underpayments, RACs have in practice collected significantly more in overpayments from providers than paid out as underpayments to providers. Furthermore, the federal and state governments have developed numerous other audit and fraud enforcement programs over the past decade increasing the likelihood that health care entities, like the Obligated Group members, participating in Medicare and Medicaid may be subject to audits, retroactive audit adjustments and re-payments with respect to reimbursement. Federal and state efforts to take monies back from providers as well as related investigations and, in some cases, criminal prosecutions for overbilling are expected to be prevalent for years to come. It is impossible to predict the effect of such efforts as any resulting future payment adjustments and/or re-payments could be material. 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 provider to civil or criminal sanctions. Increased RAC recoupment efforts and other audit programs may have a material impact upon the revenues of the Obligated Group members.

Medicare Trust Funds. Two trust funds are maintained as part of the Medicare Program. Hospital Insurance ("*HI*") or Medicare Part A, helps to pay for hospital, home health, skilled nursing facility, and hospice care for the aged and disabled and is financed primarily by payroll taxes paid by workers and employers. The Medicare Board of Trustees' annual report in April 2019 indicated that the HI Trust Fund is not financed adequately and is projected to be exhausted in 2026. The other trust fund and various other components of the Medicare Program also have significant funding challenges. The trustees recommended that Congress and the executive branch work together with a sense of urgency to address the depletion of the HI Trust Fund and the projected growth in hospital and other expenditures. Accordingly, it is likely that statutory and regulatory attempts to contain increases in Medicare costs will continue in the future.

Medicaid Reimbursement and Other State Health Care Programs

Overview. Medicaid is a partially federal funded state program of medical care for the poor. States obtain federal matching funds for their Medicaid programs by obtaining the approval of CMS for a "state plan" which conforms to Title XIX of the Social Security Act and its implementing regulations. Under broad federal guidelines, each state establishes and administers its own Medicaid program, which includes determining its own eligibility standards, determining the types, amount, duration, and scope of services, and setting the rate of payment for services. After a state plan is approved, the federal government provides federal matching funds for Medicaid expenditures.

The ACA generally revised the Medicaid program by expanding Medicaid coverage, controlling costs and improving Medicaid service delivery for recipients, including those with mental illnesses and disabilities. Under the ACA, states are required to maintain the Medicaid-eligibility standards in effect on March 23, 2010 until the state health insurance exchange (where consumers can comparison shop for health insurance) is deemed by HHS to be fully operational. States are not prevented from making cuts elsewhere in the Medicaid program, such as eliminating optional benefits or reducing provider reimbursement rates.

On June 28, 2012, the United States Supreme Court upheld the ACA's individual mandate provision, revised the Medicaid expansion requirement by giving states a choice to opt out of expanding eligibility without losing the entirety of their federal Medicaid funds, and generally upheld the ACA as a whole. As a result of the ruling, almost every individual in the United States must either obtain health coverage, through an employer, a government-sponsored program such as Medicare or Medicaid, or individual insurance, or pay a penalty. In addition, the provisions of the ACA originally requiring states to expand eligibility requirements for state Medicaid programs to individuals who earn up to 133% of the federal poverty level are now optional and may not go into effect in all states. Following the Supreme Court's Medicaid expansion ruling, it was uncertain how many states would choose to expand Medicaid. As of November 2019, the District of Columbia and 36 states, including Pennsylvania, expanded Medicaid.

Most of the ACA's details are developed through regulations that will continue to be promulgated by HHS and other federal agencies and state insurance departments. Increased access to health insurance coverage may increase the demand for health care and reduce uncompensated care, yet other Medicaid reforms and cost cutting initiatives may negatively impact financial results. These efforts to reform health care, particularly cutting the cost of health care and improving quality, will continue as current health care costs trends are unsustainable.

During its implementation, the ACA has withstood several legal challenges. As its implementation continues it may face more challenges, and it remains unclear what effect, if any, other legal challenges to certain provisions of the ACA will have as a whole. In any event, there can be no guarantee that federal and state programs will continue to be funded at their current rate. Budgetary and financial constraints in Pennsylvania and other states, as well as severe limitations on the method of acquiring increased federal financial participation payments through the use of provider taxes and donations, have called into question the ability of public agencies such as DHS to make adequate and timely payments to providers. Further, while expanded Medicaid coverage will likely result in fewer uninsured patients, rates paid for Medicaid patients have historically not covered the full costs of their care and there is no guarantee that the rates will ever cover the cost of such care. The interim or long-term effects of the ACA, or any legislation amending, repealing or replacing it, on the Obligated Group cannot be predicted with any degree of certainty.

Inpatient Services. Payment for medical and health services is made to hospitals in an amount determined in accordance with procedures and standards established by state law under federal guidelines. In addition to such direct payments, the Obligated Group also receives reimbursement for services to Medicaid patients from certain payers that have contractual arrangements with DHS to provide coverage

for such patients. Providers participating in Medicaid must accept Medicaid payment rates as payment in full.

Since 1984, Medicaid payment for operating and capital-related costs of acute care services has been based on a PPS similar to the federal Medicare DRG-based PPS described above. In 2010, when the state plan was amended, Medicaid payment for inpatient hospital services was modernized by establishing a uniform base rate for all hospitals using the most current cost information, and making adjustments for differences in regional labor costs, teaching programs, and Medicaid volume. At the same time, hospital payments through the state's Medicaid managed care program were enhanced, and additional matching Medicaid funds were obtained through the establishment of the Quality Care Assessment, a tax on hospital net inpatient revenues that allows the state to access additional federal dollars. Through Pennsylvania's Act 49 of 2010, DHS was authorized to impose a statewide hospital assessment on the net inpatient revenue of all Pennsylvania licensed acute care hospitals. Act 49 modernized Pennsylvania's inpatient hospital fee-for-service payment system, introduced enhanced hospital payments through Pennsylvania's Medicaid managed care program, and secured additional matching Medicaid funds through the establishment of the Quality Care Assessment.

Act 40 of 2018, enacted on June 22, 2018, reauthorized the Quality Care Assessment through June 30, 2023 and changed the single rate on net inpatient revenue to a bifurcated rate split between net inpatient revenue and net outpatient revenue. Act 49 also replaced the current clinical classification system with a new clinical classification system (APR-DRG) in which payments more accurately reflect the levels of service and patient needs unique to Medical Assistance patients. For fiscal year 2019, the inpatient rate is 2.98% and the outpatient rate is 1.55%. For fiscal years 2020 through 2023, the inpatient and outpatient rates increase to 3.32% and 1.73% respectively.

In addition, states must make DSH payments to qualified hospitals that provide services to a disproportionately large number of Medicaid, low income and/or uninsured patients. Often DSH payments are insufficient to cover a hospital's costs in providing care to such patients, and in light of the DSH payment reduction, there can be no assurance that any future DSH payments will cover the Obligated Group's costs. There can be no assurance that future Medicaid inpatient reimbursement rates will remain at current levels, or that such rates will cover the Obligated Group's costs of providing inpatient care to Medicaid patients.

Serious, Preventable Events. The ACA required CMS to incorporate nonpayment policies for certain Hospital Acquired Conditions ("*HACs*") into the Medicaid regulations, including non-payment polices for provider preventable conditions. States have discretion to add additional HACs and provider preventable conditions to their non-payment policies. While the Obligated Group's hospitals currently have programs in place to monitor and prevent HACs, given the difficulty inherent in completely eliminating HACs, it is likely that the Obligated Group's hospitals will face reduced reimbursement at some point for costs associated with treating HACs.

Outpatient Services. Medicaid provides payment for hospital outpatient services rendered based on the lower of the usual charge to the general public for the same service or the Medicaid maximum allowable fee.

Medicaid Managed Care. In Pennsylvania, Medicaid recipients may obtain benefits through managed care plans. Under the program known as "HealthChoices," most Medicaid beneficiaries in Pennsylvania, including those in the Obligated Group service area, are required to enroll in a managed care plan that provides services on a prepaid basis. The HealthChoices program has generally resulted in stricter utilization review of Medicaid-reimbursed hospital services and reduced lengths of stay and/or reimbursement compared with the previous fee-for-service system. There can be no assurance that the prepaid rates will cover expenses incurred in providing inpatient hospital care to the Medicaid recipients.

Children's Health Insurance Program

The Children's Health Insurance Program ("*CHIP*") is a federally funded insurance program for families that are financially ineligible for Medicaid but cannot afford commercial health insurance. CMS administers CHIP, but each state creates its own program based upon minimum federal guidelines. CHIP insurance is provided through private health plans contracting with the state. Each state must periodically submit its CHIP plan to CMS for review to determine if it meets the federal requirements. If it does not meet the federal requirements, a state can lose its federal funding for the program.

From time to time, Congress and/or the President may seek to expand, reduce or fail to reauthorize CHIP. The ACA authorized an extension of the CHIP program through September 30, 2015. MACRA extended the CHIP program through September 30, 2017. President Trump signed a six-year reauthorization of CHIP into law on January 22, 2018. On February 9, 2018, Congress voted to extend CHIP for an additional four years, effectively extending CHIP through 2027.

Third-Party Reimbursement

A significant portion of the net patient service revenue of the Obligated Group is received from commercial third-party payors and other non-governmental agencies, which provide third-party reimbursement for patient care on the basis of various formulae. Renegotiations of such formulae and changes in such reimbursement systems may reduce such third-party reimbursements to the Obligated Group. The reimbursement currently paid by third parties is likely to be subject to more restrictions in the future, and there can be no assurance that such payments will be adequate to cover the cost of care for the beneficiaries in the future.

Some private insurance companies contract with hospitals on an exclusive or preferred-provider basis, and some insurers have plans known as preferred provider organizations ("*PPOs*"). Under these plans, there may be financial incentives for subscribers to use only those hospitals and physicians who contract with those plans. Under an exclusive provider plan or narrow network plan, private payors limit coverage to those services provided by network hospitals and physicians. With this contracting authority, private payors may direct patients away from hospitals not in the network by denying coverage for services provided by them.

Most private insurers pay hospitals on a discounted fee-for-service basis or on a discounted fixed rate per day of care. The discounts offered to insurers may result in payment at less than actual cost, and the volume of patients directed to a hospital under an insurer's contract may vary significantly from projections. Therefore, the financial consequences of such arrangements cannot be predicted with certainty and may be different from current or prior experience. Some insurers offer or mandate a "capitation" payment method under which hospitals are paid a predetermined periodic rate for each enrollee who is "assigned" to, or otherwise directed to receive care at, a particular hospital. In a capitation payment system, the hospital assumes an insurance risk for the cost and scope of care given to the insurer's enrollees. If payment under an insurer's contract is insufficient to meet the hospital's costs of care, or if use by enrollees materially exceeds projections, the financial condition of that hospital may be adversely affected.

Third-party payors 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. Strong utilization management by managed care plans has led to reduction in the number of hospitalizations and lengths of hospital stays, both of which may reduce patient service revenue to hospitals. Furthermore, shortened hospital lengths of stay have not necessarily been accompanied with 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.

The ACA imposes, over time, increased regulation of the industry, the use and availability of state-based exchanges in which health insurance can be purchased by certain groups and segments of the population, the extension of subsidies and tax credits for premium payments by some consumers and employers and the imposition upon commercial insurers of certain terms and conditions that must be included in contracts with providers. In addition, the ACA imposes many new obligations on states related to health care insurance. Individuals choosing their own coverage through health insurance exchanges are likely to be more price sensitive, which could increase the number of enrollees in lower-cost plans and increase the use of capitation, making price negotiations with insurers more difficult. It is unclear how the increased federal oversight of state health care may affect future state oversight or affect the Obligated Group. The effects of these changes upon the revenues of the Obligated Group, and upon the operations, results of operations and financial condition of the Obligated Group, cannot be predicted.

The System, the Obligated Group and their affiliates also may be affected by the financial instability of third-party payors from which it receives reimbursement for furnishing health care services. For example, if regulators place a financially-troubled insurer 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. Health care providers also 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.

Employer-sponsored health insurance plans are adopting health care benefits that create incentives for employees to participate in preventative care programs and better manage chronic diseases. These programs may reduce the costs of providing health care benefits and help maintain a healthier workforce. Employers also are adding alternatives to traditional fee for service health insurance programs, by offering a variety of health insurance programs that increase cost sharing by employees or reduce cost by limiting access to only preferred providers. These types of insurance programs are expected to cover an increasing share of health care services being provided in the future.

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

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 managed care plans. This involvement has taken many forms but typically increases the competition for limited payment resources from managed care plans. For example, it is increasingly common for managed care plans to enter into contracts with physicians that may give physicians incentives in patient care decisions which may result in reduced hospital admissions and procedures.

Any payment methods implemented by the Medicare and Medicaid programs in response to ACA provisions are likely to drive similar changes in the private payor market. Programs designed to encourage coordination of care, value-based purchasing and quality outcomes will likely evolve in the private payor market.

There is no assurance that reimbursement contracts of the Obligated Group or its physicians with Blue Cross or other third-party payors will be maintained, that other similar contracts will be obtained in the future, or that payments from such payors will be sufficient to cover all of the costs the Obligated Group incurs in providing services to their beneficiaries. Failure to execute and maintain such contracts could have the effect of reducing the patient base or revenues of the Obligated Group. Conversely, participation may maintain or increase the patient base, but may result in reduced payments.

Uncompensated Care

Although the Obligated Group attempts to assure payment or reimbursement for most of the care it renders, it provides a substantial amount of uncompensated care to indigents. Obligations to provide uncompensated care can arise from laws and regulations that may require the Obligated Group to provide care without regard to a patient's ability to pay for such care. Increased unemployment or other adverse economic conditions could increase the proportion of patients who are unable to pay all or any of the costs of their care.

While the ACA has reduced uncompensated care by expanding health care coverage to a larger portion of the population, that improvement may be reversed by executive and legislative actions relating to the ACA, such as eliminating the Individual Mandate. In addition, the Medicaid and Medicare programs are 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.

Regulatory Environment

The System, the Obligated Group and their affiliates 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. These laws and regulations also require health care providers to meet various detailed standards relating to the adequacy of medical care, equipment, personnel, information technology, patient confidentiality, 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 health care provider'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 and regulations in these and other areas could have an adverse effect on the operations and financial conditions of the Obligated Group and, in turn, on the System's ability to make payments under the Loan Agreement.

ACA enhanced the Medicare and Medicaid integrity provisions by increasing funding for enhanced fraud and abuse efforts and increasing the fines and penalties for failure to comply. These efforts will be supported by the expansion of access to CMS's integrated claims data repository of CMS, to be used to identify potential fraud, waste and abuse.

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 health care providers. The coding, billing and reporting obligations of Medicare and Medicaid 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.

Some of the laws and regulations affecting the health care industry are discussed below.

The Federal Anti-Kickback Law. The federal Anti-Kickback Law ("*AKS*") is a criminal statute that prohibits the knowing and willful offer, payment or receipt of remuneration in exchange for or as an inducement to make or influence a referral of a patient for the provision of goods or services that may be reimbursed under any federal health care program. The scope of the AKS is very broad, and it potentially implicates many practices and arrangements common in the health care industry. Violation of the AKS is a felony, subject to a maximum fine of $100,000, imprisonment for up to ten years, both a fine and imprisonment, civil monetary penalties of up to $100,000 per violation or damages equal to three times the amount of the prohibited remuneration, as well as exclusion from the federal health care programs. The ACA clarified the intent requirement to provide that a person need not have actual knowledge of the AKS or specific intent to commit a kickback violation to violate the statute. The result of this change is that the government will have less of a burden to prove a violation under the AKS. In addition, a claim that includes items or services resulting from a violation of the AKS is a false claim for purposes of the federal civil False Claims Act (discussed below).

HHS has issued regulations from time to time setting forth safe harbors that protect limited types of arrangements from prosecution under the statute. Arrangements that do not comply with the strict requirements of the safe harbors, while not necessarily illegal, face an ongoing risk of investigation or prosecution due to the broad language of the statute. The safe harbors described in the regulations are narrow and do not cover many common economic relationships between and among hospitals, including the Obligated Group, physicians and other health care providers. The Obligated Group has arrangements with other health care providers that may not meet all of the requirements of the "safe harbor" regulations. Given the narrowness of the safe harbor regulations and the scarcity of the case law interpreting the AKS, there can be no assurances that the Obligated Group will not be found to have violated the AKS, and if such a violation were found, that any sanctions imposed would not have a material adverse effect upon the operations and financial conditions of the Obligated Group.

Physician Payment Sunshine Act. To increase transparency regarding the financial relationships between hospitals, doctors, and health care manufacturing companies, the Physician Payment Sunshine Act requires that manufacturers of drugs, medical devices and biologicals that participate in U.S. federal health care programs must report certain payments and items of value given to physicians and teaching hospitals. This information is publicly available on the CMS website. It is impossible to predict the future impact of this reporting on the Obligated Group or whether the companies that currently provide payments to the Obligated Group will reduce such payments to the Obligated Group or whether the federal government will pursue investigations as a result of such reporting.

Federal False Claims Act. The federal criminal False Claims Act ("*criminal FCA*") makes it illegal to submit or present a claim known to be false, fictitious or fraudulent claim to the federal government. Violation of the criminal FCA can result in imprisonment and a fine. The federal civil False Claims Act ("*civil FCA*"), one of the government's primary weapons against health care fraud, allows the United States government to recover significant damages from persons or entities that submit false or fraudulent claims for payment to any federal agency through actions taken by the U.S. Attorney's Office or the Department of Justice. The civil FCA also permits individuals to initiate actions on behalf of the government in lawsuits called qui tam actions. These qui tam plaintiffs, or "whistleblowers," can share in the damages recovered by the government.

Under the civil FCA, health care providers may be liable if they take steps to obtain improper payments from the government by submitting false claims or failing to refund known overpayments. Civil FCA violations have been alleged solely on the existence of alleged kickback or self-referral arrangements. Even in the absence of evidence that services were not provided or not medically necessary, these cases argue that the improper business relationship tainted the subsequently submitted claims, thereby rendering the claims false under the civil FCA. In 2009, the scope of the civil FCA was expanded to include so-called "reverse false claims," where a provider that knowingly retains a government overpayment is subject to FCA liability. The ACA further requires that any overpayment be reported and repaid within 60 days after the date on which overpayment was identified. Failure to do so will be considered a *per se* false claim under the civil FCA. The ACA also modified the FCA by extending the FCA to AKS violations.

Violations of the civil FCA can result in penalties up to triple the actual damages incurred by the government and monetary penalties of $22,927 per claim for amounts assessed after February 1, 2019. Private individuals may also bring suit under the qui tam provisions of the civil FCA and may be eligible for to share in the government's recovery for providing information that leads to recoveries or sanctions that arise in a variety of contexts in which health care providers operate. The ACA also eased the requirements for private individuals to bring suit under the civil FCA. In recent years there has been a significant increase in the number of whistleblower allegations filed under the civil FCA.

While the Obligated Group is not aware of any violations of the criminal FCA or civil FCA, these statutes pose significant risks to all health care organizations. There can be no assurances that the Obligated Group will not be charged with, or found to have violated, the criminal FCA or civil FCA and, if so, that any fines or other penalties would not have a material adverse effect on their operations.

Civil Monetary Penalties Law. The Civil Monetary Penalties Law under the Social Security Act ("*CMP Law*") provides for the imposition of civil monetary penalties for many reasons, including against any person who submits a claim to Medicare, Medicaid or any other federal health care program that the person knows or should know is for items or services not provided as claimed; is false or fraudulent; is for services provided by an unlicensed or uncertified physician or by an excluded person; represents a pattern of claims that are based on a billing code higher than the level of service provided; or is for services that are not medically necessary. The CMP Law, among other things, also prohibits hospitals from paying physicians to limit medically necessary care. Penalties under the CMP Law include civil monetary penalties, adjusted yearly for inflation, currently ranging from $20,000 to $100,000 for each item or service improperly claimed and each instance of prohibited conduct, damages of up to three times the amount claimed for each item or service, and exclusion from participation in the federal health care programs. Depending on the type of violation different (and in some cases, higher) penalties may apply.

Health care providers may be found liable under the CMP Law even when they did not have actual knowledge of the impropriety of their action. Knowingly undertaking the action is sufficient. The imposition of civil monetary penalties could have a material adverse impact on the Obligated Group' financial condition.

Stark Self-Referral and Payment Prohibitions. The federal Ethics in Patient Referrals Act (known as the "*Stark Law*") prohibits the referral of patients for certain "designated health services" (which include inpatient and outpatient hospital services) payable by Medicare to entities with which the referring physician (or an immediate family member of such physician) has a financial relationship unless an exception applies. The statute also prohibits the entity furnishing the "designated health services" from billing the Medicare or Medicaid program for designated health services furnished pursuant to a prohibited referral. The law requires reporting of financial relationships to CMS. The Stark Law is a strict liability statute.

Penalties for violation of the Stark Law include denial of payment, recoupment, refunds of amounts paid in violation of the law, exclusion from the Medicare or Medicaid program, and substantial civil monetary penalties (which are inflation-adjusted and, as of the most recent adjustment, are up to $24,748 per service, $164,992 for each arrangement or scheme intended to circumvent or to violate the statute, or $19,639 per day for false reporting or failure to report certain information required under the law). In certain circumstances, knowing violations may also create liability under the FCA. Due to the complexity of the Stark Law and related regulatory guidance, there can be no assurance that the Obligated Group will not be found to have violated the Stark Law. If so, a sanction imposed based on such a violation could have a material adverse effect on the operations and/or financial condition of the Obligated Group.

State Fraud and Abuse Laws. In addition to federal fraud and abuse laws, states also have a variety of laws related to kickbacks and referrals, which may be broader than the federal laws, as described below:

False Claims. Pennsylvania's Medicaid Fraud and Abuse Control Law (the "Medicaid Fraud Control Act") prohibits the submission of false or fraudulent claims to Pennsylvania's Medical Assistance (Medicaid) program. The Medicaid Fraud Control Act prohibits any person from, among other things, knowingly or intentionally presenting for allowance or payment any false or fraudulent claim or cost report for furnishing services or merchandise under the Medicaid program; knowingly presenting for allowance or payment any claim or cost report for medically unnecessary services or merchandise under the Medicaid program; knowingly submitting false information, for the purpose of obtaining greater compensation than that to which he or she is legally entitled for furnishing services or merchandise under the Medicaid program; or knowingly submitting false information for the purpose of obtaining or furnishing services or merchandise under the Medicaid program. Violation of the Medicaid Fraud Control Act may lead to civil and criminal penalties, as well as exclusion from the Medicaid program.

The Pennsylvania Whistleblower Law provides protection from discrimination and retaliation to any person who witnesses or has evidence of wrongdoing or waste while employed by a public body (or any body that is funded in any amount by or through the Commonwealth) and who makes a good faith report of the wrongdoing or waste, verbally or in writing, to one of the person's superiors, to an agent of the employer or to an appropriate authority. No employer may discharge, threaten or otherwise discriminate or retaliate against an employee regarding the employee's compensation, terms, conditions, location or privileges of employment because the employee, or a person acting on behalf of the employee, makes a good faith report or is about to report, verbally or in writing, to the employer or appropriate authority an instance of wrongdoing or waste.

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 Medicaid Fraud Control Act could have a material adverse financial impact on the Obligated Group, regardless of the merits of the case.

State Anti-Kickback Law. Pennsylvania regulations contain provisions that prohibit a provider enrolled in the Medicaid program from directly or indirectly doing any of the following acts: solicitation or receipt or offer of a kickback, payment, gift, bribe or rebate for purchasing, leasing, ordering or arranging for, or recommending purchasing, leasing, ordering or arranging for, a good, facility, service or item for which payment is made under Medicaid. This does not preclude discounts or other reductions in charges by a provider to a practitioner for services, that is, laboratory and x-ray, so long as the price is properly disclosed and appropriately reflected in the costs claimed or charges made by a practitioner.

Violation of the Commonwealth's Anti-Kickback Law may lead to civil and criminal penalties, as well as exclusion from the Medicaid program. The Obligated Group attempts to comply with the provisions

of these regulations. The mere allegation of such a violation, or if such violation were found to have occurred any sanctions imposed, could have a material adverse effect upon the operations and financial condition of the Obligated Group.

State Anti-Referral Law. Under Pennsylvania law, physicians (and other practitioners of the healing arts) are required to disclose to patients any referral to a facility where the physician has a financial interest, and must advise the patient that he or she retains the freedom to choose among any recommended facilities. Providers participating in the Medicaid program may not refer a Medicaid recipient to an independent laboratory, pharmacy, radiology or other ancillary medical service in which the practitioner or professional corporation has an ownership interest.

Breach of Personal Information Notification Act. The Breach of Personal Information Notification Act, enacted in 2006, states that a state agency, political subdivision, individual or business that operates in the Commonwealth and maintains, stores or manages personal consumer information on a computer, must provide notice of any security system breach to Pennsylvania residents whose personal information was or may have been compromised by the breach. A private action under the Breach of Personal Information Notification Act can also result in treble damages. The Pennsylvania Attorney General may impose civil penalties of $1,000 per violation, or $3,000 if the injured person is 60 years of age or older.

Future Pennsylvania Legislation. From time to time, the Pennsylvania Legislature considers certain reforms aimed at containing health care costs and increasing coverage. Such reforms often include provisions to provide more affordable coverage through expanded government health care programs, provide subsidies to low-income residents to enable them to purchase health care coverage and initiate studies or implement regulations related to payment systems reform. At this time, it is impossible to measure the overall financial impact that current and future legislation, if enacted into law, would have on the Obligated Group.

Management of the Obligated Group believes that all arrangements currently in place with their physicians have been appropriately structured so as to avoid violating the Pennsylvania fraud and abuse laws. While the Obligated Group is not aware of any violations of applicable state fraud and abuse laws by the Obligated Group or their practitioners, these laws may pose significant risks to the Obligated Group. If violations of state fraud and abuse laws were found to have occurred, any penalties or sanctions imposed could have a material adverse effect upon the future operations and financial condition of the Obligated Group.

Health Insurance Portability and Accountability Act. Providers of health care, such as the Obligated Group, are impacted by certain health information requirements contained in the Health Insurance Portability and Accountability Act of 1996 and its implementing regulations ("*HIPAA*"), as amended in 2009 by the Health Information Technology for Economic and Clinical Health Act ("*HITECH*"). HIPAA mandates the adoption of detailed standards for maintaining the privacy and security of protected health information ("*PHI"*). HITECH made significant modifications to HIPAA including subjecting business associates to direct regulation and enforcement by the Office of Civil Rights of HHS ("*OCR*"), instituting a breach notification requirement for breaches of unsecured PHI, including a breach of PHI held by a business associate, and strengthening the enforcement tools available to OCR. Additionally, under HIPAA covered entities or business associates must perform risk assessments.

On March 21, 2016, the OCR announced that it was ready to begin Phase Two of its HIPAA audit program, which included business associates. These audits, mandated by HITECH, were primarily comprised of desk audits, scheduled to be completed by the end of December 2016, followed by onsite audits. The OCR explained that some covered entities and business associates who are subject to desk audits may also be subject to onsite audits. According to the OCR, all covered entities and business

associates were eligible to be audited. The audits focused on identifying compliance with specific privacy, security and breach notification requirements under HIPAA/HITECH. Subsequent to the audits, the OCR will review and analyze information from audit final reports. Importantly, if an audit report uncovers significant noncompliance with HIPAA, it could prompt an investigation by the OCR. It is anticipated that more audit activity by the OCR will continue in the future.

The financial costs of continuing compliance with HIPAA and HITECH regulations are substantial and will increase as a result of increased enforcement and well-publicized breaches. Enforcement of HIPAA compliance has heightened in recent years and this trend is expected to continue. This includes, but is not limited to, a steady increase in the number of substantial settlements with governmental authorities as a result of breaches. If OCR conducts an investigation (whether as a result of an audit or reporting of such a breach), OCR could impose certain fines and penalties and could also require the Obligated Group to enter into a corrective action plan. The Obligated Group is actively engaged in continuing compliance efforts with HIPAA and HITECH. There are also costs and risks associated with vendors and contractors and it is possible that the Obligated Group could be responsible for HIPAA violations or breaches of its vendors and contractors. The Obligated Group have reported breaches to HHS. No guarantee can be made that the Obligated Group will remain HIPAA/HITECH Act compliant in the future, or that OCR will not conduct an audit or investigation in connection with a reported breach. In addition, as data breaches continue to have greater exposure both inside and outside of the health care industry, and awareness of such breaches continues, private litigation is expected to increase. As a result, no assurances can be given that the Obligated Group or any related entity will not be faced with potential private litigation in the event of a data breach.

Electronic Health Record Incentive Program. HITECH provided funding for various activities intended to promote the adoption and meaningful use of certified electronic health record ("*EHR*") technology. Eligible Medicare and Medicaid providers, including acute care hospitals and other health care professionals, may be eligible to receive EHR payment incentives if they demonstrate the meaningful use of certified EHR technology and meet other program requirements. Starting in 2015, an eligible provider who does not successfully demonstrate meaningful use of certified EHR technology will be subject to reduced physician fee schedule payments. If less than 75% of eligible providers are using certified EHR technology after 2018, then the payment adjustment will decrease by an additional 1% each year until the payment adjustment reaches 95% of the Medicare covered amount. CMS has begun an audit program to assure the veracity of certifications.

There can be no guarantee that the Obligated Group will continue to be able to successfully demonstrate meaningful use of EHR technology, and if the Obligated Group is unable to demonstrate meaningful use in the future, it may be subject to reduced Medicare payments.

Emergency Medical Treatment and Active Labor Act. Congress enacted the Emergency Medical Treatment and Active Labor Act ("*EMTALA*"), in response to allegations of inappropriate hospital transfers of indigent and uninsured emergency patients. EMTALA imposes strict requirements on hospitals in the treatment and transfer of patients with emergency medical conditions.

EMTALA requires hospitals to provide a medical screening examination to any individual who comes to a hospital's emergency department for treatment, without regard to ability to pay, to determine whether the individual suffers from an emergency medical condition within the meaning of EMTALA. A participating hospital may not delay providing a medical screening examination in order to inquire about method of payment or insurance status. If an emergency medical condition is present, the hospital must provide such additional medical examination and treatment as may be required to stabilize the emergency medical condition. If the hospital deems it in the best interest of the individual to transfer the individual to

another medical facility, the treating physician must execute a transfer certificate complying with the standards of EMTALA and must provide a medically appropriate transfer.

In regulations, CMS has extended the application of EMTALA beyond the hospital emergency department to any individual who is on hospital property and requests an examination or treatment, including individuals who are anywhere on the hospital's main campus, in a hospital owned ambulance, or in a facility determined by CMS to be an off-campus department of the hospital. Off-campus departments might include, for example, urgent care centers, primary care clinics and physical therapy and radiology facilities.

EMTALA imposes significant costs on hospitals, including the costs of treatment of individuals who may not be able to pay for those services, costs to develop and implement protocols covering medical screening examinations, stabilization and appropriate transfers and, in some cases, costs associated with assuring on-call availability of specialty physicians. In addition, the expansion of the requirements of EMTALA to off-campus departments may result in significant costs in training personnel and the development of protocols for screening, stabilization and transportation of patients.

If a hospital violates EMTALA, whether knowingly or negligently, it is subject to a civil money penalty of up to $106,965 per violation. Failure to satisfy the requirements of EMTALA also may result in termination of the hospital's provider agreement with Medicare. In addition, EMTALA creates a private cause of action for individuals who suffer personal harm as a result of an EMTALA violation, and for any hospital that suffers financial loss as a result of another hospital's violation of EMTALA. Enforcement activity under EMTALA has increased dramatically in recent years. Due to the broad interpretation of the reach of EMTALA, there can be no assurances that any sanctions imposed due to a violation of EMTALA will not have a material adverse effect upon the future operations and financial condition of the Obligated Group.

Quality Reporting Requirements. The Deficit Reduction Act ("*DRA*") also introduced significant new quality reporting initiatives for hospitals. The Obligated Group and its affiliates are required to submit quality performance measures; the penalty for hospitals not reporting quality measures is a two percentage point reduction in the market basket update for that fiscal year. ACA expands those reporting obligations.

DRA Compliance Policy and Employee Training Requirements. The DRA also established requirements for states participating in the Medicaid program to impose obligations on health care providers and others that receive at least $5 million annually in Medicaid payments to establish written policies and procedures designed to educate their employees (and certain contractors and agents) by providing detailed information about: (i) the federal False Claims Act and remedies under the law, (ii) administrative remedies for false claims and statements established by the Federal Program Fraud Civil Remedies Act of 1986, (iii) any state law false claims act and its remedies, (iv) the whistleblower protections provided under such laws, (v) the role of such laws in preventing and detecting fraud, waste and abuse, and (vi) the provider (or other party's) policies and procedures that are in place for the prevention and detection of fraud, waste and abuse. Providers and other covered parties that do not adequately update their compliance policies, handbooks and other training materials or otherwise abide by these requirements run the risk of losing Medicaid reimbursement and risk potential liability under the False Claims Act and other federal and state fraud and abuse laws.

Environmental Laws Affecting Health Care Facilities. Hospitals are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations that address, among other things, hospital operations or facilities and properties owned or operated by hospitals. 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 that have come to be located on the property, including any such substances that may have migrated off the property. Typical hospital operations include the handling, use, storage, transportation, disposal and/or discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants, or contaminants. For these reasons, hospital operations are particularly susceptible to the practical, financial, and legal risks associated with compliance with such laws and regulations. Such risks may result in damage to individuals, property, or the environment; may interrupt operations and/or increase their cost; may result in legal liability, damages, injunctions or fines; or may trigger investigations, administrative proceedings, penalties or other governmental agency actions. There can be no assurance that the Obligated Group will not encounter such risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of the Obligated Group.

Other Governmental Regulation. The Obligated Group's activities and operations are subject to regulation by federal agencies other than those that administer the Medicare and Medicaid programs. Such agencies include the Food and Drug Administration, the Drug Enforcement Agency, the Department of Labor, the Occupational Health and Safety Administration, the Environmental Protection Agency, and the IRS. The Obligated Group is also subject to regulation by the Commonwealth, primarily by the Pennsylvania Department of Health. Compliance with Federal and State agencies may require substantial expenditures from time to time for administrative or other costs.

Future Federal Legislation. The System and the Obligated Group anticipate that the federal government's health care reform initiatives will result in further legislation, regulation, and other actions that will continue the trend toward reduced reimbursement for hospital services and more pervasive regulation of operations. At present, no determination can be made concerning whether, or in what form, such legislation could be introduced and enacted into law. Similarly, the impact of future cost control programs and future regulations on the forecasted financial performance of the Obligated Group 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 hospital providers in the future, which could substantially reduce the revenues available to the Obligated Group, and any reduction in the levels of payment in these government payment programs could adversely affect the Obligated Group's financial condition and its ability to fulfill its obligations with respect to the Series 2020 Bonds.

Medical Care Availability and Reduction of Error Act. The Medical Care Availability and Reduction of Error Act (the "*Mcare Act*") is a Pennsylvania state law that is the successor to the Medical Professional Liability Catastrophe Loss Fund, better known as the "*CAT Fund*." The Mcare Act established a fund within the state Treasury (the "*Mcare Fund*") to ensure reasonable compensation for persons injured due to medical negligence. Money in the Mcare Fund is used to pay claims against participating health care providers and eligible entities for losses or damages awarded in medical professional liability actions in excess of basic insurance coverage. Participation in the Mcare Fund is mandatory for most Pennsylvania licensed health care providers.

The Mcare Act also includes significant patient safety initiatives, professional liability tort reforms, professional liability insurance reforms, and administrative requirements. Under the Mcare Act, hospitals are required to develop and implement patient safety plans, appoint patient safety officers, form patient safety committees, and engage in mandatory reporting of serious events, incidents, and infrastructure failures in the hospital. Furthermore, hospitals are required to provide written notice to patients affected by serious events. Failure to comply with the patient safety requirements of the Mcare Act can result in administrative fines of $1,000 per day and could significantly affect the financial condition of the Obligated Group.

Regulatory Inquiries

The laws and regulations governing federal reimbursement programs and the laws governing the health care industry generally (such as the False Claims Act, the Civil Money Penalties Law, the AKS and the Stark Law) are complex and subject to varying interpretations, and the System and the Obligated Group are subject to contractual reviews and program audits in the normal course of business. Penalties for violations of federal regulations governing health care providers can be severe, including treble damages, fines, and suspension from federal reimbursement programs such as Medicare and Medicaid. Federal agencies have initiated nationwide investigations into several areas of concern, including, among others: (a) teaching hospitals, (b) home health care services, (c) investigational devices, (d) laboratory billing, (e) cardioverter defibrillators and (f) cost reporting. The System and the Obligated Group expect that the level of review and audit to which they and other health care providers are subject will increase. ACA includes additional funding and resources to increase enforcement actions.

In contrast to a government-imposed corporate compliance plan that may be instituted pursuant to the federal government's investigation of a health care provider, a voluntary corporate compliance plan is instituted by a health care provider to put into place effective internal controls that promote adherence to various federal and state laws regulating the health care industry. The Office of Inspector General's *Compliance Program Guidance for Hospitals* was released in 1998 and supplemented in 2005. The OIG believes that the adoption and implementation of voluntary compliance programs by hospitals significantly advances the prevention of fraud, abuse and waste in federal, state and private health plans. In fact, the OIG may consider the existence of an effective compliance plan that was instituted before a governmental investigation when negotiating a settlement with a health care provider. The Obligated Group has compliance programs that are designed to detect and correct potential violations of laws and regulations applicable to its programs.

Regulatory authorities have discretion to assert claims for noncompliance with applicable requirements based upon their interpretation of those requirements. Because these complex program requirements are subject to varying interpretations and because, in some instances (e.g., the AKS and the Stark Law), there is little clear regulatory or judicial guidance, there can be no assurance that regulatory authorities will not challenge the Obligated Group's compliance with these requirements and assert claims or penalties, and it is not possible to determine the impact (if any) any such claims or penalties would have upon the Obligated Group.

Like other health care, educational and research institutions that have contracts with the federal government, the System, the Obligated Group and their affiliates may be subject from time to time to other regulatory inquiries, whistleblower complaints under the False Claims Act and other similar investigations. It is not possible to assess the merits of any such inquiries or investigations, complaints or inquiries at this point and, in any event, no assurances can be given as to what the impact of any such investigations, complaints or inquiries would have upon the operations or consolidated financial position of the System, the Obligated Group and their affiliates.

Licensing, Surveys and Accreditations

Health care facilities, including those of the Obligated Group, are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. Those requirements include credentialing and survey requirements relating to Medicare and Medicaid participation and payment, state licensing agencies, private payor participation, The Joint Commission, the National Labor Relations Board and other federal, state and local government agencies. Renewal and continuance of certain of these licenses, certifications and accreditations are based on inspections, surveys, audits, investigations or other reviews. 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 or reduce payments received.

Management of the System and the Obligated Group currently does not anticipate any difficulty in renewing or maintaining currently held licenses, certifications or accreditations that are material to its operations, and does not anticipate a reduction in third-party payments that would materially adversely affect the financial condition, operations, revenues and expenses of the Obligated Group due to licensing, certification or accreditation difficulties. Nevertheless, there can be no assurance that the requirements of present or future laws, regulations, certifications, and licenses will not materially and adversely affect the operations of the Obligated Group. Actions in any of these areas could occur and could result in a reduction in utilization or revenues or both, or the loss of the Obligated Group's ability to operate all or a portion of its health care facilities, and, consequently, could adversely affect the Obligated Group's financial condition, operations, revenues and expenses or its ability to make payments of principal, interest or any premium coming due on the Series 2020 Bonds.

Physician Relations

The success of the Obligated Group will be partially dependent upon its ability to attract physicians to participate in their networks, and upon the ability of the physicians, including employed physicians, to perform their obligations and deliver high quality patient care in a cost-effective manner. There can be no assurance that 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, 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 Obligated Group.

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

Health plans, Medicare, Medicaid, employers, trade groups and other purchasers of health services, private standard-setting organizations and accrediting agencies increasingly are using statistical and other measures in efforts to characterize, publicize, compare, rank and change the quality, safety and cost of health care services provided by hospitals and physicians. Published rankings such as "score cards," "pay for performance" and other financial and non-financial incentive programs are being introduced to affect the reputation and revenue of hospitals and the members of their medical staffs and to influence the behavior of consumers and providers such as the Obligated Group. Currently prevalent are measures of quality based on clinical outcomes of patient care, reduction in costs, patient satisfaction and investment in health information technology. Measures of performance set by others that characterize a hospital negatively may adversely affect its reputation and financial condition.

Medical Professional Liability Insurance Market

Deteriorating underwriting results have generated substantial premium increases and coverage reductions in the medical professional liability insurance marketplace in recent years. A rise in claim severity nationwide, coupled with the lower investment returns available to insurers, have resulted in substantial reductions in medical professional liability insurance capacity. Several major medical professional liability insurance carriers have been forced into rehabilitation and/or liquidation, or have voluntarily withdrawn from this line of business. The insurance carriers who are still writing medical professional liability coverage are requiring substantial premium increases, reductions in the breadth of coverage afforded by the policy(ies), more stringently enforced policy terms, and increases in required deductibles or self-insured retentions. Health care entities that have self-funded programs are also

experiencing similar difficulties with respect to fronting carriers, reinsurance on their captive insurance companies and/or with respect to insurance placements excess of the primary coverage layers. Furthermore, insurance carrier insolvencies are forcing health care providers to either repurchase insurance coverage from new carriers at substantially higher rates, or self-insure exposures for which they had previously purchased insurance.

The effect of these developments has been to increase the operating costs of health care providers, including those of the Obligated Group. In addition, the increase in the cost of professional liability insurance may have the effect of causing established physicians to leave the most heavily affected geographical regions, including Pennsylvania, and of preventing new physicians from establishing their practices in the Obligated Group's service area. There can be no assurance that the unpredictability and increasing severity of jury awards and claims payouts, the reduction of coverage availability, and/or the rising cost of professional liability insurance coverage will not adversely affect the operations or financial condition of the Obligated Group.

The Pennsylvania General Assembly has enacted laws to address these issues, including the Mcare Act and the Fair Share Act. The Mcare Act brought reform to the area of professional liability and created the MCARE fund which, in exchange for premiums from physicians, serves as a source of recovery for claims in excess of the provider's base insurance limits. The Fair Share Act provides that, with some exceptions, a defendant will only be responsible to pay a portion of any judgment equal to the percentage of liability found against that defendant.

Labor Relations and Collective Bargaining

Hospitals are large employers with a wide variety of employees. Increasingly, employees of hospitals are becoming unionized and many hospitals have collective bargaining agreements with one or more labor organizations. Employees subject to collective bargaining agreements may include essential nursing and technical personnel as well as food services, maintenance and other trade personnel. Renegotiation of such agreements upon expiration may result in significant cost increases to hospitals. Employee strikes or other unfavorable labor actions may have an adverse impact on operations, revenue and hospital reputation.

Staffing Shortages

In recent years, the health care industry has suffered from a scarcity of nursing and other qualified health care technicians and personnel. This trend could force the Obligated Group to pay higher salaries to nursing and other qualified health care technicians and personnel as competition for such employees intensifies and, in an extreme situation, could lead to difficulty in keeping the facilities licensed to provide nursing care and thus eligible for reimbursement under Medicare and Medicaid.

In addition to overall staffing shortages, there have been efforts in many states across the country, including Pennsylvania, to introduce legislation limiting a hospital's ability to require nurses to work overtime and to mandate minimum nurse-patient staff ratios. In December 2008, the Commonwealth enacted legislation, effective July 1, 2009, prohibiting discipline or discrimination against a nurse for refusing to work beyond an agreed to, scheduled work shift, except in narrowly-defined unforeseeable circumstances. These and other similar future laws may exacerbate the nursing staffing shortage.

Litigation Relating to Billing and Collection Practices

Over the past several years, lawsuits have been filed in both federal and state courts alleging, among other things, that hospitals have failed to fulfill their obligations to provide charity care to uninsured

patients, have overcharged uninsured patients, and have engaged in aggressive billing and collection practices. Other cases have alleged that charging patients more for services furnished in a hospital-based setting is a wrongful or deceptive practice. Some of these cases have since been dismissed by the courts, and some hospitals and health systems have entered into substantial settlements. A number of cases are still pending in various courts around the country with inconsistent results, and others could be filed.

Affiliation, Merger, Acquisition and Divestiture

Significant numbers of affiliations, mergers, acquisitions, joint ventures and divestitures have recently occurred in the health care industry. As part of its ongoing activities, the Obligated Group has considered and will continue to consider potential affiliations and acquisitions of operations or properties that may become affiliated with or part of the Obligated Group in the future. As a result, it is possible that the organizations and assets that currently comprise the System Affiliates may change from time to time.

Joint Ventures

The Obligated Group may participate 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 requirements of the Code, potentially may: (i) result in a finding of inurement or undue 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 the Obligated Group's management that knowingly approved the transaction, or both, or (iii) result in a finding that the activity is unrelated to the exempt purpose of the members 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 Obligated Group does not believe that participation by the Obligated Group or an affiliated entity in any such presently existing ancillary joint venture will have a material adverse effect on the Obligated Group's tax-exempt status or financial condition.

Competition

The Obligated Group faces, and will continue to face, competition from other hospitals and physicians that offer comparable health care services. Competition exists from alternative modes of health care delivery that offer lower priced services to the same population. Such alternative modes include ambulatory surgery centers, private laboratories and radiology services, skilled and specialized nursing facilities and home health care. Physicians increasingly offer outpatient ancillary services that compete with certain services offered by hospitals. Further, the Obligated Group competes for patient volume with an increasing number of for-profit hospitals. No assurance can be given that increasing competition and consolidation of providers in the service areas will not have a materially adverse effect on the financial condition and operations of the Obligated Group.

Tax Exemption for Nonprofit Corporations

The tax-exempt status of nonprofit corporations and exclusion of income earned by them from taxation, has been the subject of review by various federal, state and local legislative, regulatory and judicial bodies. This review has included proposals to broaden and strengthen existing federal tax law with respect to unrelated business income of nonprofit corporations. Some have posited that, with the onset of employer-sponsored health insurance and government reimbursement programs, there is no longer any justification for special tax treatment for the not-for-profit health care sector, and the availability of tax-exempt status should be eliminated.

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

The ACA added Section 501(r) to the Code, which contains four specific requirements for hospitals that wish to receive or maintain their tax-exempt status under Section 501(c)(3) of the Code. In addition to the general requirements of Section 501(c)(3) of the Code that hospitals must satisfy in order to safeguard tax-exempt status under Section 501(c)(3), hospitals also must: (i) conduct a "community health needs assessment" at least once every three years and adopt an "implementation strategy" to meet the needs identified by the assessment; (ii) establish, implement, and make widely available written policies regarding emergency medical care and financial assistance; (iii) limit the amount the hospital charges for emergency or other medically necessary care provided to patients eligible for financial assistance to not more than the amounts generally billed to insured patients; and (iv) not take extraordinary collection actions (*e.g.*, lawsuits, liens, or other similar actions) until it has made reasonable efforts to determine whether a patient is eligible for financial assistance.

The Secretary of the Treasury issued final regulations that provide detailed and comprehensive guidance relating to requirements for community health needs assessments, financial assistance policies, emergency medical care policies, limitations on charges and billing and collection practices, and also provide guidance on consequences of failure to comply with Section 501(r) requirements. These final regulations are complex and administratively burdensome. A failure to comply with the provisions of Section 501(r) and the final regulations could result in a loss of Section 501(c)(3) tax-exempt status.

Other legislative changes or judicial actions with respect to the tax-exempt status of nonprofit corporations, including the provision of free care to indigents and the exemption from property taxes of such corporations, could be enacted. There can be no assurance that 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 the Obligated Group.

Recently, the Internal Revenue Service ("*IRS*") has devoted additional resources to the auditing of federally tax-exempt organizations, including tax-exempt health care organizations. The IRS intends to focus on, among other matters, the unrelated business income producing activities of health care organizations. The IRS has significantly revised Form 990, Return of Organization Exempt from Income Tax, which greatly increases the disclosure requirement of tax exempt hospitals. The expanded information gathered by the IRS will allow the IRS to more closely monitor the activities of tax-exempt organizations. In addition, this information will be made available to Congress to form the basis for possible future legislation in this area. The Obligated Group members are exempt from federal income taxes under Section 501(c)(3) of the Code.

In certain cases, the IRS has imposed substantial monetary penalties and future charity care or public benefit obligations on tax exempt hospitals in lieu of revoking their tax exempt status, as well as requiring that certain transactions be altered, terminated or avoided in the future and/or requiring governance or management changes. These penalties and obligations are typically imposed on the tax exempt hospital pursuant to a "closing agreement" with respect to the hospital's alleged violation of Section 501(c)(3) exemption requirements. Given the uncertainty regarding how tax exemption requirements may be applied by the IRS, members of the System are, and will be, at risk for incurring monetary and other liabilities imposed by the IRS through this "closing agreement" or similar process. Like certain of the other business and legal risks described herein that apply to large multi-hospital systems, these liabilities are

probable from time to time and could be substantial, and, in extreme cases, could be materially adverse to the Obligated Group.

Bills have been introduced in Congress that would require a tax-exempt hospital to provide a certain amount of charity care and care to Medicare and Medicaid patients in order to maintain its tax-exempt status, and avoid the imposition of an excise tax. Other legislation would have conditioned a hospital's tax-exempt status on the delivery of adequate levels of charity care. Congress has not enacted such bills. However, there can be no assurance that similar legislation proposals or judicial actions will not be adopted in the future.

The IRS has not frequently revoked the 501(c)(3) status of nonprofit health care corporations, but it could do so in the future. Loss of tax-exempt status by the Obligated Group members could result in loss of tax exemption of the interest on the Series 2020 Bonds and of any other tax-exempt bond-related debt of the System, and defaults in other tax-exempt debt would likely be triggered. Loss of tax-exempt status by the Obligated Group members could also result in substantial tax liabilities on taxable income that would likely have material adverse consequences on their financial condition.

Additionally, organizations described in Section 501(c)(3) of the Code ("*Tax-Exempt Organizations*") may be subject to "intermediate sanctions" if they engage in transactions that result in private inurement. Intermediate sanctions rules permit the IRS to impose a penalty tax on (i) "disqualified persons," such as officers, directors, trustees and other key employees who receive "excess benefits," such as excessive compensation, from Tax-Exempt Organizations; and (ii) managers of Tax-Exempt Organizations who knowingly participate in transactions that result in the payment of excess benefits to insiders. A penalty tax is imposed on the insiders or managers personally and not on the Tax-Exempt Organization. Management of the Obligated Group is not aware of any transactions that would subject the Obligated Group to intermediate sanctions, but there can be no guarantee that any members of the Obligated Group will not be found to have engaged in such transactions in the future, which could subject the Obligated Group members to intermediate sanctions and reduced revenue.

Legislation Affecting Tax Exempt Status of Interest on the Bonds

Proposals for various amendments to the Code have been considered in connection with federal tax reform. No assurance can be given that amendments to the Code or other federal legislation will not be introduced and/or enacted which would cause the interest on the Series 2020 Bonds to be subject, directly or indirectly, to federal income taxation or adversely affect the market price of the Series 2020 Bonds or otherwise prevent the holders of the Series 2020 Bonds from realizing the full current benefit of the federal tax status of the interest thereon.

Local Tax Assessments

In recent years, a number of local taxing authorities in the Commonwealth have sought to subject the facilities of non-profit hospitals and other traditionally exempt organizations to local real estate and business privilege taxes, primarily by challenging their status as "institutions of purely public charity" as described in the Pennsylvania Constitution, notwithstanding the fact that Pennsylvania nonprofit hospital facilities historically have been viewed as exempt from such taxes. The Pennsylvania constitutional test is very subjective and frequently difficult to satisfy. Pennsylvania court decisions have been highly fact-specific and do not provide clear overall guidance on the question. In addition, the Pennsylvania law sets forth additional standards that must be satisfied for tax exemption. Therefore, there is no assurance that under current Pennsylvania law that the members of the Obligated Group will be exempt from real estate and other local taxes. If the tax exemption of the members of the Obligated Group is challenged, notwithstanding that the Obligated Group believes that it properly is exempt from real estate tax and other

local taxes, to achieve certainty about its potential tax liability, the members of the Obligated Group might consider entering into a payment in lieu of taxes agreement and agreeing to make some payments to the taxing authorities.

Tax Reform

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act (the "Tax Cuts and Jobs Act"). The Tax Cuts and Jobs Act lowered corporate and individual tax rates and eliminated certain tax preferences and other tax expenditures. The Tax Cuts and Jobs Act also effectively repealed a key provision of the ACA known as the "individual mandate," which imposes a tax on individuals who do not obtain health care insurance. Such repeal of the individual mandate may result in a higher uninsured rate, which could have a materially adverse effect on the Obligated Group. In addition, the Tax Cuts and Jobs Act precludes the issuance of tax-exempt bonds to advance refund outstanding tax-exempt bonds. The Tax Cuts and Jobs Act could materially adversely affect the market price or marketability of the 2019 Bonds (and outstanding tax-exempt bonds issued on behalf of the Health System) and/or availability of borrowed funds for the Obligated Group, particularly for capital expenditures, as well as the results of operations and financial position of the Obligated Group generally.

Other Legislative and Regulatory Actions

The Obligated Group members are subject to regulation, certification and accreditation by various federal, state and local government agencies and by certain nongovernmental agencies such as The Joint Commission and the American Medical Association. No assurance can be given as to the effect on future hospital operations of existing laws, regulations and standards for certification or accreditation or of any future changes in such laws, regulations and standards.

Legislative proposals which could have an adverse effect on the Obligated Group include: (a) any change in the taxation of not for profit corporations or in the scope of their exemption from income or property taxes; (b) limitations on the amount or availability of tax-exempt financing for charitable organizations described in Section 501(c)(3) of the Code; (c) possible non-access to tax-exempt debt by hospitals described in Section 501(c)(3) of the Code; (d) regulatory limitations affecting the ability of the System and the Obligated Group to undertake capital projects or develop new services; and (e) a requirement that nonprofit health care institutions pay real estate property tax and sales tax on the same basis as for-profit entities.

Section 340B Drug Pricing Program

Hospitals that participate as Covered Entities in the prescription drug discount program established under Section 340B of the federal Public Health Service Act (the "340B Program") are able to purchase certain outpatient prescription drugs for their patients at a reduced cost. In the calendar year 2018 OPPS final rule, CMS implemented significant Medicare Part B payment reductions for separately payable, non-pass-through drugs purchased through the 340B Program that are provided in hospital outpatient settings. The rule reduced the payment rate from average sales price ("*ASP*") plus 6% to ASP minus 22.5% and made a corresponding budget-neutral increase to payments to all hospitals for other drugs and services reimbursed under the OPPS. In the calendar year 2019 OPPS final rule, CMS continued these payment adjustments. Certain hospital associations and hospitals filed a lawsuit seeking to block implementation of the 340B Program payment cuts before they went into effect. In December 2018, the U.S. District Court for the District of Columbia ruled that HHS did not have statutory authority to implement the 2018 Medicare OPPS rate reduction related to hospitals that qualify for drug discounts under the 340B Program and granted a permanent injunction against the payment reduction. The hospitals subsequently asked the court for a permanent injunction on the 2019 OPPS final rule. In May 2019, the court held that the 2018 and 2019 rate

reductions were unlawful and remanded the rules back to HHS. The case has been appealed by HHS. Meanwhile, CMS released its annual proposed rule announcing potential changes to the OPPS for 2020 in July 2019 and commented on the ongoing litigation. CMS maintained that its reduced reimbursement is appropriate but solicited comments from stakeholders on appropriate payment rates in future years and how to structure a remedy if, on appeal, the federal courts uphold the lower court ruling that reimbursement cuts from prior years are unlawful. Management is unable to predict the ultimate outcome of any appeal and the type of relief that may be ordered by the courts; however, CMS' remedy or an unfavorable outcome of the litigation could have a material adverse effect on the operations or financial condition of the Obligated Group.

The Obligated Group and its affiliates participate in the 340B Program. The rules and regulations applicable to participation in the 340B Program are technical, complex, numerous and may not fully be understood or implemented by billing or reporting personnel. Failure to comply with the 340B Program requirements or rules could result in the Obligated Group's exclusion from the 340B Program thus significantly increasing the Obligated Group's costs for drugs as well as creating a repayment obligation, which in either case would have a material adverse effect on the operations or financial condition of the Obligated Group.

Antitrust

The Obligated Group and its affiliates, like other providers of health care services, are subject to antitrust laws. Those laws generally prohibit agreements that restrain trade and prohibit the acquisition or maintenance of a monopoly through anticompetitive practices. The legality of particular conduct under the antitrust laws generally depends on the specific facts and circumstances and, in some circumstances, cannot be predicted in advance. Antitrust actions against health care providers have become increasingly common in recent years. Antitrust liability can arise in a number of different contexts, including 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 penalties and, in some instances, by private plaintiffs seeking damages for harm from allegedly anticompetitive behavior.

Judicial decisions have permitted physicians who are subject to disciplinary or other adverse actions by a hospital at which they practice, including denial or revocation of medical staff privileges, to seek treble damages from the hospital under the federal antitrust laws. The Federal Health Care Quality Improvement Act of 1986 provides immunity from liability for discipline of physicians by hospitals under certain circumstances, but courts have differed over the nature and scope of this immunity. In addition, hospitals occasionally indemnify medical staff members who incur costs as defendants in lawsuits involving medical staff privilege decisions. Recent court decisions have also permitted recovery by competitors claiming harm from a hospital's use of its market power to obtain unfair competitive advantage in expanding into ancillary health care businesses. Antitrust liability in any of these contexts can be substantial, depending upon the facts and circumstances involved.

In 1993, the United States Department of Justice and the Federal Trade Commission issued "Statements of Antitrust Enforcement Policy in the Health Care Area." The statements, which have been revised from time to time, generally describe certain analytical principles which the agencies will apply to certain factual situations and also establish certain "antitrust safety zones." Conduct within the safety zones will not be challenged by the agencies, absent extraordinary circumstances. Many activities frequently engaged in by health care providers fall outside of the zones but are not challenged, and failure to fall within a safety zone does not mean that a participant will be investigated or prosecuted, or even that the activity violated the antitrust laws. There can be no assurances that enforcement authorities or private parties will

not assert that a Member of the Obligated Group, or any transaction in which such Member is involved, is in violation of the antitrust laws.

Information Systems and Technology

Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, occupational health and safety and outpatient health care delivery may reduce utilization and revenues of the Obligated Group in the future. Technological advances in recent years have accelerated the trend toward the use by hospitals of sophisticated, and costly, equipment and services for diagnosis and treatment. The acquisition and operation of certain equipment or services may continue to be a significant factor in hospital utilization, but the ability of the Obligated Group to offer such equipment or services may be subject to the availability of equipment or specialists, governmental approval, the ability to finance such acquisitions or operations, or reimbursement at levels sufficient to support the cost of such equipment or services.

The ability to adequately price and bill health care services and to accurately report financial results depends in part on the integrity of the data stored within information systems, as well as the operability of such systems. Information systems require an ongoing commitment of significant resources to maintain, protect and enhance existing systems and develop new systems to keep pace with continuing changes in information processing technology, evolving systems and regulatory standards. There can be no assurance that efforts to upgrade and expand information systems capabilities, protect and enhance these systems, and develop new systems to keep pace with continuing changes in information processing technology will be successful or that additional systems issues will not arise in the future.

The use of electronic media is standard for clinical operations, medical records and order entry functions. The reliance on information technology for these purposes imposes new expectations on physicians and other workforce members to be adept in using and managing electronic systems. It also introduces risks related to patient safety, and to the privacy, accessibility and preservation of health information. Technology malfunctions or failure to understand and use information systems properly could result in the dissemination of or reliance on inaccurate information, as well as in disputes with patients, physicians and other health care professionals. Health information systems may also be subject to different or higher standards or greater regulation than other information technology or the paper-based systems previously used by health care providers, which may increase the cost, complexity and risks of operations. All of these risks may have adverse consequences on hospitals and health care providers.

Future government regulation and adherence to technological advances could result in an increased need of the Obligated Group to implement new technology. Such implementation could be costly and is subject to cost overruns and delays in application, which could have a material adverse effect on the Obligated Group.

Technological advances in recent years have forced hospitals to acquire sophisticated and costly equipment to remain technologically current. Moreover, the growth of e-commerce and the increased capabilities of telehealth may also result in a shift in the way that health care is delivered. For example, physicians are able to provide certain services remotely, using enhanced technology that allows real-time access using video-conferencing technology over the internet, and patients can purchase pharmaceuticals, devices, and other health services online through telehealth providers, subscription services, and other new and innovative models. If, due to financial constraints, the Obligated Group were unable to acquire new equipment required to remain technologically current, the operations and financial condition of the Obligated Group could be materially adversely affected.

Cyber Attacks

The Obligated Group relies on IT systems, including electronic health records, to process, transmit and store sensitive and confidential data, including the PHI and personally identifiable information of its patients and employees, and proprietary and confidential business performance data. Although the Obligated Group routinely monitors and tests its security systems and processes and implements appropriate security measures designed to protect confidential information, IT systems are often subject to computer viruses, cyber-attacks by hackers, or breaches due to employee error or malfeasance. Cyber-attacks have been occurring more frequently and have specifically targeted health systems. Any breach or cyber-attack that comprises patient data could result in negative press and substantial fines or penalties for violation of HIPAA or similar state privacy laws that may harm the Obligated Group's business or financial condition. Although management of the Obligated Group is not currently aware of having experienced a material breach of its IT systems, the Obligated Group's IT security measures may not be sufficient to prevent cyber-attacks in the future. Additionally, as cybersecurity threats continue to evolve, the Obligated Group may not be able to anticipate certain attack methods in order to implement effective protective measures, and may be required to expend significant additional resources to continue to modify and strengthen security measures, investigate and remediate any vulnerabilities, or invest in new technology designed to mitigate security risks. The Obligated Group's IT systems routinely interface with and rely on third party systems who 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.

Construction Risks

From time to time, members of the Obligated Group undertake significant construction projects. There are certain risks inherent in any major construction project that could affect the timing and completion and the overall cost of such projects, including delays in the issuance of required building and occupancy permits, strikes, shortages of materials and adverse weather conditions. Such events could result in delaying occupancy of such projects and thus the revenue flow therefrom.

Class Actions

Hospitals, health systems and other health care providers have long been subject to a wide variety of litigation risks, including liability for care outcomes, employer liability, property and premises liability, and peer review litigation with physicians, among others. In recent years, consumer class action litigation has emerged as a potentially significant source of litigation liability for hospitals, health systems and other health care providers. These class action suits have most recently focused on hospital billing and collections practices and breaches of privacy, and they may be used for a variety of currently unanticipated causes of action. Since the subject matter of class action suits may involve uninsured risks, and since such actions often involve alleged large classes of plaintiffs, they may have material adverse consequences on hospitals and health systems in the future.

Wage and Hour Class Actions and Litigation

Federal law and many states, including Pennsylvania, impose standards related to worker classification, payment of the minimum wage, eligibility and payment for overtime, liability for providing rest periods and similar requirements. Large employers with complex workforces, such as hospitals, are susceptible to actual and alleged violations of these standards. In recent years there has been a proliferation of lawsuits over these "wage and hour" issues, often in the form of large class actions. For large employers, such as the Obligated Group, such class actions can involve multi-million dollar claims, judgments and/or

settlements. A major class action decided or settled adversely to the Obligated Group could have a material adverse effect.

Action by Consumers and Purchasers of Health Care Services

Major purchasers of health care services also could take action to restrain hospital or other provider charges or charge increases. As a result of increased public scrutiny, it is also possible that the pricing strategies of hospitals may be perceived negatively by consumers, and hospitals may be forced to reduce fees for their services. Decreased utilization could result, and health care revenues may be negatively impacted. In addition, consumers and groups on behalf of consumers are increasing pressure for hospitals and other health care providers to be transparent and provide information about cost and quality of services that may affect future consumer choices about where to receive health care services.

General Commercial and 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. The ongoing repercussions of the economic downturn may adversely affect the Obligated Groups expenses and, consequently, its ability pay debt service on its debt.

The current conditions in credit markets may cause the System's and the Obligated Group's ability 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. No assurance can be given that any of the financial institutions currently providing liquidity facilities or credit facilities for Obligated Group debt will renew or extend those facilities or that the Obligated will be able to obtain alternate liquidity for certain of its variable rate bonds on comparable terms.

Debt Limit Increase. The federal government has through legislation created a debt "ceiling" or limit on the amount of debt that may be issued by the United States Treasury. In the past several years, political disputes have arisen within the federal government in connection with discussions concerning the authorization for an increase in the federal debt ceiling. In August 2019, the Bipartisan Budget Act of 2019 was signed into law, which suspended the debt ceiling until July 31, 2021. Any failure by Congress to increase the federal debt limit may impact the federal government's ability to incur additional debt, pay its existing debt instruments and to satisfy its obligations relating to the Medicare and Medicaid programs. Obligated Group management is unable to determine at this time what impact any reinstatement of the debt ceiling or the future failure to increase the federal debt limit if it is reinstated may have on the operations and financial condition of the Obligated Group, although such impact may be material. Additionally, the market price or marketability of the Obligated Group's outstanding bonds, including the Series 2020 Bonds, in the secondary market may be materially adversely impacted by any failure to increase the federal debt limit.

Market Value of Investments. Earnings on investments have historically provided the Obligated Group an important source of cash flow and capital appreciation to support their programs and services, to finance capital expenditure investments and to build cash reserves. Historically the value of both debt and equity securities has fluctuated and, in some instances, the fluctuations have been quite significant. Diversification of securities holdings may diminish the impact of these fluctuations. However, no assurances can be given that the market value of the investments of the Obligated Group will grow, or even remain at current levels and there is no assurance that such market value will not decline.

Pension Funding Impact. Changes in market interest rates and debt and equity market fluctuations also potentially could have an impact on the System's and the Obligated Group's pension fund liabilities and its requirements for funding its related pension expenses. Like any other entity with pension fund liabilities, the Members of the Obligated Group find 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 Obligated Groups current pension funding requirements. 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. No assurance can be given that the System or the Obligated Group will not be required to make increased pension funding payments in these or other circumstances.

Additional Debt

The Master Indenture permits the Obligated Group to incur Additional Indebtedness which may be equally and ratably secured with the Series 2020 Master Note and the other outstanding Master Indenture Obligations. Any such Additional Indebtedness would be entitled to share ratably with the holders of the Series 2020 Master Note in any moneys realized from the exercise of remedies in the event of a default by the Obligated Group and in the proceeds of certain insurance and condemnation awards. There is no assurance that, despite compliance with the conditions upon which Additional Indebtedness may be incurred at the time such debt is created, the ability of the Obligated Group to make the necessary payments to repay the Series 2020 Master Note will not be materially, adversely affected upon the incurrence of Additional Indebtedness.

Supplements to the Master Indenture entered into in connection with the issuance of additional Master Indenture Obligations may contain additional covenants for the benefit of the Holders of such additional Master Indenture Obligations, including financial covenants that are more restrictive than the covenants otherwise contained in the Master Indenture. In the case of an Event of Default related to failure to comply with such covenants, the Holders of such Master Indenture Obligations, to the extent permitted under the terms of the Supplemental Master Indenture pursuant to which such Master Indenture Obligation is issued, could direct an acceleration of all Master Indenture Obligations, including the Series 2020 Master Note. See **Appendix D** – "SUMMARY OF THE MASTER INDENTURE."

Fraudulent Conveyances and Preferences

The financial statements of the 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, notwithstanding uncertainties as to the enforceability under certain circumstances of the joint and several liability of all Members of the Obligated Group for each Obligation, including the Series 2020 Master Note, issued under the Master Indenture. The obligations described herein of the Members of the Obligated Group with respect to the Series 2020 Bonds and the Master Indenture are, in the opinion of counsel to the Members of the Obligated Group, enforceable under the laws of Pennsylvania, subject to the qualifications that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyances or other similar laws or equitable principles relating to or affecting debtors' obligations or creditors' rights generally.

The current Members of the Obligated Group and any future Member of the Obligated Group will be jointly and severally liable for all Obligations issued pursuant to the Master Indenture. As indicated above, the enforcement of such liability may be limited to the extent that any payment or transfer by a Member of the Obligated Group would render it insolvent or would conflict with, not be permitted by or be subject to recovery for the benefit of other creditors of such member under applicable laws or would be prohibited by or would render any Obligation or portion thereof void or voidable under applicable usury or similar laws. There is no clear precedent in the law as to whether such payments by a Member of the Obligated Group in order to pay debt service on an Obligation may be voided by third-party creditors in an action brought pursuant to the Pennsylvania Fraudulent Transfer Act. Under the Pennsylvania Fraudulent Transfer Act, a creditor of a related guarantor may avoid any obligation incurred by a related guarantor if, among other bases therefor, (a) the guarantor has not received fair consideration or reasonably equivalent value in exchange for the guaranty or grossly inadequate consideration is received for the guaranty, and the guarantor is insolvent, as defined in the Pennsylvania Fraudulent Transfer Act, or (b) the guaranty renders the guarantor undercapitalized.

Judicial application of the tests of "insolvency," "reasonably equivalent value," "fair consideration," "valuable consideration" and "grossly inadequate consideration" has resulted in a conflicting body of case law. It is possible that a court may determine that a Member of the Obligated Group has no liability to satisfy an Obligation issued by another Member of the Obligated Group in the event it is determined that the Member of the Obligated Group from whom payment is sought did not receive sufficient consideration for such undertaking and that the incurrence of such liability has rendered or will render such Member of the Obligated Group insolvent.

In addition, a court could determine, in the event of the bankruptcy of a Member of the Obligated Group, that payments made under the Master Indenture or with respect to the Series 2020 Bonds by the bankrupt member or the other Members of the Obligated Group could constitute preferential payments to or for the benefit of an insider, within the meaning of Section 547(b) of the Federal Bankruptcy Code, which payments, if made during the one year period prior to the date of the filing of the petition in bankruptcy with respect to the bankrupt Member of the Obligated Group, could be recovered by the trustee in bankruptcy from the holders of the Series 2020 Bonds.

Limitations on Security Interests in the Members of the Obligated Group's Revenues

The effectiveness of the security interest in the Gross Revenues of the Obligated Group created by the Master Indenture may be limited by a number of factors, including: (1) provisions of the Social Security Act that may limit the ability of the Master Trustee to enforce directly the security interest in any of the Gross Revenues in the form of reimbursement due under the Medicaid programs and any other statutory or contractual provisions, grant award conditions, regulations or judicial decisions which may have a comparable effect with respect to any of the Gross Revenues in the form of governmental appropriations, or governmental or private research services; (2) commingling of some or all of the Gross Revenues and other moneys of the Members of the Obligated Group not so pledged; (3) present and future statutory liens; (4) rights arising in favor of the United States of America or any agency thereof; (5) rights of third parties in revenues not yet expended; (6) constructive trusts, equitable or other rights impressed or conferred by federal or state courts in the exercise of equitable jurisdiction; (7) the factors described above under "Fraudulent Conveyances and Preferences"; and (8) rights of third parties in Gross Revenues not in possession of the Master Trustee.

Other Factors

The following, among others, may adversely affect future operations of health care, educational and research institutions, including the Obligated Group and the System, to an extent that cannot be determined at this time:

- Imposition of wage or price controls on the health care industry by state or federal government.
- Adoption of a national health care program.
- Repeal or modification of federal health care reform legislation.
- Potential depletion of the Medicare trust fund.
- Continued availability of governmental and private funding for medical research activities conducted by the Obligated Group or its affiliates.
- Increased medical malpractice claims (affecting the Obligated Group or in general) which affect the cost and availability of professional liability insurance, and sufficiency of self-insurance reserves.
- Employee strikes and other adverse labor actions that could result in a substantial reduction in revenues without corresponding decreases in costs.
- Reduced need for hospitalization or other medical services arising from future medical and scientific advances.
- Increased unemployment or other adverse economic conditions which would increase the proportion of patients who are unable to pay fully for the cost of their care.
- Cost and availability of energy.
- Efforts by insurers and governmental agencies to limit the cost of hospital services and to reduce the utilization of health care facilities by such means as preventive medicine, improved occupational health and safety and outpatient care.
- Any increase in the quantity of indigent care provided that is mandated by law or required due to increased needs of the community in order to maintain the charitable status and real estate tax exemption of the Members of the Obligated Group.
- Any inability to obtain any required governmental approvals for necessary capital expenditures.
- 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 the facilities.
- Instability in the stock market which may adversely affect both the principal value of, and income from, the Obligated Group's investment portfolio.

- A national or localized outbreak of a highly contagious or epidemic disease.

LITIGATION

There is not now pending nor, to the knowledge of the Authority or the Obligated Group, threatened against the Authority or the Obligated Group, respectively, any litigation, administrative action, or proceeding seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2020 Bonds or in any way, contesting the proceedings and the authority under which the Series 2020 Bonds have been authorized and are to be issued, sold, executed, delivered or the validity of the Series 2020 Bonds. There is no litigation pending or, to its knowledge, threatened against the Authority which in any manner questions the right of the Authority to enter into the Bond Indentures or the Loan Agreements, or to issue or secure the Series 2020 Bonds in the manner provided in the Bond Indentures and the Act. See **Appendix A** – "TOWER HEALTH AND THE OTHER MEMBERS OF THE OBLIGATED GROUP" hereto for a discussion of certain legal matters affecting the Obligated Group.

CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority is material to an evaluation of the offering of the Series 2020 Bonds or to any decision to purchase, hold or sell the Series 2020 Bonds, and the Authority will not provide any such information. The Obligated Group has undertaken all responsibilities for any continuing disclosure to Bondholders as described below, and the Authority shall have no liability to the holders of the Series 2020 Bonds or any other person with respect to Rule 15c2-12(b)(5) (the "*Rule*") promulgated by the United States Securities and Exchange Commission (the "*SEC*") pursuant to the Securities and Exchange Act of 1934, as amended (the "*Exchange Act*").

The Obligated Group will covenant in a written agreement (the "*Continuing Disclosure Agreement*") for the benefit of holders and beneficial owners of the Series 2020 Bonds to provide to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("*EMMA*") system, certain financial information and operating data relating to the Obligated Group, including, but not limited to, the System's annual audited consolidated financial statements, by not later than 150 days following the end of the Obligated Group's Fiscal Year (which currently ends June 30) (the "*Annual Report*") and the Obligated Group's quarterly unaudited consolidated financial statements, by no later than 60 days following the end of each of the Obligated Group's fiscal quarters, and to provide notices of the occurrence of certain enumerated events. These covenants have been made in order to assist the Underwriters in complying with the Rule. Failure to comply with the Continuing Disclosure Agreement shall not constitute an Event of Default under the Bond Indenture or the Master Indenture but must be reported in accordance with the Rule. The proposed form of the Continuing Disclosure Agreement is attached hereto as **Appendix F**.

The Obligated Group believes it is in material compliance with its previous continuing disclosure undertakings pursuant to the Rule within the last five years.

APPROVAL OF LEGALITY

Legal matters incident to the issuance of the Series 2020 Bonds are subject to the approving opinion of Stevens & Lee, P.C., Reading, Pennsylvania, Bond Counsel. Certain legal matters were passed upon for the Authority by its counsel, Masano Bradley LLP, Wyomissing, Pennsylvania; for the Corporation and the other Members of the Obligated Group, by their counsel Stevens & Lee, P.C., Reading, Pennsylvania; and for the Underwriters by their special counsel, Dentons US LLP, Chicago, Illinois, none of which firms is passing upon the legality of the Series 2020 Bonds.

TAX MATTERS

Opinions of Bond Counsel

In the opinion of Stevens & Lee, P.C., Reading, Pennsylvania, Bond Counsel, based upon existing laws, regulations and rulings, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2020 Bonds is not includable in gross income for federal income tax purposes under Section 103(a) of the Code. Bond Counsel is of the further opinion that interest on the Series 2020 Bonds is not a specific preference item for purposes of the federal alternative minimum taxes on individuals.

Bond Counsel is also of the opinion that, under the laws of the Commonwealth of Pennsylvania (the "Commonwealth"), the Series 2020 Bonds and interest on the Series 2020 Bonds shall be free from taxation for State and local purposes within the Commonwealth, but this exemption does not extend to gift, estate, succession or inheritance taxes, or any other taxes not levied directly on the Series 2020 Bonds or the interest thereon. Under the laws of the Commonwealth, profits, gains, or income derived from the sale, exchange or other disposition of the Series 2020 Bonds are subject to State and local taxation within the Commonwealth.

General

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2020 Bonds. The Authority and the Obligated Group have made certain representations and covenanted to comply with certain restrictions designed to ensure that interest on the Series 2020 Bonds will not be included in federal gross income. Inaccuracy of these representations and failure to comply with these covenants may result in interest on the Series 2020 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2020 Bonds. The opinions of Bond Counsel assume the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2020 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2020 Bonds.

In addition, Bond Counsel has assumed that the proceeds of the Series 2020 Bonds will be expended as required by and described in the Loan Agreements, the Bond Indentures and the Nonarbitrage Certificate and Compliance Agreement and the other relevant documents, agreements, instruments and certificates executed and delivered in connection with the issuance of the Series 2020 Bonds (collectively, the "Bond Documents"). Finally, Bond Counsel has assumed that each party to the Bond Documents will carry out all obligations imposed on such party by the Bond Documents in accordance with the terms thereof and that all representations and certifications contained in the Bond Documents are accurate, true and complete.

Certain requirements and procedures contained or referred to in the Bond Indentures, the Loan Agreements, the Nonarbitrage Certificate and Compliance Agreement and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2020 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in those documents. Bond Counsel expresses no opinion as to any Series 2020 Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Stevens & Lee, P.C.

Although Bond Counsel is of the opinion that interest on the Series 2020 Bonds is not includable in gross income for federal income tax purposes and is exempt from certain state taxes as described above, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2020 Bonds may otherwise affect a Beneficial Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

The Series 2020 Bonds have been offered at a premium ("original issue premium") over their principal amount. For Federal income tax purposes, original issue premium is amortizable periodically over the term of a Series 2020 Bond through reductions in the holder's tax basis for the Series 2020 Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Series 2020 Bond rather than creating a deductible expense or loss. Holders should consult their tax advisers for an explanation of the amortization rules.

Future legislation, if enacted into law, or clarification of the Code may cause interest on the Series 2020 Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Series 2020 Bonds. Prospective purchasers of the Series 2020 Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2020 Bonds for federal income tax purposes. It is not binding on the IRS or the courts.

Bond Counsel's engagement with respect to the Series 2020 Bonds ends with the issuance of the Series 2020 Bonds.

The proposed forms of opinions of Bond Counsel for each series of Series 2020 Bonds are included as **Appendix E-1** and **Appendix E-2** to this Official Statement.

UNDERWRITING

Pursuant to a Bond Purchase Agreement among the Authority, the Obligated Group, and Citigroup Global Markets Inc., as representative on behalf of itself, J.P. Morgan Securities LLC and PNC Capital Markets LLC (collectively, the "*Underwriters*"), the Underwriters have agreed to purchase from the Authority, upon the satisfaction of certain conditions, all of the (i) Series 2020A Bonds at a purchase price equal to the aggregate principal amount of the Series 2020A Bonds plus premium of $8,341,170.15, (ii) Series 2020B-1 Bonds at a purchase price equal to the principal amount of the Series 2020B-1 Bonds plus premium of $10,719,726.95, (iii) Series 2020B-2 Bonds at a purchase price equal to the principal amount of the Series 2020B-2 Bonds plus premium of $17,696,243.50 and (iv) Series 2020B-3 Bonds at a purchase price equal to the principal amount of the Series 2020B-3 Bonds plus premium of $19,838,615.20. The Underwriters will be paid an Underwriters' discount for each series of the Series 2020 Bonds, to be taken as a discount with respect to the Taxable Bonds, payable as follows: (i) $256,795.00 for the Series 2020A Bonds, (ii) $338,966.25 for the Series 2020B-1 Bonds, (iii) $445,230.00 for the Series 2020B-2 Bonds and (iv) $404,706.00 for the Series 2020B-3 Bonds. In addition, the Obligated Group has agreed to pay for the out-of-pocket expenses of the Underwriters, including their legal counsel. Pursuant to the Bond Purchase Agreement, each Member of the Obligated Group has agreed to indemnify each of the Underwriters and

the Authority against losses, claims, damages and liabilities to third parties arising out of any materially incorrect or incomplete statements of information contained in this Official Statement pertaining to the Obligated Group, their hospital facilities or certain other matters. The initial public offering prices set forth on the inside cover page of this Official Statement may be changed by the Underwriters, and the Underwriters may offer and sell the Series 2020 Bonds to certain dealers (including dealers depositing Series 2020 Bonds into investment trusts) and others at prices lower than the offering prices set forth on the inside cover page.

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

Citigroup Global Markets Inc., one of the Underwriters of the Series 2020 Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "*Fidelity*"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

J.P. Morgan Securities LLC ("*JPMS*"), an Underwriter of the Series 2020 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, including the Series 2020 Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2020 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2020 Bonds that such firm sells.

PNC Capital Markets LLC, one of the underwriters of the Series 2020 Bonds, may offer to sell to its affiliate, PNC Investments, LLC ("*PNCI*"), securities in PNC Capital Markets LLC's inventory for resale to PNCI's customers, including securities such as the Bonds. PNC Capital Markets LLC may share with PNCI a portion of the fee or commission paid to PNC Capital Markets LLC if any Bonds are sold to customers of PNCI.

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 or the Obligated Group.

RATINGS

S&P Global Ratings, a business of Standard & Poor's Financial Services, LLC ("*S&P*") and Fitch Ratings, Inc. ("*Fitch*") have assigned the Series 2020 Bonds ratings of "BBB+" (negative outlook) and "BBB" (stable outlook), respectively. It is a condition of delivery of the Series 2020 Bonds that they carry an equivalent rating as of the date of delivery.

Such ratings reflect only the views of S&P and Fitch, respectively, and any explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. The Obligated Group has furnished such rating agencies with certain information and materials relating to the

Series 2020 Bonds and the Obligated Group that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies, and assumptions by the rating agencies. Such ratings are not a recommendation to buy, sell or hold the Series 2020 Bonds and may be subject to revision or withdrawal at any time. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. None of the Authority, the Underwriters or the Obligated Group has undertaken any responsibility to oppose any proposed revision or withdrawal of the ratings of the Series 2020 Bonds. Neither of the Authority nor the Underwriters has undertaken any responsibility to bring to the attention of the holders of the Series 2020 Bonds any such proposed revision or withdrawal. Any such revision or withdrawal of such ratings could have an adverse effect on the market price for and marketability of the Series 2020 Bonds.

INDEPENDENT AUDITORS

The consolidated financial statements of Tower Health and Subsidiaries as of and for the years ended June 30, 2019 and 2018, 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**.

The audit report covering the June 30, 2019 and 2018 consolidated financial statements refers to the adoption of Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, and ASU No. 2014-09, *Revenue from Contracts with Customers*, during the year ended June 30, 2019.

FINANCIAL ADVISOR

H2C Securities Inc. (the "*Financial Advisor*"), a wholly-owned subsidiary of Hammond Hanlon Camp LLC registered with the Municipal Securities Rulemaking Board and the Securities and Exchange Commission as a municipal advisor, has served as financial advisor to the Obligated Group for purposes of assisting with the structuring of the Series 2020 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken, an independent verification of, nor does the Financial Advisor assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Financial Advisor has not been engaged in the underwriting or distribution of the Series 2020 Bonds. The Financial Advisor's fees are payable contingent upon issuance of the Series 2020 Bonds.

CERTAIN RELATIONSHIPS

Citibank, N.A., an affiliate of Citigroup Global Markets Inc., will receive a portion of the Taxable Bond proceeds from the repayment of a portion of a line of credit that will remain outstanding following the issuance of the Series 2020 Bonds.

An affiliate of J.P. Morgan Securities LLC, an Underwriter for the Series 2020 Bonds, acted as counterparty in connection with interest rate agreements with the Corporation, the termination costs of which are being financed with a portion of the proceeds of the Taxable Bonds. An affiliate of J.P. Morgan Securities LLC will receive a portion of the Taxable Bonds proceeds from the repayment of a portion of a line of credit that will remain outstanding following the issuance of the Taxable Bonds. An affiliate of J.P. Morgan Securities LLC will receive a portion of the Series 2020 Bonds proceeds from the repayment of certain bonds currently held by such affiliate.

PNC Bank, National Association, an affiliate of PNC Capital Markets LLC, an Underwriter, will receive a portion of the Taxable Bond proceeds from the repayment of a portion of a line of credit and the repayment of a bridge loan that was provided to the Corporation in connection with the acquisition of St. Christopher's assets.

Stevens & Lee, P.C., serves as Bond Counsel and counsel to the Obligated Group in connection with the issuance of the Series 2020 Bonds and as counsel to the Obligated Group in matters unrelated to the issuance of the Series 2020 Bonds. One shareholder of Stevens & Lee, P.C., serves on the Boards of Directors of the Corporation and Reading Hospital.

MISCELLANEOUS

The references herein to the Master Indenture, the Bond Indentures, and the Loan Agreements and the summary of the Bond Indentures and Loan Agreements provided in **Appendix C** – "SUMMARY OF THE BOND INDENTURES AND THE LOAN AGREEMENTS" and the summary of the Master Indenture provided in **Appendix D** – "SUMMARY OF THE MASTER INDENTURE" attached hereto are brief outlines of certain provisions thereof. Such outlines do not purport to be complete, and for full and complete statements of such provisions, reference is made to such instruments, documents and other materials, copies of which, as executed and delivered, will be on file at the principal corporate trust office of the Bond Trustee. Copies may be obtained at the expense of the person requesting the same.

The appendices attached hereto are an integral part of this Official Statement and must be read together with all of the foregoing statements.

All information contained herein relating to the Obligated Group has been provided and approved by the Obligated Group for use within the Official Statement.

All estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between any of the Authority, the Obligated Group and the purchasers or owners of any of the Series 2020 Bonds.

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The Authority has duly authorized the execution and delivery of, and the Corporation, on behalf of the Obligated Group, has approved this Official Statement.

THE BERKS COUNTY MUNICIPAL AUTHORITY

By: /s/ John T. Connelly
Chairman

Approved:

TOWER HEALTH

By: /s/ Gary Conner
Executive Vice President and
Chief Financial Officer

APPENDIX A

TOWER HEALTH AND THE OTHER MEMBERS OF THE OBLIGATED GROUP

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TABLE OF CONTENTS

INTRODUCTION

Tower Health ("Tower Health") is a Pennsylvania nonprofit corporation that serves as the parent organization of six acute care hospitals and related facilities that form an integrated health care system located in the Counties of Berks, Chester and Montgomery, Pennsylvania and the City of Philadelphia, Pennsylvania (Tower Health, together with such hospitals and affiliated entities described herein is referred to as the "System"). Tower Health, together with Reading Hospital, Brandywine Hospital, LLC, Chestnut Hill Hospital, LLC, Jennersville Hospital, LLC, Phoenixville Hospital, LLC and Pottstown Hospital, LLC comprise the members of the "Obligated Group." See "THE SYSTEM – The Obligated Group" herein. The System provides a full continuum of acute and tertiary health care services, and is currently comprised of six acute care hospitals with 1,489 licensed beds, Tower Health Medical Group, with 448 employed physicians, and various affiliated entities, offering services through approximately 200 sites of care in the System's service area described herein.

History and Background

In 1868, medical and business leaders from the local community partnered to establish the first permanent hospital in Berks County — then called "The Reading Dispensary." This facility grew in size and services as the community's health needs changed, evolving into Reading Hospital ("Reading Hospital") and later, Reading Health System. Effective October 2017, Reading Health System acquired Brandywine Hospital in Coatesville, Phoenixville Hospital in Phoenixville, Pottstown Memorial Medical Center in Pottstown, Jennersville Regional Hospital in West Grove, and Chestnut Hill Hospital in Philadelphia. Effective with the acquisition of these hospital facilities, Reading Health System rebranded as Tower Health.

Mission of the System

The four pillars of the System's mission include:

- to provide compassionate, accessible, high-quality, cost-effective health care to the community;
- to promote health;
- to educate healthcare professionals; and
- to participate in appropriate clinical research.

St. Christopher's Hospital for Children

Tower Health and Drexel University formed STC Opco LLC ("STC Opco"), a joint venture company to acquire the assets of St. Christopher's Hospital for Children ("St. Christopher's") for $50 million, ensuring that the health care provider will continue serving families in North Philadelphia and the region following its sale in bankruptcy court. Tower Health and Drexel University are committed to providing operational and academic expertise to St. Christopher's, which has been a fixture in its community for 144 years. St. Christopher's, a 188-licensed bed facility, serves more than 30,000 children who depend on the hospital for their primary care, approximately 70,000 children who visit the hospital's emergency department each year and children who receive care through its growing network of primary and specialty care locations throughout the Philadelphia suburbs and New Jersey. Tower Health will take the lead operationally and work to continue St. Christopher's legacy of providing quality healthcare for

families and nationally recognized programs for children. St. Christopher's is also an important part of medical student education for the Drexel University College of Medicine.

The sale of St. Christopher's to STC Opco was approved by the U.S. Bankruptcy Court for the District of Delaware as part of the process to resolve the Chapter 11 bankruptcy filed by Philadelphia Academic Health System, LLC, the parent company of Center City Healthcare, LLC ("Center City Healthcare"). Center City Healthcare is the former owner and operator of St. Christopher's. The acquisition was completed on December 15, 2019. As of December 15, 2019, STC Healthcare Partners, LLC ("STC Healthcare Partners") is the parent company of St. Christopher's and the physician company, STC Pediatrics, LLC ("STC Pediatrics"). STC Healthcare Partners is owned by Tower Health and Drexel University in equal shares.

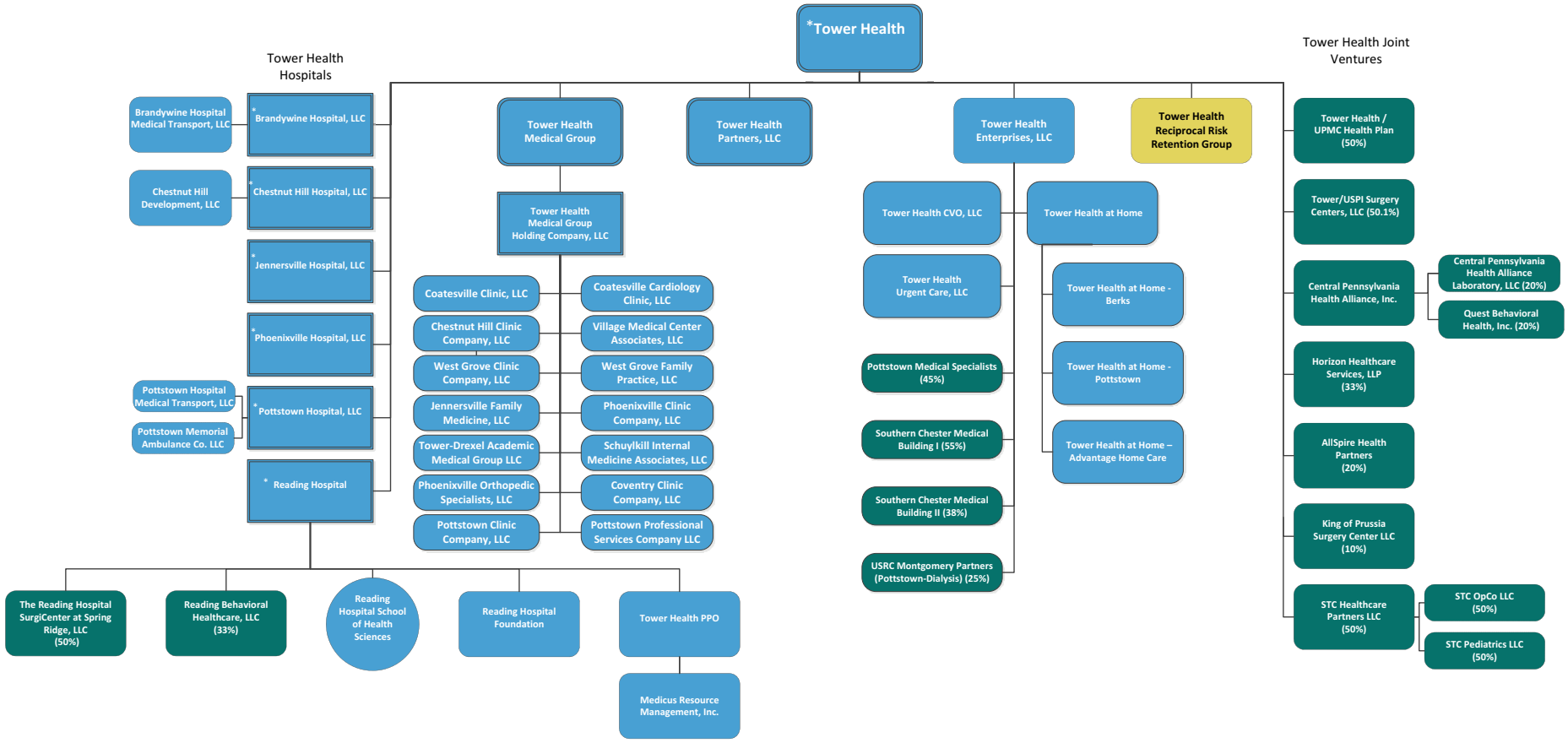
STC Opco is currently leasing the two principal hospital buildings for St. Christopher's and the adjacent garage under a short-term lease from the current owners of the real estate. An independent real estate development company has an Agreement of Sale to acquire these three properties from the current owner and lease them to STC Opco for a term of 29 years and 11 months under a credit lease. It is anticipated that the sale will close in February 2020. In addition, STC Opco assumed the existing lease for the major outpatient building on St. Christopher's campus, referred to as the Center for the Urban Child ("CUC"). Tower Health is a guarantor for 50% of the put option (total of $15 million, or $7.5 million for Tower Health) that the landlord has on the CUC property to Front Street Healthcare Properties, II, LLC, which is exercisable by the landlord in June 2022.

CORPORATE ORGANIZATION

As illustrated in the organizational chart on the following page, the Obligated Group is affiliated with various controlled and non-controlled joint venture entities. These entities are not members of the Obligated Group and are not obligated to make payments on the Series 2020 Bonds or the Series 2020 Master Notes. The Obligated Group accounted for 85.4% and 86.7% of consolidated revenues of Tower Health and Subsidiaries for the fiscal years ended June 30, 2018 and 2019, respectively, and accounted for 97.7% and 95.4% of the consolidated assets of Tower Health and Subsidiaries at June 30, 2018 and 2019, respectively.

Effective as of 1-23-2020

Tower Health Legal Entities



STRATEGIC PLAN

The most recent strategic planning process affirmed several goals previously set: that the System will become the leading provider in each of its markets; have an expansive non-hospital footprint; become the employer of choice for all staff, including providers as both an employer and partner; provide consistent high-quality services at all System facilities; and grow as a regional academic presence. The strategic plan has driven key care continuum and provider development strategies such as:

- the acquisition of 19 urgent care centers in the region to become the largest operator of urgent care centers in the metropolitan Philadelphia region;

- the integration and merger of Home Health Care Management with the Tower Health branch of Affilia Home Health, upon the dissolution of Affilia with Tower Health as the sole member;

- the implementation of a joint venture with United Surgical Partners International ("USPI") to acquire, merge, develop and operate ambulatory surgery centers across the System's markets;

- the construction of a new 180,000 square-foot medical school in Wyomissing (approximately ½ mile from Reading Hospital), in partnership with Drexel University College of Medicine ("DUCOM") to educate 200 total enrolled medical students annually. Completion is expected April 2021 ahead of the 2021-22 school year. This action also includes a 20-year academic affiliation with DUCOM; and

- the initiation of a plan to add nearly 500 new residents and fellows, over a five-year period, to the System's graduate medical education programs in order to assure a sustainable supply of physicians in primary care and key specialties across the System.

Prior strategic plans succeeded in securing the key building blocks and infrastructure to launch a large regional health system including:

- the installation of Epic throughout Reading Health System in 2014 and 2015;

- the development of a physician-led clinically integrated network that has grown to over 3,500 participating providers;

- the construction of the Reading HealthPlex, a surgical and inpatient facility which integrates advanced technology and leading-edge facility design, including 24 surgical suites, 150 private rooms, 16 emergency treatment rooms and three trauma bays, and an 88,000 square foot green roof, completed in 2017;

- the creation of a provider-payer joint venture with the UPMC Health Plan in January 2017, which offers a full line of health coverage and related services to over 50,000 member lives in a defined nine-county joint venture service area. The service area includes: Berks, Bucks, Carbon, Chester, Lancaster, Lehigh, Montgomery, Northampton and Schuylkill counties. The Tower Health-UPMC Health Plan enterprise combines access to the System's high-quality clinical care, expert providers and advanced health care facilities with UPMC Health Plan's experience, expertise and advanced analytics to improve the health of the community;

- the launch of Allspire Health Partners, LLC ("Allspire"), a collaboration among five regional health systems to achieve best clinical practices and to increase purchasing power through a group purchasing organization. Tower Health holds a 20% share of Allspire. The other members of Allspire Health Partners include Atlantic Health System, Hackensack Meridian Health, Lehigh Valley Health Network, and WellSpan Health;

- the execution of a joint venture partnership with Acadia Healthcare ("Acadia"), a national for-profit behavioral health organization, to develop an inpatient behavioral health facility in the System's service area. Tower Health contributed the current Reading Hospital Behavioral Health operations to the joint venture, and Acadia contributed development capital. Both parties will participate equally in governance of the joint venture. Tower Health owns a 33% equity share of the new entity. The 144-bed behavioral health care facility is scheduled to be operational during the second quarter of calendar year 2020;

- the acquisition of five hospitals from Community Health System (the "CMP Hospitals"); and

- the addition of 110 clinicians and staff from Drexel Medicine to THMG effective January 1, 2020. A total of 52 physicians, 10 advanced practice providers and 48 support staff joined THMG from Drexel Medicine.

Management has identified a series of strategic opportunities for fiscal years 2021 through 2025 that are aligned with planned growth, integration and operational excellence.

The System's strategic plan has charted a pathway for future aligned growth in key service lines and continuum services, in new geographic markets such as the Southeast Pennsylvania service area, and in expanded ambulatory services to care for communities and to effectively position the System in the regional market. Management has established a Capital Allocation Committee that provides for a rigorous review, approval and budgeting process for allocating capital. Management annually updates its Integrated Strategic Financial Plan to inform the budgeting process for subsequent fiscal years.

Technology

As a result of the 2017 acquisition of the CMP Hospitals located in Chester, Montgomery and Philadelphia counties and associated ancillary and ambulatory practices, a decision was made to provide Tower Information Technology infrastructure standards, as well as the electronic health record (Epic) and supply chain management (Lawson) systems, across all acquired entities by August 2019. The Tower Integration Project ("TIP") was established to provide a unified platform for an enterprise Epic health record, a data archival (Mediquant) solution across the organization and an integrated network of third-party applications and connectivity across the six acute care hospitals. The TIP program focused on the System's patients, community and people. This integration program enhanced clinical quality by standardizing care across the continuum through standard order sets and best practices to reduce variation, aggregating data for quality, analytics and population health. The program created the Epic "One patient, one record," optimizing clinical processes that are transferrable across the System, developing a single patient identifier across the System enabling centralized pre-arrival services. This single and integrated patient health record assists centralized customer service and patient accounting. This has built a standard and integrated technology platform with enterprise and cost-efficient solutions for patient care, patient finance and other administration functions. Tower Health invested approximately $120 million to integrate the six facilities.

The urgent care centers that Tower Health acquired in December 2018 are going through the same technology and clinical integration that occurred for the CMP Hospitals and are currently expected to be placed on the Epic and Lawson platforms by mid-March 2020. Due diligence is ongoing to assess the appropriate technical platforms for the Tower Health at Home entities, which were acquired in January 2019.

With the onboarding of the newly created Tower Health Transplant Institute and Center for Liver Diseases in the Fall of 2019, providers and associated clinical and support staff have been utilizing the Tower IT standard platforms, as well as Epic for clinical care. Utilizing a new Epic module, Phoenix Transplant, will be implemented in the Fall of 2020 to assist with tracking and regulatory reporting required for this critical patient population. Additional information regarding the kidney and liver transplant program is provided below.

Drexel University Providers and associated clinical and administrative staff onboarding to Tower Health Medical Group as new employees occurred on January 1, 2020. These new specialty groups will be utilizing standard Tower Health IT platforms and Epic as of April 2020. Planning and budgeting for these multiple site practices utilizing standard Tower Health IT platforms is currently underway.

Tower Health's and Drexel University's joint acquisition of St. Christopher's assets on December 15, 2019 presents the opportunity to establish a budget and timeline to provide the same standard technology platforms and similar clinical and revenue cycle quality standards for a new acute pediatric population across the System. Management currently anticipates that Epic will be fully installed across St. Christopher's in the next 12-18 months.

Performance Improvement

Performance improvement is achieved annually by the development of an Operations Excellence Plan (the "OEP"). The OEP is developed to identify operational improvement opportunities in order to improve the System's operating margin. Each System entity develops actions that will be implemented in order to accomplish this goal. The focus of activities is designated in two primary categories:

- Revenue Enhancement — actions related to incremental growth in volume, improved billing and collection activities along with utilization improvement activities.

- Expense Reduction — actions related to reductions in operating expenses, specifically supply chain initiatives and employee productivity.

The OEP is monitored monthly to assess how initiatives are performing against target. Initiatives that are not achieving target are reviewed with executive leadership to determine a plan for correction. If it is determined that an initiative will not achieve its target, alternative initiatives are identified to make up for this gap. The System achieved $63.2 million of performance improvement in fiscal year 2019 and is proactively working with The Chartis Group (through iVantage Health Analytics) to find other initiatives to impact the fourth quarter of fiscal year 2020.

THE SYSTEM

The Obligated Group

The Obligated Group created under the Master Indenture is currently comprised of Tower Health, a Pennsylvania nonprofit corporation, an organization described in Section 501(c)(3), and a public charity under Section 509(a)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), Reading Hospital, a Pennsylvania nonprofit corporation, an organization described in Section 501(c)(3) and a public charity under Section 509(a)(3) of the Code and Brandywine Hospital, LLC, Chestnut Hill Hospital, LLC, Jennersville Hospital, LLC, Phoenixville Hospital, LLC and Pottstown Hospital, LLC, each a Pennsylvania limited liability company of which Tower Health is the sole member. The limited liability companies that are members of the Obligated Group are disregarded entities for federal income tax purposes.

Tower Health. The primary corporate purpose of Tower Health is to support the charitable, educational and scientific purposes of the other members of the Obligated Group, Tower Health Medical Group and other affiliated entities.

Reading Hospital. Reading Hospital operates the hospital facility known as Reading Hospital, Pennsylvania's largest single hospital between Philadelphia and Pittsburgh, an acute care hospital with 738 licensed beds, including 62 beds at a dedicated rehabilitation hospital.

Brandywine Hospital, LLC, is a tax-exempt single member limited liability company of which Tower Health is the sole member and which was organized to own and operate Brandywine Hospital, an acute care hospital with 171 licensed beds located in Coatesville, Pennsylvania that has been serving the needs of the residents of Chester County, Pennsylvania since 1899.

Chestnut Hill Hospital, LLC, is a tax-exempt single member limited liability company of which Tower Health is the sole member and which was organized to own and operate Chestnut Hill Hospital, an acute care hospital with 148 licensed beds located in Philadelphia, Pennsylvania. Chestnut Hill Hospital has offsite ambulatory locations including two Women's Centers, an off-site physical therapy center and several primary care physician practice locations.

Jennersville Hospital, LLC, is a tax-exempt single member limited liability company which was organized to own and operate Jennersville Hospital, an acute care hospital with 63 licensed beds located in West Grove, Pennsylvania. Jennersville Regional Hospital is an all-private room facility which offers inpatient and outpatient, emergency, surgical and diagnostic care.

Phoenixville Hospital, LLC, is a tax-exempt single member limited liability company of which Tower Health is the sole member and which was organized to own and operate Phoenixville Hospital, an acute care hospital with 137 licensed beds located in Phoenixville, Pennsylvania. Services include an award-winning cardiovascular program, a fully accredited cancer center and one of the area's largest Robotic Surgery Centers. Phoenixville Hospital has several ambulatory care sites, including three ambulatory surgery centers and several employed physician practice locations.

Pottstown Hospital, LLC, is a tax-exempt single member limited liability company which was organized to own and operate Pottstown Hospital, an acute care hospital with 232 licensed beds located in Pottstown, Pennsylvania. Pottstown Hospital offers a full range of inpatient and outpatient medical treatments, including among others, surgical, diagnostic, emergency care, cardiac care and a cancer center.

THE AUDITED FINANCIAL STATEMENTS INCLUDED IN APPENDIX B HERETO CONTAIN THE CONSOLIDATED FINANCIAL STATEMENTS OF TOWER HEALTH AND ITS SUBSIDIARIES. SUCH CONSOLIDATED FINANCIAL STATEMENTS INCLUDE SUBSIDIARIES THAT ARE NOT MEMBERS OF THE OBLIGATED GROUP. THE OBLIGATED GROUP ACCOUNTED FOR 85.4% AND 86.7% OF CONSOLIDATED REVENUES OF TOWER HEALTH AND SUBSIDIARIES FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2019, RESPECTIVELY, AND ACCOUNTED FOR 97.7% AND 95.4% OF THE CONSOLIDATED ASSETS OF TOWER HEALTH AND SUBSIDIARIES AT JUNE 30, 2018 AND 2019, RESPECTIVELY. SEE "SUMMARY OF FINANCIAL INFORMATION - SUMMARY OF FINANCIAL DATA" BELOW.

Non-Obligated Group Affiliated Entities

System Subsidiaries.

Tower Health Partners ("THP") is a non-profit Pennsylvania single member limited liability company and a clinically-integrated organization, with over 3,500 participating providers, that manages clinical integration for the physicians of the System, both employed and independent.

Tower Health Medical Group ("THMG") is a Pennsylvania nonprofit corporation, an organization described in Section 501(c)(3) and a public charity under Section 509(a)(3) of the Code. THMG employed 448 physicians as of June 30, 2019.

Tower Health Medical Group Holding Company, LLC, is a Pennsylvania limited liability company, which was formed to own 100% membership interests in fourteen physician practices acquired as part of the acquisition of the CMP Hospitals. Those physician practices collectively employ approximately 148 physicians and include: Chestnut Hill Clinic Company, LLC, Coatesville Cardiology Clinic, LLC, Coatesville Clinic Company, LLC, Coventry Clinic Company, LLC, Jennersville Family Medicine, LLC, Phoenixville Clinic Company, LLC, Phoenixville Orthopedic Specialists, LLC, Phoenixville Specialty Clinics, LLC, Pottstown Clinic Company, LLC, Pottstown Professional Services, LLC, Schuylkill Internal Medicine Associates, LLC, Village Medical Center Associates, LLC, West Grove Clinic Company, LLC and West Grove Family Practice, LLC.

Tower Health Urgent Care. Tower Health completed the acquisition of Premier Urgent Care, forming a new business line, "Tower Health Urgent Care" on December 1, 2018. As part of Tower Health's strong, regional, integrated provider/payer system, the expansion of urgent care centers improved access to Tier 1 in-network walk-in care. Tower Health's acquisition of the 19 urgent care locations increased the System's urgent care facilities throughout its service area to 21 sites. According to the Philadelphia Business Journal, the acquisition made Tower Health the largest operator of urgent care centers in the metropolitan Philadelphia area. The 19 acquired sites are located primarily in Tower Health's southeast service area, including Chester, Montgomery and Bucks Counties, with one location in Berks County and one in Hockessin, Delaware.

Tower Health at Home. On January 1, 2019, Tower Health launched Tower Health at Home, which advances the quality and value of its home health services across the region. Affilia Home Health, whose partners included Tower Health, Lancaster General Health - Penn Medicine and UPMC Pinnacle amicably dissolved the partnership and reorganized home health services in their respective service areas on December 31, 2018. Employees of the Affilia Berks branch became employees of Home Health Care Management ("HHCM"), the parent company of Berks VNA, Pottstown VNA and Advantage Home Care. Effective January 1, 2019, HHCM became part of Tower Health.

Tower Health Reciprocal Risk Retention Group, Inc. ("Tower RRG") was formed by Tower Health to insure all of its hospitals, employed physicians and other operations for healthcare professional liability and general liability. Tower RRG permits Tower Health to provide Mcare-qualifying coverage for all its hospitals and individual providers. Tower RRG was formed as a reciprocal under South Carolina law, and each material insured entity within Tower Health is a subscriber to Tower RRG. No entities other than Tower Health subsidiaries will be subscribers, and no unaffiliated persons will participate in Tower RRG. Tower Health retains governance control. Senior officers of Tower Health comprise the subscribers' advisory committee of Tower RRG.

Tower Health Enterprises, LLC, is a Pennsylvania limited liability company, which was formed to hold the interests in joint ventures acquired as part of the acquisition of the CMP Hospitals, many of which are minority interests. These include: Pottstown Medical Specialists, Inc., Southern Chester County Medical Building I, Southern Chester County Medical Building II and USRC Montgomery Partners, LLC.

Reading Hospital Foundation (the "Foundation"), is a Pennsylvania nonprofit corporation, an organization described in Section 501(c)(3) and a public charity as a Type I supporting organization under Section 509(a)(3) of the Code. The purpose of the Foundation is to raise funds that support the mission of Reading Hospital and its affiliates to benefit the health and well-being of the community through innovation, education and research. Tower Health has representatives on the Foundation's Board of Directors. The Foundation was formed on January 21, 2015.

Other Affiliated Entities. One or both of Tower Health and Reading Hospital are affiliated with the following non-controlled entities.

St. Christopher's Hospital for Children is comprised of three entities: STC Healthcare Partners, STC Opco and STC Pediatrics, each of which is a Pennsylvania limited liability company. STC Healthcare Partners is the parent company of St. Christopher's and the physician company, STC Pediatrics, and it is owned by Tower Health and Drexel University in equal shares. STC Opco owns and operates St. Christopher's, and STC Pediatrics employs the physicians and other providers who provide professional services to the patients of St. Christopher's. St. Christopher's has 188 beds and employs 225 physicians and 130 residents. More than 30,000 children depend on the hospital for primary and specialty care, and 70,000 children are served annually by the hospital's emergency department. St. Christopher's is one of only three Level I Pediatric Trauma Centers in Pennsylvania. St. Christopher's is a Magnet® designated hospital and is listed as one of Women's Choice Award Best Children's Hospital in 2019.

The Reading Hospital SurgiCenter at Spring Ridge, LLC, a Delaware limited liability company located in Wyomissing, Pennsylvania, provides ambulatory surgery services to the surrounding community. Reading Hospital is a 50% owner of The Reading Hospital SurgiCenter at Spring Ridge, LLC, and surgeons in the community own the other 50%.

Central Pennsylvania Alliance Laboratories; Quest Behavioral Health, Inc. Tower Health, along with several other acute care service health systems throughout the central Pennsylvania area, is a member of the Central Pennsylvania Health Alliance. As such, Tower Health has contributed capital to and has become a 20% owner of Central Pennsylvania Alliance Laboratories, which is a joint venture to provide diagnostic laboratory services, and a 20% owner of QUEST Behavioral Health, which is a joint venture that provides mental health benefits to Tower Health and other health systems in the area.

Horizon Healthcare Services, LLP ("Horizon"), a Pennsylvania for-profit limited liability partnership, is an in-home infusion and specialty pharmacy company located in Lancaster, Pennsylvania.

Horizon, which serves patients throughout 30 counties in Pennsylvania, is wholly owned by four nonprofit acute care providers, including Tower Health, which holds a 33% partnership interest.

Allspire Health Partners, LLC ("Allspire") is a collaboration among five regional health systems to achieve best clinical practices and to increase purchasing power. Tower Health holds a 20% share of Allspire. The other members of Allspire include Atlantic Health System, Hackensack Meridian Health, Lehigh Valley Health Network and WellSpan Health.

Tower Health PPO ("THPPO"), a Pennsylvania nonprofit corporation, and its wholly owned subsidiary, Medicus Resource Management, Inc. ("Medicus"), a Pennsylvania for-profit corporation, provide network access, population health management services, provider credentialing and enrollment and assist in developing preferred provider relationships. While THPPO is exempt from state income taxes, it is a taxable entity for federal tax purposes.

Tower Health-UPMC Joint Venture, LLC is a provider-payer joint venture that offers a full line of health coverage and related services to individuals as well as employers and their employees in the System's service area. In January 2017, Tower Health-UPMC Joint Venture, LLC began providing Third Party Administrator and FSA Flexible Spending Account administration services for Tower Health's employee benefits plan that services more than 11,000 individuals. The joint venture provides a full spectrum of health insurance offerings, including Medicare Advantage, Administrative Services Only for self-insured employers, Individual (Exchange), and Commercial Group, Special Needs Plans, Managed Medical Assistance, and Children's Health Insurance Program (CHIP).

King of Prussia Surgery Center, LLC is a joint venture with Premier Medical Management, Inc., Premier Orthopaedic and Sports Medicine Associates, Ltd., The Philadelphia Hand Center, P.C, Hand Surgeons, P.C. and Prospect Crozer, LLC to develop, own and operate an ambulatory surgery center in King of Prussia, Pennsylvania. Tower Health owns 10% of the membership interests.

Tower/USPI Surgery Centers, LLC is a joint venture with USPI Philadelphia, Inc. to develop and operate short stay surgical facilities in the System's service area. Tower Health owns 50.1% of the membership interests of the joint venture.

GOVERNANCE AND MANAGEMENT

Tower Health Board of Directors; Committees

Tower Health is served by a 10-member Board of Directors (the "Tower Health Board"). Tower Health's President and Chief Executive Officer is a voting member of the Tower Health Board for a period coterminous with that office. Candidates for election to the Tower Health Board are nominated by the Governance Committee in accordance with the Bylaws. Election of Directors is made by the Tower Health Board at the annual meeting acting upon recommendations from the Governance Committee.

Directors are elected for a term of three years. A Director may not be re-elected after having served four consecutive three-year terms, or be elected otherwise to fill a vacancy on the Tower Health Board, until the Director has had a break in service as a Director for a period of at least one year.

The Tower Health Board has the following standing committees: Audit and Compliance, Executive and Physician Compensation, Finance, Governance and Investment.

The current members of the Tower Health Board and their principal occupations are as shown below.

Name	Profession or Occupation	Company	Current Term Ends	Years of Service
Clint Matthews	President and Chief Executive Officer	Tower Health	Ex Officio	10
C. Thomas Work[(1)]	Shareholder	Stevens & Lee, P.C.	2021	15
Brent J. Wagner, MD	Radiology Physician	West Reading Radiology	2020	12
Barbara Arner	Executive	Retired	2021	26
Tod Auman	Owner and Investment Manager	Dundore & Heister	2022	6 months
John Fry	President	Drexel University	2022	6 months
Chris G. Kraras	President and Chief Executive Officer	White Star Tours	2021	13
Meg Mueller[(2)]	Senior Executive Vice President and Chief Credit Officer	Fulton Financial Corporation	2021	4
Sue Perrotty	Bank Executive	Retired	2022	6 months
Karen A. Rightmire	Executive Director	Wyomissing Foundation	2021	8

(1) Mr. Work currently serves as the Chairman of the Tower Health Board of Directors through June 30, 2021.
(2) Ms. Mueller currently serves as the Vice Chairman of the Tower Health Board of Directors through June 30, 2021.

Certain Relationships

C. Thomas Work, Esquire, a member of the Tower Health Board, is a shareholder of Stevens & Lee, P.C., Reading, Pennsylvania, which serves as Bond Counsel and counsel to the Obligated Group in connection with the issuance of the Series 2020 Bonds.

John Fry is the President of Drexel University, which currently has two joint ventures with Tower Health: (1) ownership and operation of St. Christopher's and its affiliated physician practices and (2) development and operation of a medical school campus in Berks County, Pennsylvania.

Governing Bodies of the Obligated Group Members

Tower Health utilizes a centralized management structure with the Tower Health Board holding certain reserve powers over its affiliated entities. Reading Hospital, Brandywine Hospital, LLC, Chestnut Hill Hospital, LLC, Jennersville Hospital, LLC, Phoenixville Hospital, LLC and Pottstown Hospital, LLC each utilize a fiduciary regional Board of Trustees to provide governance on quality, safety and the health care needs of the communities in which they serve and benefit.

Conflict of Interest Policy

The Bylaws of each Tower Health entity contain specific provisions governing conflicts of interest by any director, trustee, officer or committee member. Pursuant to the Bylaws, directors, trustees, officers and committee members have an affirmative duty to disclose in a timely fashion any relationship or interest, financial or otherwise, which they or any other corporation, partnership, association or other organization in which they have any interest, may have in any contract or transaction to which Tower Health or any affiliate is, or is about to become, a party.

In addition, Tower Health and its affiliates have adopted a conflict of interest policy that governs certain transactions and contracts, including a proposal to discuss, negotiate or enter into a contract or transaction, in which their officers, directors, trustees and members of committees, including community members, may have a direct or indirect interest. Under the policy, a director, trustee, officer or member of a committee who has or might have a financial or other interest in a matter is required to disclose the details of that interest to the chair of the Board or committee that is addressing the matter. After disclosure of the conflict or potential conflict of interest and a determination that a conflict exists by the applicable Board or committee, the Board or committee is required to determine (a) whether the entity can address the matter more advantageously by means that avoid the conflict of interest and (b) if the matter cannot be addressed more advantageously by means that avoid the conflict of interest, or if other approaches to resolution are impractical under the circumstances, (i) whether the proposed transaction or contract is in the entity's best interests, (ii) whether it is fair and reasonable, and (iii) whether to enter into it. Violation of the conflict of interest policy may be grounds for removal.

Management

The Tower Health Board is committed to ensuring the System remains a regional healthcare leader by recruiting and retaining an experienced senior management team. As charged by the Tower Health Board, the executive team is focused on expanding clinical capabilities, bolstering its medical and administrative staff, and enhancing the quality of care and service to patients.

Clint Matthews, President and Chief Executive Officer. Clint Matthews has served as Chief Executive Officer of Tower Health since January 1, 2012. With over forty years in health care, Mr. Matthews has served in executive leadership positions in both for-profit and nonprofit organizations. These include experiences as a managing director of FTI Healthcare, strategic assessment and tactical/operational improvement of FTI Healthcare clients nationwide, sometimes serving as the chief executive officer of various sized systems in urban and suburban environments; CEO of for-profit facilities in Texas and Florida; President & CEO of MDPhysicians, Inc., a vertically and horizontally integrated health plan and physician organization; and other executive-level positions for regional health systems. Mr. Matthews has an undergraduate degree in nursing from the University of Texas and a Master's Degree in health care administration from Texas Woman's University.

Gary F. Conner, Executive Vice President and Chief Financial Officer. Gary F. Conner has served as Chief Financial Officer of Tower Health since July 6, 2015. Prior to joining Tower Health, Mr.

Conner served as Executive Vice President and Chief Financial Officer at Southcoast Health System in New Bedford, Massachusetts. He was also Chief Financial Officer at City of Hope Cancer Center, Duarte California, and his career included senior level positions at Catholic Healthcare West, Pasadena, California and Hospital Corporation of America, San Diego, California. He holds a Master's Degree in Business Administration from Sonoma State University in Rhonert Park, California and a Bachelor of Arts in Business Management from California Lutheran University in Thousand Oaks, California.

Therese Sucher, Executive Vice President and Chief Operating Officer. Therese Sucher has served as Chief Operating Officer of Tower Health since January 1, 2012. Ms. Sucher previously served as a managing director in the FTI Healthcare Group of the FTI Corporate Finance practice where she provided interim executive management as well as project management services to hospitals and health systems throughout the country. Ms. Sucher's previous positions include senior manager and practice leader for the Process/Quality Consulting practice at Plante & Moran in Southfield, Michigan; manager in the Healthcare Business Consulting practice of Arthur Andersen in Chicago, Illinois; and vice president of operations at Kaiser Permanente in Cleveland, Ohio. Ms. Sucher received a Master's Degree in organizational development from Case Western Reserve University and a Bachelor of Science in Nursing from Ursuline College of Cleveland. Ms. Sucher is a licensed registered nurse in Ohio.

Gregory Sorensen, MD, Executive Vice President and Chief Medical Officer. Gregory Sorensen, MD has served as Chief Medical Officer of Tower Health since November 2012. He previously served as Chief Medical Officer and Vice President of Medical Affairs at Bon Secours Health System; as Executive Director at Swedish Medical Center in Seattle, Washington; and as director of pediatric cardiac anesthesiology and critical care at Seattle Children's Hospital. Dr. Sorensen received his medical degree from the University of Nebraska, where he had previously earned a bachelor's degree in pharmacy. His postgraduate education included a pediatric residency at the University of Washington, a fellowship in pediatric cardiology at Vanderbilt University and a fellowship in neonatal and respiratory diseases followed by a residency in anesthesiology. He is a diplomat of the American Board of Pediatrics and the American Board of Anesthesiology and a member of the American College of Physician Executives.

Daniel Ahern, Executive Vice President of Strategy and Business Development. Daniel Ahern has served as SVP of Business Development and Strategy of Tower Health since May 2014. He previously served at Mercy Health System in Conshohocken, Pennsylvania, as Senior Vice President, Strategy and Business Development. Mr. Ahern started his career at Fitzgerald Mercy and then moved to Albert Einstein Healthcare Network where he served in financial leadership roles throughout the system. He returned to Mercy Health System as Executive Director of the Physician Practice Plan and moved to the role of Senior Vice President Strategy and Business Development. Mr. Ahern is a graduate of Villanova University with a Master of Business Administration and a Bachelor of Science in Business Administration/Finance.

William M. Jennings, President and Chief Executive Officer, Reading Hospital, and Executive Vice President for Tower Health. Bill Jennings has served as Chief Executive Officer of Reading Hospital since October 2018. He previously served as President and Chief Executive Officer for Bridgeport Hospital of Yale New Haven Health System in Connecticut; President and Chief Executive Officer of St. Mary's Health Center in St. Louis, Missouri and President of the St. Louis Heart Institute, both part of SSM Health Care System; and as the Administrator and Chief Operating Officer at Morton Plant North Bay Hospital of BayCare Health System in Florida. Mr. Jennings was appointed to the Board of Directors for the Hospital and Healthsystem Association of Pennsylvania in January 2020. Mr. Jennings has an undergraduate degree in Business Administration from Miami University in Ohio and a Master's Degree in Health Administration from The Ohio State University.

Mary Agnew, Senior Vice President and Chief Nursing Officer. Mary Agnew, DNP, RN, NEA-BC has served as Chief Nursing Officer of Tower Health since September 2012 and led Reading Hospital to Magnet designation in 2016. She previously served as Chief Nursing Officer for Crouse Hospital in Syracuse since 2007 and served in leadership roles as Vice President of Patient Care Services for Cayuga Medical Center; Executive Director for the Alcohol and Drug Council of Tompkins County and Director of Behavioral Services at Cayuga Medical Center, based in Ithaca, New York. Dr. Agnew is a fellow of the Wharton School of Management for Nurse Executives and Cornell University's Executive Development Program. She holds a Doctor of Nursing Practice degree from Thomas Jefferson University and a Master's Degree in Nursing from Syracuse University with a National Institute of Mental Health graduate traineeship, and she received her Bachelor of Science from the State University of New York at Buffalo with a Walter C. Teagle Foundation scholarship. She is certified by the American Nurses' Credentialing Center as an Advanced Nurse Executive since 2011, is a recipient of the 2014 Jasper Chen See, M.D. Healthcare Professional Award and a 2015 finalist for the Nightingale Awards of Pennsylvania in Executive Nursing Administration.

Shane Campbell, Vice President and Chief Compliance Officer. Shane Campbell, RN has served as Vice President and Chief Compliance Officer of Tower Health since March 2019. Prior to joining Tower Health, Mr. Campbell was Senior Vice President and Chief Compliance Officer for Maxim Healthcare Services, a national home healthcare and staffing company where he helped build a compliance program that was awarded five national best practice awards by the Health Ethics Trust. He was also a Regional Operations Director for DaVita where he was responsible for all operations and clinical and compliance practices for his assigned region. Mr. Campbell's previous positions include Manager of Network Administration and Managed Care for Golden Rule Insurance Company, Senior Director of Payer Relations for Healthlink, Inc. and Director of Homecare for SSM Health. Mr. Campbell has an undergraduate degree in Nursing from Ball State University and a Master's Degree in Business Administration from Indiana Wesleyan University. Mr. Campbell is Certified in Healthcare Compliance by the Health Care Compliance Association and is a licensed Registered Nurse in Maryland.

Other key leaders include:

Charles Brown, Senior Vice President of Revenue Cycle Management. Charlie Brown has served as Tower Health's revenue cycle leader since May 2018 and has over 30 years of experience within integrated health systems. Previously, he served in similar roles with the University of Chicago Medicine, the University of Washington Medicine, and MultiCare Health System. He received a finance degree from the University of Wyoming and his Master's Degree in Business Administration from the University of Washington. He is an active member of the Healthcare Financial Management Association and served as president for its Washington/Alaska chapter.

Robert Ehinger, Senior Vice President of Financial Operations, Chief Financial Officer Reading Hospital. Robert Ehinger has served as Senior Vice President of Financial Operations since February 1, 2018. Prior to this position, he served as CFO of Brandywine Hospital from 2014 to 2018, and he served as CFO/ACFO at various other Community Health Systems ("CHS") hospitals and the CHS corporate office in Revenue Management since 2000. Mr. Ehinger has an undergraduate degree from La Salle College, Philadelphia, Pennsylvania.

Theresa Fink, Senior Vice President, Chief Operating Officer Tower Health Medical Group. Theresa Fink has served as Chief Operating Officer of THMG since February 2016. Ms. Fink started at Reading Hospital in September 2010 where she served in several operational leadership roles. Ms. Fink's previous positions include Executive Director of Operations for independent physician practices in Allentown, Pennsylvania; Director of Imaging for Doylestown Hospital, Doylestown, Pennsylvania and Corporate Marketing Associate for Health Images, Jacksonville, Florida. Ms. Fink

began her management career in healthcare at the Hospital of the University of Pennsylvania, Philadelphia as an Operations Manager in the Radiology Department. Ms. Fink received a Master's Degree in Strategic Leadership from California Miramar University, San Diego, California and a Bachelor of Science in Health Administration from University of Phoenix, Tempe, Arizona.

Joanne M. Judge, Esq., CPA is General Counsel for Tower Health and Co-Chair of the Health Law Department at Stevens & Lee, a regional law firm with 250 professionals. She previously served as President of Community Hospital of Lancaster and was formerly its chief financial officer. She received her B.S. in Accounting from St. Joseph's University and a J.D. from Villanova University School of Law. Joanne focuses her practice in transactional and regulatory matters for health care systems, long-term care and senior living organizations and physician practices, including mergers and acquisitions, joint ventures, affiliations and reorganizations, health care contracting, licensure, and compliance-related issues. Joanne served as the National Chairman of the Healthcare Financial Management Association and was honored in 1999 with the Frederick C. Morgan Award. She has served in leadership capacities in community and professional organizations, including as Chairman of the Lancaster and Reading YMCAs and the Lancaster Chamber of Commerce. She is the Immediate Past Chair of the board of Alvernia University and the Berks Workforce Investment Board, Vice Chair of Berks United Way and a member of the Reading Public Museum Board. She was previously honored as one of Pennsylvania's inaugural Best 50 Women in Business and received the Athena Award from the Berks Chamber of Commerce in 2009.

Mark G. Martens, MD, Vice President of Academic Affairs/Chief Academic Officer. Dr. Mark Martens has served as Vice President of Academic Affairs and Chief Academic Officer for Tower Health since March 2018. Most recently, Dr. Martens was Chair of the Department of Obstetrics and Gynecology at Jersey Shore University Medical Center, Clinical Professor and Vice-Chair at Rutgers, Robert Wood Johnson School of Medicine in New Jersey, and was selected as the Founding Chair and Professor of Obstetrics and Gynecology at the Hackensack Meridian School of Medicine at Seton Hall in Nutley, New Jersey. Dr. Martens has published over one hundred fifty peer-review articles, book chapters and is a reviewer or editorial board member of several peer review journals. He has been an educator, researcher and clinician in the areas of Infectious Diseases in women, menopause, osteoporosis, and minimally invasive surgery for over 25 years. Dr. Martens is the past President of the International Infectious Disease Society for Obstetrics and Gynecology and has served in various leadership positions. Dr. Martens graduated from Kenyon College in Ohio and attended graduate school in microbiology at Northwestern University in Chicago, Illinois. He attended George Washington University School of Medicine in Washington, D.C. He completed his residency in Obstetrics and Gynecology at Hartford Hospital in Connecticut, followed by a Fellowship in Obstetric and Gynecologic Infectious Diseases at Baylor College of Medicine, Houston, Texas.

Sean P. O'Connell, Vice President – Treasury Services. Sean P. O'Connell joined Tower Health in this role in March 2019. Prior to joining Tower Health, he spent 27 years at GE Capital, with his last role as The Americas Treasurer. In this role, he headed an organization which was responsible for business treasury activities for all the businesses headquartered in the Americas. Prior to GE Capital, Sean worked in treasury roles at The New York Times Company, Merrill Lynch and IBM. He is a graduate of The University of Connecticut with a Master of Business Administration in Finance and a Bachelor of Arts in Economics. He also has a Master in Arts in U.S. History from Western Connecticut State University.

David Schlappy, Vice President and Chief Quality and Transformation Officer. David Schlappy has served as Vice President of Quality since November 2014. He previously served as Vice President, Quality and Medical Staff Services for Silver Cross Health Care System in New Lenox, Illinois, and held senior-level positions at Methodist LeBonheur Healthcare System in Tennessee and

Cook Children's Health Care System in Fort Worth, Texas. Mr. Schlappy holds a Master of Science degree in biostatistics from The University of North Carolina at Chapel Hill, and a Bachelor of Science degree in statistics from Brigham Young University.

Russell Showers, Senior Vice President and Chief Human Resources Officer. Russell Showers has served as SVP and Chief Human Resources Officer since December 2013. Prior to joining Tower Health, Mr. Showers served as Vice President of Human Resources for Valley Health System in Ridgewood, New Jersey. Prior to that, he held senior leadership roles at Geisinger Health System and the Children's Hospital of Philadelphia. Mr. Showers holds a bachelor's degree in Psychology with a minor in Management from York College of Pennsylvania and a Master of Business Administration from Walden University.

Michelle Trupp, Senior Vice President and Chief Information Officer. Michelle Trupp has served as Chief Information Officer of Tower Health since October 2018. She previously served as Information Technology Senior Director for all software applications for Reading Hospital. Ms. Trupp started her career at Reading Hospital in the emergency department, where she held numerous leadership roles and served as Director of the emergency department for Reading Hospital. Ms. Trupp is a graduate of Cedar Crest College with a Master of Science in Nursing, received a Bachelor of Science in Nursing from Immaculata University and graduated from The Reading Hospital School of Nursing. Ms. Trupp is a licensed registered nurse in Pennsylvania.

Suzanne Wenderoth, MD, Senior Vice President, Tower Health and Chief Clinical Officer, Tower Health Medical Group. Dr. Wenderoth has served as Chief Clinical Officer of THMG since January 2018. Previous positions at the organization include: Vice President, Ambulatory Clinical Initiatives for THMG, Medical Director for Patient Centered Medical Home for Reading Health System, Medical Director for Internal Medicine Practice and Associate Program Director, Internal Medicine Residency Program. Dr. Wenderoth earned her medical degree from Cornell University College of Medicine in New York. Her postgraduate education included an Internship at New York Presbyterian Hospital and Memorial Sloan Kettering Cancer Center in New York, and Residency in Primary Care Internal medicine at New York Presbyterian Hospital. Dr. Wenderoth is a practicing Internal Medicine physician specializing in primary care, a diplomat of the American Board of Internal Medicine, and a member of the American Association for Physician Leadership.

SERVICE AREA AND MARKET DATA

Sources of Patient Discharges

The System's primary service area ("PSA") accounts for 75% of the six acute care hospitals' combined inpatient discharges, and the System's secondary service area ("SSA") accounts for an additional 15% of combined inpatient discharges. The following table sets forth the distribution of the System's inpatient discharges by service area for the calendar year ended December 31, 2018.

Distribution of the System's Inpatient Discharges by Service Area
December 31, 2018

Service Area	Discharges	Percent of Discharges
PSA	46,479	75.7%
SSA	9,499	15.5%
Outside PSA and SSA	5,402	8.8%
Total Discharges	61,380	100.0%

Source: PHC4 Inpatient Discharge Data. Excludes normal newborns.
Note: Does not include volumes from St. Christopher's.

For 2019, the System's PSA has an estimated population of 902,024. The following table lists estimated demographic information for the System's PSA, its SSA and its Total Service Area ("TSA") as well as state and national averages.

Market Demographics

	2020 Population	2025 Population	5-Year Population CAGR, 2020-2025	2020 Median Household Income	5-Year Median Household Income CAGR, 2020-2025	Unemployment Rate	% of Population > 65 Years Old
PSA	906,277	924,525	0.40%	$74,215	2.07%	4.00%	16.82%
SSA	529,141	537,271	0.31%	$85,709	1.99%	3.18%	17.40%
TSA (PSA + SSA)	1,435,418	1,461,796	0.36%	$78,322	2.04%	3.70%	17.03%
PA	12,817,939	12,885,553	0.11%	$63,913	1.98%	3.45%	18.90%
United States	330,342,293	341,132,738	0.64%	$65,228	2.06%	3.47%	16.64%

Source: Environics Analytics, Pop-Facts Claritas, 2020 and 2025 Databases.
Note: The figures included in this Market Data Demographics table are estimates.

Service Area Communities

The System's PSA is comprised of portions of the Counties of Berks, Montgomery, and Chester as well as the northern western portions of the City of Philadelphia. The PSA for each Tower Health hospital is comprised of the communities described below.

Reading Hospital is in the south-central part of Berks County in West Reading Borough, Pennsylvania, adjacent to the City of Reading. Based on CY2018 PHC4 inpatient data, Reading Hospital's PSA is comprised of the City of Reading and the surrounding Berks County communities of

Birdsboro, Blandon, Exeter, Fleetwood, Laureldale, Mohnton, Shillington, Sinking Spring, Temple, Wernersville, West Lawn, West Reading and Wyomissing. Reading Hospital receives 74.7% of its total inpatient discharges from these communities.

Brandywine Hospital is in the west central part of Chester County in Caln Township, Pennsylvania. Based on CY2018 PHC4 inpatient data, Brandywine Hospital's primary service area is comprised of the City of Coatesville and the surrounding communities of Downingtown, Honey Brook, Parkesburg, West Chester, Glenmoore, Elverson, Gap, Exton and Thorndale. Brandywine Hospital receives 77.9% of its total inpatient discharges from these communities.

Chestnut Hill Hospital is in the Chestnut Hill section of the City of Philadelphia. Based on CY2018 PHC4 inpatient data, Chestnut Hill Hospital's primary service area is comprised of the northern section of the City of Philadelphia and the surrounding communities of Glenside, Lafayette Hill, Flourtown, Plymouth Meeting and Ambler. Chestnut Hill Hospital receives 75.2% of its total inpatient discharges from these communities.

Jennersville Hospital is in the southern part of Chester County in Penn Township, Pennsylvania. Based on CY2018 PHC4 inpatient data, Jennersville Hospital's primary service area is comprised of the Boroughs of West Grove and Oxford, along with Nottingham, Lincoln University and Cochranville. Jennersville Hospital receives 73.5% of its total inpatient discharges from these communities.

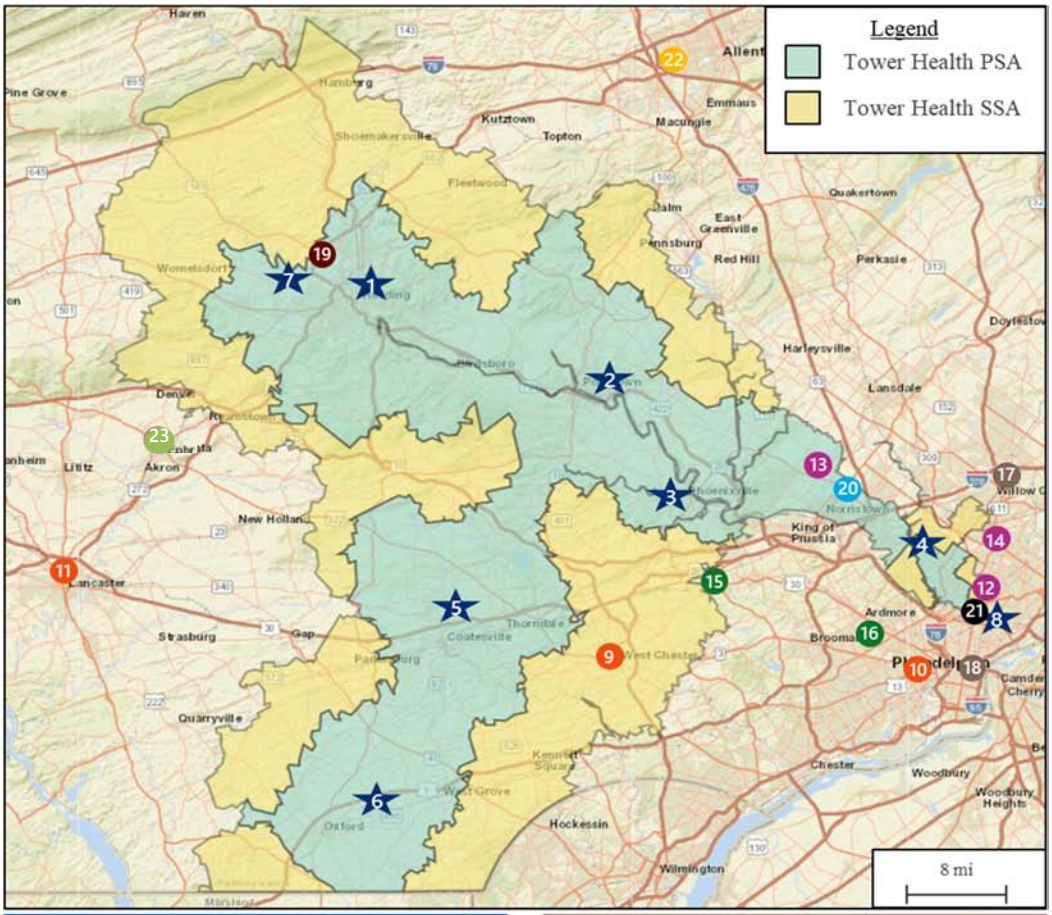
Phoenixville Hospital is in the west central part of Chester County in Phoenixville Borough, Pennsylvania. Based on CY2018 PHC4 inpatient data, Phoenixville Hospital's primary service area is comprised of the Borough of Phoenixville and the surrounding communities of Royersford, Pottstown, Spring City and Collegeville. Phoenixville Hospital receives approximately 76.4% of its total inpatient discharges from these communities.

Pottstown Hospital is in the northwestern part of Montgomery County in Pottstown Borough, Pennsylvania. Based on CY2018 PHC4 inpatient data, Pottstown Hospital's primary service area is comprised of the Borough of Pottstown and the surrounding communities of Boyertown, Royersford, Gilbertsville, Douglassville and Spring City. Pottstown Hospital receives 79.4% of its total inpatient discharges from these communities.

The System's SSA is comprised of the remainder of the Counties of Berks, Chester and Montgomery as well as parts of the City of Philadelphia and Lebanon, Lehigh, Lancaster and Schuylkill counties.

Several major highway systems connect the System's PSA and SSA with major business hubs in New York City, Boston, Philadelphia, Baltimore, Washington, and Pittsburgh. Interstate Routes 78 and 76 run east to west through Pennsylvania, passing through the PSA. U.S. Routes 422, 222, 61 and 476 run north and south through the PSA.

The map below shows the System's PSA and SSA.[1]



Tower Health	Licensed Beds
1 Reading Hospital	738
2 Pottstown Hospital	232
3 Phoenixville Hospital	137
4 Chestnut Hill Hospital	148
5 Brandywine Hospital	171
6 Jennersville Hospital	63
7 Reading Hospital Rehab	62
8 St. Christopher's Hospital for Children	188

Penn Medicine	Licensed Beds
9 Chester County Hospital	244
10 Hospital of the University of Pennsylvania	805
11 Lancaster General Health	199

Einstein Healthcare Network	Licensed Beds
12 Albert Einstein Medical Center	750
13 Einstein Medical Center Montgomery	171
14 Moss Rehabilitation Hospital	191

Main Line Health	Licensed Beds
15 Paoli Hospital	231
16 Lankenau Medical Center	370

Jefferson Health	Licensed Beds
17 Abington Memorial Hospital	655
18 Thomas Jefferson University Hospitals, Inc.	908

Penn State Health	Licensed Beds
19 St. Joseph's Medical Center	204

Prime Health	Licensed Beds
20 Suburban Community Hospital	126

Temple Health	Licensed Beds
21 Temple Universtiy Hospital	732

Lehigh Valley Health	Licensed Beds
22 Lehigh Valley Hospital/Allentown	1,133

WellSpan Health	Licensed Beds
23 WellSpan Ephrata Community Hospital	141

[1] Displays Tower Health hospitals and major competitors.
Source: PA Department of Health

Market Share

With 738 licensed beds, Reading Hospital is the largest hospital in the PSA. As shown on the following chart, the System has the leading market share in the PSA for the calendar years ended December 31, 2016, 2017 and 2018 based upon total inpatient discharges.

Market Share Trends in PSA
Inpatient Discharges

	Calendar Year Ended December 31,					
	2016		2017		2018	
Hospital	**Discharges**	**Share**	**Discharges**	**Share**	**Discharges**	**Share**
Reading Hospital	24,283	22.6%	24,399	22.9%	24,509	23.1%
Pottstown Hospital	7,223	6.7%	7,601	7.1%	6,941	6.5%
Phoenixville Hospital	5,778	5.4%	5,766	5.4%	5,476	5.2%
Chestnut Hill Hospital	3,648	3.4%	3,724	3.5%	3,619	3.4%
Brandywine Hospital	4,389	4.1%	4,497	4.2%	4,407	4.1%
Jennersville Hospital	1,640	1.5%	1,306	1.2%	1,527	1.4%
Total System	**46,961**	**43.8%**	**47,293**	**44.4%**	**46,479**	**43.7%**
Albert Einstein Medical Center	4,486	4.2%	4,584	4.3%	4,885	4.6%
Einstein Medical Center Montgomery	6,708	6.3%	6,873	6.5%	7,006	6.6%
Moss Rehabilitation Hospital	318	0.3%	312	0.3%	377	0.4%
Total Einstein Healthcare Network	**11,512**	**10.7%**	**11,769**	**11.1%**	**12,268**	**11.5%**
Chester County Hospital	5,432	5.1%	5,442	5.1%	5,845	5.5%
Hospital of the University of Pennsylvania	2,485	2.3%	2,412	2.3%	2,369	2.2%
Other Penn Medicine Hospitals	2,371	2.2%	2,415	2.3%	2,219	2.1%
Total Penn Medicine	**10,288**	**9.6%**	**10,269**	**9.6%**	**10,433**	**9.8%**
Paoli Hospital	4,821	4.5%	4,887	4.6%	5,170	4.9%
Other Main Line Hospitals	3,247	3.0%	3,385	3.2%	3,495	3.3%
Total Main Line Health	**8,068**	**7.5%**	**8,272**	**7.8%**	**8,665**	**8.2%**
St. Joseph's Medical Center	5,221	4.9%	4,977	4.7%	4,819	4.5%
Other Penn State Health Hospitals	833	0.8%	960	0.9%	887	0.8%
Total Penn State Health	**6,054**	**5.6%**	**5,937**	**5.6%**	**5,706**	**5.4%**
Thomas Jefferson University Hospitals, Inc.	2,663	2.5%	2,416	2.3%	2,421	2.3%
Other Jefferson Health Hospitals	2,275	2.1%	2,287	2.1%	2,326	2.2%
Total Jefferson Health	**4,938**	**4.6%**	**4,703**	**4.4%**	**4,747**	**4.5%**
Suburban Community Hospital	2,573	2.4%	2,128	2.0%	1,758	1.6%
Other Prime Healthcare Services Hospitals	880	0.8%	848	0.8%	734	0.7%
Total Prime Healthcare Services	**3,453**	**3.2%**	**2,976**	**2.8%**	**2,492**	**2.3%**
Total Universal Health Services	**2,503**	**2.3%**	**2,345**	**2.2%**	**2,364**	**2.2%**
All Others	**13,510**	**12.6%**	**12,930**	**12.1%**	**13,097**	**12.3%**
Total	**107,287**	**100.0%**	**106,494**	**100.0%**	**106,251**	**100.0%**

Note: Only displays individual competitor hospitals and health systems with market share of at least 2.0%.
Note: Totals may not add due to rounding.
Source: PHC4 Inpatient Discharge Data. Excludes normal newborns.

The following table shows market share trends, based on discharges, for the calendar years ended December 31, 2016, 2017 and 2018 within the SSA.

Market Share Trends in SSA
Inpatient Discharges

	Calendar Year Ended December 31,					
	2016		2017		2018	
Hospital	**Discharges**	**Share**	**Discharges**	**Share**	**Discharges**	**Share**
Reading Hospital	4,717	9.0%	4,630	8.8%	4,677	8.7%
Pottstown Hospital	655	1.3%	716	1.4%	663	1.2%
Phoenixville Hospital	473	0.9%	519	1.0%	457	0.9%
Chestnut Hill Hospital	1,930	3.7%	1,961	3.7%	2,027	3.8%
Brandywine Hospital	1,208	2.3%	1,131	2.1%	1,136	2.1%
Jennersville Hospital	681	1.3%	540	1.0%	539	1.0%
Total System	**9,664**	**18.5%**	**9,497**	**18.0%**	**9,499**	**17.8%**
Chester County Hospital	7,558	14.4%	7,139	13.6%	7,611	14.2%
Hospital of the University of Pennsylvania	1,658	3.2%	1,666	3.2%	1,774	3.3%
Lancaster General Hospital	1,069	2.0%	1,125	2.1%	1,066	2.0%
Other Penn Medicine Hospitals	1,327	2.5%	1,411	2.7%	1,316	2.5%
Penn Medicine Total	**11,612**	**22.2%**	**11,341**	**21.5%**	**11,767**	**22.0%**
Paoli Hospital	4,317	8.2%	4,631	8.8%	4,715	8.8%
Lankenau Medical Hospital	982	1.9%	1,106	2.1%	1,088	2.0%
Other Main Line Hospitals	1,482	2.8%	1,654	3.1%	1,557	2.9%
Total Main Line Health	**6,781**	**13.0%**	**7,391**	**14.0%**	**7,360**	**13.8%**
Albert Einstein Medical Center	4,610	8.8%	4,885	9.3%	5,362	10.0%
Other Einstein Healthcare Network Hospitals	631	1.2%	659	1.3%	762	1.4%
Total Einstein Healthcare Network	**5,241**	**10.0%**	**5,544**	**10.5%**	**6,124**	**11.4%**
Abington Memorial Hospital	2,677	5.1%	2,647	5.0%	2,713	5.1%
Thomas Jefferson University Hospital Inc.	1,390	2.7%	1,337	2.5%	1,398	2.6%
Other Jefferson Health Hospitals	429	0.8%	412	0.8%	388	0.7%
Total Jefferson Health	**4,496**	**8.6%**	**4,396**	**8.3%**	**4,499**	**8.4%**
St. Joseph's Medical Center	1,807	3.5%	1,788	3.4%	1,738	3.2%
Other Penn State Hospitals	416	0.8%	435	0.8%	426	0.8%
Total Penn State Health	**2,223**	**4.2%**	**2,223**	**4.2%**	**2,164**	**4.0%**
Lehigh Valley Hospital/Allentown	1,350	2.6%	1,311	2.5%	1,481	2.8%
Other Lehigh Valley Health Network Hospitals	44	0.1%	47	0.1%	32	0.1%
Total Lehigh Valley Health Network	**1,394**	**2.7%**	**1,358**	**2.6%**	**1,513**	**2.8%**
WellSpan Ephrata Community Hospital	1,255	2.4%	1,371	2.6%	1,245	2.3%
Other WellSpan Health Hospitals	160	0.3%	188	0.4%	248	0.5%
Total WellSpan Health	**1,415**	**2.7%**	**1,559**	**3.0%**	**1,493**	**2.8%**
Temple University Hospital, Inc.	1,078	2.1%	1,023	1.9%	1,013	1.9%
Other Temple University Health System Hospitals	347	0.7%	411	0.8%	386	0.7%
Total Temple University Health System	**1,425**	**2.7%**	**1,434**	**2.7%**	**1,399**	**2.6%**
Total Universal Health Services	**1,249**	**2.4%**	**1,277**	**2.4%**	**1,310**	**2.4%**
All Others	**6,838**	**13.1%**	**6,655**	**12.6%**	**6,384**	**11.9%**
Total	**52,338**	**100.0%**	**52,675**	**100.0%**	**53,512**	**100.0%**

Note: Only displays individual competitor hospitals and health systems with market share of at least 2.0%
Note: Totals may not add due to rounding.
Source: PHC4 Inpatient Discharge Data. Excludes normal newborns.

The following table shows market share trends, based on discharges, for the calendar years ended December 31, 2016, 2017 and 2018 within the TSA.

Market Share Trends in TSA
Inpatient Discharges

	Calendar Year Ended December 31,					
	2016		2017		2018	
Hospital	**Discharges**	**Share**	**Discharges**	**Share**	**Discharges**	**Share**
Reading Hospital	29,000	18.2%	29,029	18.2%	29,186	18.3%
Pottstown Hospital	7,878	4.9%	8,317	5.2%	7,604	4.8%
Phoenixville Hospital	6,251	3.9%	6,285	3.9%	5,933	3.7%
Chestnut Hill Hospital	5,578	3.5%	5,685	3.6%	5,646	3.5%
Brandywine Hospital	5,597	3.5%	5,628	3.5%	5,543	3.5%
Jennersville Hospital	2,321	1.5%	1,846	1.2%	2,066	1.3%
Total System	**56,625**	**35.5%**	**56,790**	**35.7%**	**55,978**	**35.0%**
Chester County Hospital	12,990	8.1%	12,581	7.9%	13,456	8.4%
Hospital of the University of Pennsylvania	4,143	2.6%	4,078	2.6%	4,143	2.6%
Other Penn Medicine Hospitals	4,767	3.0%	4,951	3.1%	4,601	2.9%
Penn Medicine Total	**21,900**	**13.7%**	**21,610**	**13.6%**	**22,200**	**13.9%**
Albert Einstein Medical Center	9,096	5.7%	9,469	5.9%	10,247	6.4%
Einstein Medical Center Montgomery	7,091	4.4%	7,303	4.6%	7,520	4.7%
Other Einstein Healthcare Network Hospitals	566	0.4%	541	0.3%	625	0.4%
Total Einstein Healthcare Network	**16,753**	**10.5%**	**17,313**	**10.9%**	**18,392**	**11.5%**
Paoli Hospital	9,138	5.7%	9,518	6.0%	9,885	6.2%
Other Main Line Hospitals	5,711	3.6%	6,145	3.9%	6,140	3.8%
Total Main Line Health	**14,849**	**9.3%**	**15,663**	**9.8%**	**16,025**	**10.0%**
Abington Memorial Hospital	4,390	2.8%	4,386	2.8%	4,471	2.8%
Thomas Jefferson University Hospital Inc.	4,053	2.5%	3,753	2.4%	3,819	2.4%
Other Jefferson Health Hospitals	991	0.6%	960	0.6%	956	0.6%
Total Jefferson Health	**9,434**	**5.9%**	**9,099**	**5.7%**	**9,246**	**5.8%**
St. Joseph's Medical Center	7,028	4.4%	6,765	4.3%	6,557	4.1%
Other Penn State Hospitals	1,249	0.8%	1,395	0.9%	1,313	0.8%
Total Penn State Health	**8,277**	**5.2%**	**8,160**	**5.1%**	**7,870**	**4.9%**
Total Prime Healthcare Services	**5,001**	**3.1%**	**4,471**	**2.8%**	**3,704**	**2.3%**
Total Universal Health Services	**3,752**	**2.4%**	**3,622**	**2.3%**	**3,674**	**2.3%**
Total Temple University Health System	**3,410**	**2.1%**	**3,505**	**2.2%**	**3,451**	**2.2%**
All Others	**19,624**	**12.3%**	**18,936**	**11.9%**	**19,223**	**12.0%**
Total	**159,625**	**100.0%**	**159,169**	**100.0%**	**159,763**	**100.0%**

Note: Only displays individual competitor hospitals and health systems with market share of at least 2.0%
Source: PHC4 Inpatient Discharge Data. Excludes normal newborns.
*Totals may not add due to rounding.

FACILITIES AND SERVICES

As of January 1, 2020, the System is comprised of 1,677 licensed beds, as shown in the table below.

System Hospital Facilities

Hospital Facility	Location (PA)	Hospital Licensed Beds as of January 1, 2020	Staffed Beds as of January 1, 2020	Behavioral Licensed Beds as of January 1, 2020	Rehab Licensed Beds as of January 1, 2020
Reading Hospital	West Reading	738*	707	40	62
Brandywine Hospital	Coatesville	171	143	64	--
Chestnut Hill Hospital	Philadelphia	148	128	20	--
Jennersville Hospital	West Grove	63	52	--	--
Phoenixville Hospital	Phoenixville	137	128	--	14
Pottstown Hospital	Pottstown	232	232	28	--
St. Christopher's**	Philadelphia	188	137	--	--
Total		**1,677**	**1,527**	**152**	**76**

*Number of licensed beds changed from 714 to 738 in August 2019.
**Acquired in December 2019 as a joint venture with Drexel University.

The Hospital Facilities

Reading Hospital's main campus, situated on 39 acres in West Reading, Pennsylvania, is the site for inpatient care, research and education, as well as the hub for major outpatient services. Facilities on this campus include 20 buildings, 12 of which are devoted to patient care. An important new clinical building is the HealthPlex for Advanced Surgical & Patient Care that opened in January 2017. This 476,000 square foot addition includes 24 state-of-the-art operating rooms and five patient floors with 30 private patient rooms on each floor. In addition, this facility incorporates the expansion of the emergency department and trauma services along with the relocation of the psychiatric evaluation unit.

The main campus of Reading Hospital houses the Miller Regional Heart Center, The McGlinn Cancer Institute, a Level I Trauma Center, inpatient and outpatient surgical centers, a stroke center, a heart failure program, a Kidney and Liver Transplant Center, critical care units for newborns and adults, acute and rehabilitation nursing units, as well as one of the busiest Emergency Department in Pennsylvania.

In addition to the West Reading location, Reading Hospital maintains multiple locations that provide the following services: laboratory, imaging, occupational health, behavioral health, rehabilitation medicine and speech and hearing throughout the community. In the summer of 2020, Tower Health's 144-bed behavioral health care facility will open in Bern Township, as a joint venture with Acadia.

Reading Hospital owns a seven-acre site in Spring Township, approximately three miles from West Reading, that houses an ambulatory surgery center, imaging center and lab testing satellite, as well as a wound healing and hyperbaric medicine center. A second site in Spring Township is where Reading Hospital's Rehabilitation Hospital operates. This site houses an inpatient rehabilitation center and a licensed transitional care unit.

Reading Hospital has several other properties that are currently being offered for sale, including:

- A third location in Spring Township consisting of 104 acres
- Douglassville, Amity Township, 23 acres
- Kutztown, Maxatawny Township, 15 acres
- New Morgan Township, 32 acres
- Muhlenberg Township, 6.4 acres

Brandywine Hospital is a 171-licensed bed acute care hospital with a main campus located in Coatesville, Pennsylvania approximately 39 miles west of Philadelphia in Chester, County. Brandywine Hospital was recognized by The Joint Commission in 2018 as a Top Performer in Hip and Knee Replacement, Acute Myocardial Infarction, Wound Care, and Stroke. Additionally, there are several physician practices and a transportation company within the hospital.

Chestnut Hill Hospital is a 148-licensed-bed acute care hospital with a main campus located in the Chestnut Hill neighborhood of Philadelphia, Pennsylvania. Chestnut Hill Hospital has inpatient and outpatient services, including minimally invasive laparoscopic and robotic-assisted surgery, cardiology, gynecology, oncology, and orthopedics among others. Additionally, the hospital has offsite ambulatory locations including two Women's Centers, an off-site physical therapy center, and several primary care physician practices. The hospital is recognized by The Joint Commission as a Primary Stroke Center. It is also accredited as a Chest Pain Center by the American College of Cardiology and American Heart Association.

Jennersville Hospital is a 63-licensed bed acute care hospital with a main campus located in West Grove, Pennsylvania. The hospital is an all-private-room facility, which offers inpatient and outpatient, emergency, surgical, and diagnostic care. The hospital serves the Southern Chester County area of Philadelphia and includes several physician practices. The hospital and lab are accredited by The Joint Commission, and its mammography, ultrasound, CT, and MRI are recognized by the American College of Radiology.

Phoenixville Hospital is a 137-licensed bed acute care hospital with a main campus located in Phoenixville, Pennsylvania. The hospital has an award-winning cardiovascular program, a Primary Stroke Center, and one of the area's largest Robotic Surgery Centers. Phoenixville Hospital also has ambulatory care sites, including an ambulatory surgery center, and several employed physician practice locations.

Pottstown Hospital is a 232-licensed bed full service acute care hospital with a main campus located in Pottstown, Pennsylvania. The hospital provides a full range of inpatient and outpatient medical treatments, including among others, surgical, diagnostic, emergency care, cardiac care and a cancer center. The Joint Commission recognized Pottstown Hospital as a Primary Stroke Center and awarded a Gold Seal of Approval for Hip and Knee Replacement.

Tower Health is the new home for the nationally recognized kidney and liver transplant program formerly located at Hahnemann University Hospital, which is now the Tower Health Transplant Institute. The program's team of renowned surgeons, hepatologists, and nephrologists joined THMG and will provide services in West Reading and Philadelphia. The transplant team surgeons — who have performed more than 3,000 organ transplants — will perform kidney and liver transplants in the state-of-the-art Reading Hospital HealthPlex, one of the most technologically advanced surgical facilities in the state. Inpatient services will be provided at Reading Hospital and Chestnut Hill Hospital, with outpatient services at Reading Hospital and in Center City Philadelphia. The Tower Health Transplant Institute will also include the Center for Liver Disease, which was part of the Hahnemann program. While at Hahnemann, the transplant program became the only five-star ranked kidney transplant program in Pennsylvania and one of the top three kidney transplant programs in the nation as ranked by the Scientific Registry of Transplant recipients. The program is expected to perform its first transplant by early 2020.

Utilization Statistics

The table below presents selected statistical indicators of patient activity for the System's hospitals for each of the years ended June 30, 2018 and 2019 and the three months ended September 30, 2018 and 2019. The following utilization statistics do not include St. Christopher's.

	Years Ended June 30		Three Months Ended September 30	
	2018	**2019**	**2018**	**2019**
Beds in Service:				
Adults & Critical Care	1,109	1,109	1,109	1,041
Obstetrics/Gynecology	60	60	60	102
NICU	30	30	30	34
Pediatrics	19	19	19	19
Skilled Nursing	50	50	50	50
Acute Rehab	76	76	76	76
Psych	152	152	152	152
Subtotal	1,496	1,496	1,496	1,474
Newborn	73	73	73	73
Total	**1,569**	**1,569**	**1,569**	**1,547**
Admissions:				
Medical/Surgical	45,552	51,879	12,432	13,517
Obstetrics/Gynecology	4,758	4,910	1,289	1,341
NICU	395	417	123	86
Pediatrics	1,296	1,368	275	317
Skilled Nursing	1,274	1,197	307	294
Acute Rehab	1,613	1,548	379	375
Psych	2,174	3,652	1,011	800
Subtotal	57,062	64,971	15,816	16,730
Newborn	3,994	4,200	1,076	1,174
Total	**61,056**	**69,171**	**16,892**	**17,904**

Patient Days:				
Medical/Surgical	207,722	224,775	53,876	57,553
Obstetrics/Gynecology	12,141	12,875	3,355	3,536
NICU	7,529	9,111	2,546	2,226
Pediatrics	2,289	2,569	587	517
Skilled Nursing	17,006	16,711	4,108	4,468
Acute Rehab	20,052	20,931	4,899	5,433
Psych	23,119	42,582	11,174	8,980
Subtotal	289,858	329,554	80,545	82,713
Newborn	8,095	8,752	2,254	2,401
Total	**297,953**	**338,306**	**82,799**	**85,114**
Acuity:				
Case Mix Index	1.43	1.42	1.42	1.37
Length of Stay:				
Medical/Surgical	4.56	4.33	4.33	4.26
Obstetrics/Gynecology	2.55	2.62	2.60	2.64
NICU	19.06	21.85	20.70	25.88
Pediatrics	1.77	1.88	2.13	1.63
Skilled Nursing	13.35	13.96	13.38	15.20
Acute Rehab	12.43	13.52	12.93	14.49
Psych	10.63	11.66	11.05	11.23
Total	**5.08**	**5.07**	**5.09**	**4.94**
Newborn	2.03	2.08	2.09	2.05
Occupancy Rates:				
Medical/Surgical	59.5%	55.5%	52.8%	60.1%
Obstetrics/Gynecology	55.4%	58.8%	60.8%	37.7%
NICU	68.8%	83.2%	92.2%	71.2%
Pediatrics	33.0%	37.0%	33.6%	29.6%
Skilled Nursing	93.2%	91.6%	89.3%	97.1%
Acute Rehab	75.8%	75.5%	70.1%	77.7%
Psych	51.2%	76.8%	79.9%	64.2%
Total	**60.6%**	**60.4%**	**58.5%**	**61.0%**
Newborn	35.1%	32.8%	33.6%	35.8%

Note: Prior to fiscal year 2020, the CMP Hospitals did not segregate beds among Medical/Surgical, Obstetrics/Gynecology and NICU, which was updated in fiscal year 2020. Prior periods have been reclassified to reflect the current presentation.
Note: Medical/Surgical includes Adult and Critical Care.

Sources of Patient Service Revenue; Managed Care

The System's revenues come directly from patients, commercial insurance carriers or from governmental sources such as Medicare and Medicaid. The following is a summary of the System's net patient service revenue by source for the years ended June 30, 2018 and 2019. The following summary of net patient service revenue by source does not include data for St. Christopher's.

	Years Ended June 30, 2018	2019
Medicare/Medicare Advantage	35%	30%
Medicaid/Managed Medicaid	11	12
Blue Cross	30	33
Non-Blue Commercial	20	19
Other and Self Pay	4	6
Total	100%	100%

Medicare and Medicaid. Medicare and Medicaid are the commonly accepted names for hospital payment programs created by certain provisions of the Federal Social Security Act. Medicare is exclusively a Federal Program, and Medicaid is a combined Federal and state program. Effective April 2015, the Medicaid program was expanded in the Commonwealth of Pennsylvania, which lowered the uninsured rate and increased the number of patients covered by Medicaid.

Highmark Blue Shield. Highmark Blue Shield reimburses the System under an agreement which provides for payment based on a fixed rate payment for each Medicare Severity-Diagnosis Related Group ("MS-DRG"). The contract is evergreen with payment increases tied to increases in charges. The contract cycle is typically three years.

Capital Blue Cross. Capital Blue Cross reimburses the System under an agreement which provides for payment based on a percentage of charges. The initial rates were determined at budget-neutral levels relative to the expiring contract. An annual increase is applied at the contract anniversary based on a Bureau of Labor Statistics index. Outpatient activity is also reimbursed based on a percentage of charges.

Independence Blue Cross. Independence Blue Cross reimburses the System under an agreement which provides for payments based on a fixed payment methodology for each MS-DRG, with certain services carved out as case rates or per diems. The contract includes annual inflators, which go into effect on the anniversary date, and the contract cycle is three years.

Other Commercial, Non-Governmental Insurers. United Healthcare, Cigna, Aetna, Health America, Geisinger and EHP all have similar contracts based on a percentage of charges.

Non-Contracted Commercial Insurance. Other commercial insurance plans reimburse their subscribers or make direct payments to the System for covered services at prevailing area room rates plus ancillary service charges, subject to various limitations, insurance provisions and deductibles.

MEDICAL STAFF

The System

As of September 30, 2019, the System's medical staff consisted of 2,171 physicians staffing six hospitals within thirteen clinical departments. Of the 2,171 physicians on staff, over 97% are board certified. The physicians serving on the medical staff are assigned categories, as shown below. The following two charts do not include data for St. Christopher's.

Physician Status	Number	Percentage of Total
Active with Privileges	1,499	69.0%
Affiliate/Community	221	10.2
Consulting	188	8.7
Courtesy	159	7.3
Telemedicine	71	3.3
Other*	33	1.5
Physician Total**	**2,171**	**100.0%**

*Other includes Coverage, Integrated Network, Leave of Absence, and Locum Tenens staff categories.

**There are 12 urgent care physicians who are not members of the medical staff and are therefore not included in the total.

Physician status categories are as follows:

- **Active with Privileges** – Practitioners having a minimum of 24 contacts (inpatient or emergency department) during a two-year appointment term.

- **Affiliate/Community** – Practitioners who desire to be associated with, but who do not intend to establish a clinical practice at the hospital.

- **Consulting** – Practitioners who provide a service not otherwise available or in very limited supply on the Active Staff.

- **Courtesy –** Practitioners who are involved in fewer than 24 inpatient contacts during a two-year appointment term.

- **Telemedicine –** Practitioners who provide only remote telemedicine services at the hospitals. They have no in-person patient contact.

The following table summarizes the number and average age of Active Medical Staff by category of medical practices, as of September 30, 2019.

System Active Medical Staff Physicians by Medical/Surgery Specialty

Specialty	Physicians	Average Age
Medicine:		
Anesthesiology	92	50
Dentistry and Oral Maxillofacial Surgery	17	51
Diagnostic Imaging	70	51
Emergency Medicine	94	46
Family and Community Medicine	134	53
Gynecology	4	52
Medicine	823	50
Obstetrics and Gynecology	69	56
Pathology and Laboratory Medicine	19	60
Pediatrics	126	49
Physical Medicine and Rehabilitation	13	58
Psychiatry	66	54
Radiology	211	52
Medicine Total	1,738	52
Surgery:		
Unassigned	4	61
Bariatric Surgery	6	46
Cardiothoracic Surgery	7	57
Clinical Dentistry	5	69
General Surgery	55	53
Hand Surgery	6	35
Neurologic Surgery	16	50
Obstetrics and Gynecology	5	50
Ophthalmology	65	53
Oral and Maxillofacial Surgery	10	53
Orthopedic Surgery	72	51
Otolaryngology	36	53
Physical Medicine and Rehabilitation	3	44
Plastic and Reconstructive Surgery	13	55
Plastic Surgery	15	55
Podiatric Surgery	65	51
Trauma, Acute Care and Critical Care Surgery	10	50
Urology	31	52
Vascular Surgery	9	47
Surgical Total	433	52
Combined Totals	**2,171**	**52**

St. Christopher's

As of December 16, 2019, STC Opco (the joint venture company owned by Tower Health and Drexel University) acquired St. Christopher's. Of the 445 physicians on staff, over 88% are board certified. The physicians serving on the medical staff are assigned categories, as shown below:

Physician Status	Number	Percentage of Total
Active	243	55%
Affiliate	60	13
Courtesy	92	21
Provisional Active	27	6
Provisional Courtesy	20	4
Temporary Privileges	3	1
Physician Total	**445**	**100%**

Physician staff categories are as follows:

- **Active** – Meets all requirements of Active Medical Staff membership

- **Affiliate** – Intended for practitioners who do not admit or treat patients at the hospital but who request medical staff membership for purposes of participating in continuing medical education and meeting the requirements of certain third-party payers for hospital affiliation.

- **Courtesy** – Intended for practitioners who provide very specialized services at low volumes and do not have a regular presence at the hospital

- **Provisional Active and Provisional Courtesy** – All initial appointments to the medical staff in any category are provisional. Provisional staff members are subjected to Focused Professional Practice Evaluation to determine eligibility for advancement to full status.

- **Temporary Privileges** – All temporary privileges are granted by the CEO or his/her designee following recommendation from the Section Chief, Department Chief and President of Medical Staff.

The following table summarizes the number and average age of Active Medical Staff of St. Christopher's by category of medical practices, as of December 22, 2019.

St. Christopher's Active Medical Staff Physicians by Medical/Surgery Specialty

Department and Section	Physicians	Average Age
Anesthesia:	14	45
Dental Medicine:	29	44
Dentistry and Oral Maxillofacial Surgery	12	51
Emergency Medicine:	19	46
Emergency Medicine	5	52
General Pediatrics	34	44
Pathology and Laboratory Medicine:	6	55
Pediatrics:		
Adolescent Medicine	1	48
Allergy and Immunology	4	61
Ambulatory Care	1	56
Cardiology	10	49
Critical Care	14	42
Endocrinology	4	45
Gastroenterology	5	38
General Pediatrics	75	54
Hematology and Oncology	8	49
Hospital Medicine	24	44
Immunology	3	50
Infectious Diseases	4	51
Neonatology	25	43
Nephrology	3	57
Neurology	6	55
Psychiatry	26	50
Pulmonology	5	55
Rheumatology	4	60
Radiology:	30	51
Surgery:		
Cardiothoracic Surgery	3	57
General Surgery	11	51
Neurosurgery	9	46
Ophthalmology	7	52
Orthopedics	24	49
Otolaryngology	12	57
Plastic Surgery	3	50
Urology	5	50
Total:	**445**	**50**

Physician Recruitment Plan

The System's most recent physician needs assessment was carried out in the Fall 2017 by Sg2 Consulting, a health care analytics and intelligence consulting firm. A separate analysis was conducted for each of the six acute care hospitals' PSAs.

The community needs assessment was conducted for "market-based" specialties for adults and pediatric subspecialties (six subspecialties) and not those in hospital-based practices. Quantitative and qualitative information was used to determine provider needs in each geography. These needs were translated into an actionable plan for the System, which addresses strategic priorities (service line growth, geographic expansion, cost effectiveness, etc.) through recruitment and retention of physicians and advanced practice clinicians by specialty.

To address these identified needs, as well as other recruitment needs that may arise, THMG has a team of physician recruitment professionals who are responsible for coordinating and carrying out all employed physician searches. On occasion, the team will engage outside recruiting firms to assist with difficult searches. As part of the annual budgeting process, the leadership of THMG and Tower Health establish the recruitment goals for the upcoming fiscal year. Throughout the year, refinements are made to the approved search assignments to account for unforeseen developments, such as unexpected physician attrition or increased demand for particular services.

Employed Physicians

As reflected in the following table, the System has 780 total employed physicians, including Residents. Of those, over 448 are employed by THMG, the physician enterprise of Tower Health. The remainder of the medical staff consist of independent, private practitioners. Additionally, the System contracts with some providers for other services.

	June 30, 2018	**June 30, 2019**	**September 30, 2019**
Hospitalists	70	88	84
Primary Care Physicians	73	127	146
Non-PCP Physicians	333	333	366
Residents	130	156	184
Total	**606**	**704**	**780**

THMG employs physicians in primary care as well as many medical and surgical specialties and sub specialties. Physicians currently employed by THMG are in the specialties of psychiatry, obstetrics and gynecology, endocrinology, general internal medicine, infectious disease, interventional radiology, neonatology, neurology, physical medicine, plastic and reconstructive surgery, neurosurgery, vascular surgery, bariatric surgery, pediatrics, family medicine, occupational medicine, pathology, emergency medicine, hematology/oncology, geriatric medicine, wound healing/hyperbaric medicine, addiction medicine, cardiology, cardiothoracic surgery, dermatology, maternal fetal medicine, neurocritical care, palliative medicine, pulmonary medicine, rheumatology, transplant surgery and urogynecology. THMG offers services in over 200 locations across the TSA.

Hospitalist Program

In 2001, Reading Hospital established a hospitalist program (the "Hospitalist Program") to provide inpatient care 24 hours a day, seven days a week. As of September 30, 2019, the Hospitalist Program provides services at both Reading Hospital and Chestnut Hill Hospital. The Hospitalist Program employs 79 full-time, three part-time and five per diem physicians, and 22 advanced practitioners managed by a Medical Director with both administrative and clinical responsibilities. In fiscal year 2019, the Hospitalist Program had 16,000 admissions, not including observation patients within Reading Hospital.

In 2019, the System began to replace contracted hospitalist services in the CMP Hospitals with THMG hospitalists. This transition will align incentives and drive quality performance measures through our CMP Hospitals and is expected to be completed by the end of fiscal year 2020.

Advanced Practice Providers

Advanced practice providers ("APPs") include certified registered nurse practitioners, certified registered nurse anesthetists, certified nurse midwives and physician assistants. APPs play an imperative role on health care delivery teams, and their utilization continues to expand, particularly in primary care and specialty service lines. The System has increasingly recognized the evolving role of APPs and created the role of Chief Advanced Practice Provider Officer ("CAPPO") in 2018. The CAPPO works under the direction of the System's Chief Medical Officer to optimize the utilization and integration of APPs across the System. This includes implementing strategies related to staffing models, recruitment, onboarding and retention. In addition, the CAPPO works closely with the administration to ensure that APPs comply with state and federal rules and regulations related to licensure, certification and practice.

As of September 30, 2019, there are 298 APPs across the System at over 100 locations, including ambulatory offices, emergency and urgent care settings, hospital-based programs, specialty services and acute care facilities. APPs are aligned to drive outcomes across the System related to value-based care, patient access, patient experience, length of stay and transitions in care.

EMPLOYEES

The System

Effective September 30, 2019, the System employed 12,355 employees, which equates to 10,443 full-time equivalent ("FTE") employees.

As of September 30, 2019, the System, consisting of Reading Hospital, THP, THMG, the CMP Hospitals, Tower Heath at Home and Tower Health Urgent Care, employed staff as shown in the following table. The nursing staff comprises 34% of the System's employees, while technical and professional staff comprises 32%; management staff makes up 6% and all other staff makes up 28%. The employee complement is made up of 59% full-time and 41% part-time employees.

Entity	Total Employees	Total FTE
Reading Hospital	6,042	5,178
THP	9	9
THMG	1,613	1,506
CMP Hospitals	4,256	3,379
Tower Health at Home	170	130
Tower Health Urgent Care	265	241
Total	**12,355**	**10,443**

Management believes that the System provides compensation and a comprehensive package of benefits that are competitive with other hospitals in the TSA. Regular salary and benefits surveys are conducted by Human Resources to ensure the System compensates its employees at levels competitive with other health systems locally and regionally. The employee benefit plans include a pension plan, life insurance, health and dental insurance and a Section 403(b) benefit plan.

Employed Nurses

As of June 30, 2019, the number of FTEs employed at the System in nursing roles is listed below:

Employed FTE Category	System
Registered Nurse	3,208
Licensed Practical Nurse	125
Medical Assistant	337
Total	3,670

The Tower Health Select Team is home to more than 175 nurses who are specially trained to care for patients in multiple units within a division of care. These nurses are deployed at both the campus and regional levels based on patient need. The team serves as a flexible staffing pool designed to optimize matching the care needs of the patient with the care team.

The retention and recruitment of registered nurses is one of the System's highest priorities. The national vacancy rate for registered nurses is currently at approximately 8.1%; System-wide, the vacancy

rate is approximately 8.0%. The System has an active shared governance model in nursing that allows for input on key decisions at the staff level. This model also provides for more collaboration in quality and improved patient outcomes.

The System utilizes agency registered nurses, as needed, to support vacancies in the inpatient, peri-operative, and emergency departments. The utilization of agency registered nurses has been at 3.4% during the current fiscal year, which is low, based on national averages.

The following System hospitals currently have collective bargaining agreements in place:

Hospital	Union	Total Employees	Contract Renewal
Chestnut Hill Hospital	SEIU Healthcare Pennsylvania	194	December 1, 2021
Pottstown Hospital	SEIU Healthcare Pennsylvania	280	November 30, 2021
Pottstown Hospital	Pennsylvania Association of Staff Nurses and Allied Professionals ("PASNAP")	339	October 8, 2021

The employees at Jennersville Hospital who were represented by SEIU HealthCare Pennsylvania decertified and are no longer represented by the union. At the present time, there are no employees covered by collective bargaining agreements nor is management aware of any union organizing activities among any of Reading Hospital's employees.

St. Christopher's

As of December 15, 2019, St. Christopher's and STC Pediatrics employed the following staff:

Entity	Total Employees	Total FTE
St. Christopher's	1,499	1,151
STC Pediatrics	611	504

St. Christopher's employed staff includes 549 nurses, and STC Pediatrics' employed staff includes 49 nurses. St. Christopher's has the following collective bargaining agreements in place:

Union	Total Employees	Contract Renewal
SCHC Nurses United / PASNAP	510	Renewal under negotiation
International Brotherhood of Electrical Workers, Local 98	18	August 11, 2020
National Union of Hospital and Healthcare Employees, AFSCME and its Affiliate 1199c	223	Renewal under negotiation

EDUCATION AFFILIATIONS AND RESEARCH PROGRAMS

The System offers graduate medical education experiences at two of its hospitals, Reading Hospital and Chestnut Hill Hospital. At Reading Hospital, residency programs are offered in Emergency Medicine, Internal Medicine, Family Medicine, Obstetrics/Gynecology, Transitional Year Medicine, General Surgery, Podiatry and Pharmacy. Reading Hospital maintains affiliated residencies and fellowships in General Surgery, Surgical Critical Care, Neurosurgery and Plastic Surgery with Philadelphia College of Osteopathic Medicine ("PCOM"), affiliated fellowships in Cardiology, Pulmonary Critical Care, and Hematology Oncology with Thomas Jefferson University. At any one time there are approximately 100 residents and fellows in training at Reading Hospital. Reading Hospital provides a clinical setting for approximately 400 medical students yearly from several medical schools. In addition, Tower Health has entered a partnership with Drexel University College of Medicine to start a new four-year medical student campus near Reading scheduled to open August 2021. The System also serves as a training site for physician assistant and nurse practitioner students from several schools in the region.

From its inception, the System has made a commitment to medical education, nursing education and allied healthcare training. The training programs have been central to the mission of the organization. Over one third of current primary care, hospitalist and obstetric gynecology staff at Reading Hospital are graduates of Reading Hospital's training programs. In the past year, residents and faculty have presented or published over 150 peer reviewed reports at regional or national levels. The faculty and residents have developed key skills in process improvement and have been integrally involved in Reading Hospital's Patient Safety and Quality programs.

At Chestnut Hill Hospital, two residency programs in Family Medicine and one in Podiatry are offered. One of the programs in Family Medicine is jointly managed through DUCOM. Also, residency positions are available in Internal Medicine, General Surgery and Orthopedic Surgery through an affiliation with PCOM.

St. Christopher's has 13 fully accredited residencies and fellowships: Pediatric Residency, Child Neurology Residency, Pediatric Anesthesiology Fellowship, Pediatric Critical Care Medicine Fellowship, Pediatric Emergency Medicine Fellowship, Pediatric Endocrinology Fellowship, Pediatric Infectious Diseases, Neonatal-Perinatal Medicine Fellowship, Pediatric Pulmonary Medicine Fellowship, Pediatric Pathology Fellowship, Pediatric Radiology Fellowship, Pediatric Surgery Fellowship and Pediatric Dentistry Residency. Together, there are about 130 residents and fellows rotating through the programs annually representing a diversity of backgrounds. In addition, St. Christopher's provides education to an additional 550 residents and fellows annually from outside hospitals in the Delaware Valley. These trainees have rotated through 26 different clinical departments at St. Christopher's. In an average year, St. Christopher's faculty and house staff contribute about 75 articles to medical literature. About half of St. Christopher's residents and fellows go on to academic positions, and the remainder practice their specialty.

The Academic Affairs office, which oversees undergraduate and graduate education at all System hospitals, assures extensive high level continuing medical education for the medical staff and provides support for resident and staff research initiatives. The System maintains a major academic affiliation with Drexel University and jointly coordinates all academic activities at the recently acquired St. Christopher's. The organization maintains contractual educational relationships with multiple schools of higher learning.

In addition to physician medical education, Reading Hospital offers multiple hospital based educational programs through its School of Health Sciences. Reading Hospital's educational programs

are unified under the name of Reading Hospital School of Health Sciences ("RHSHS"). RHSHS has engaged in a collaborative agreement with Alvernia University to provide the general educational requirements for the programs and dual enrollment Associate and bachelor's degrees for several programs. Courses in physical, biological and behavioral sciences, along with English composition are taught for the School of Health Sciences by Alvernia University faculty.

The System has an extensive research program with 60 active grants in the areas of clinical medicine, oncology, nursing, education and clinical informatics. Also, DUCOM research programs are now integrated with research at Chestnut Hill and Reading Hospitals. Reading Hospital is also a partner in the Johns Hopkins Clinical Research Network.

Registered Nursing Program. Instituted in 1889, the RHSHS Nursing Program was one of the first in the country to be accredited by the National League for Nursing. To date, over 6,500 students have graduated from the Nursing Program. Currently, 249 students are enrolled in the Nursing Program. The Nursing Program, in collaboration with Alvernia University, offers a three-year dual enrollment educational tract leading to both a diploma in nursing from RHSHS and an Associate Degree in Applied Health from Alvernia University. New classes are accepted each August. Currently accredited by the Accreditation Commission for Education in Nursing, the Nursing Program includes education in specialization areas, including medical surgical nursing, pediatrics, maternity, oncology and intensive care. Graduates from the Nursing Program can then complete an additional 34 credits at Alvernia University to earn a BSN degree.

Reading Hospital retains a percentage of graduates on its nursing staff providing workforce security, in contrast to the nursing shortages affecting hospitals across the country. To maintain this renewable source of professionals, Reading Hospital offers financial support to cover the cost of operating the Nursing Program and also supports graduate-employees in achieving their BSN degree.

Surgical Technology Program. For approximately 40 years, the Surgical Technology Program has prepared qualified professionals for a technical role on the surgical team. The mission of the Surgical Technology Program of RHSHS is to prepare competent, entry-level surgical technologists in the cognitive (knowledge), psychomotor (skills) and affective (behavior) learning domains. Combining instructional lectures and clinical experience, the dual enrollment program prepares students for the national certification examination and to assume entry level positions as surgical technologists. Graduates concurrently earn a certificate in Surgical Technology from RHSHS, along with a certificate in surgical robotics, and an Associate Degree from Alvernia University. Currently 14 Surgical Technology students are enrolled.

Emergency Management Services Programs. The Emergency Medical Services program consists of several sectors including EMT, Advanced EMT, Paramedic and Pre-Hospital RN programs. EMTs provide care for the sick and injured in emergency medical settings. The EMT educational program is provided in a variety of settings on the School of Health Sciences campus, or at off-campus local fire companies and businesses who request courses.

Medical Imaging Program. The Medical Imaging Program is approved by the Joint Review Committee on Education in Radiologic Technology, and has graduated over 550 Radiologic Technologists since being organized in 1951. Graduates also earn an Associate's Degree in Medical Imaging from Alvernia University.

ACCREDITATION, MEMBERSHIP AND AWARDS

The System's hospitals are licensed by the Pennsylvania Department of Health and accredited by The Joint Commission.

In addition, the System's hospitals are accredited or approved by the following entities, among others:

- American Association of Blood Banks
- Accreditation Council for Graduate Medical Education
- American College of Surgeons: National Surgical Quality Improvement Program and Metabolic and Bariatric Surgery Quality Improvement Program
- Commission on Accreditation of Allied Health Education Programs: Surgical Technology, Paramedic, Radiology Technology, Medical Laboratory Science and Clinical Laboratory Science Programs
- Commission on the Accreditation of Rehabilitation Facilities
- Joint Review Committee on Education in Radiologic Technology
- National Accreditation Program for Breast Centers
- National Accrediting Agency for Clinical Laboratory Science
- Pennsylvania Trauma Systems Foundation
- ACC Accreditation Services
- Undersea and Hyperbaric Medicine Society
- Accreditation Commission for Education in Nursing
- Commission on Cancer Accreditation and Gold Rating
- Joint Commission's Gold Seal of Approval
- American College of Radiology

Further, all of the System's educational programs have received the appropriate accreditation. Reading Hospital's Cancer Program is approved by the American College of Surgeons.

Reading Hospital is also a member of the following organizations:

- American Hospital Association
- Hospital & Healthsystem Association of Pennsylvania
- Berks County Chamber of Commerce
- United Way of Berks County (non-funded member)
- Central Pennsylvania Health Alliance
- AllSpire Health Partners

The System has been the recipient of numerous awards and recognitions for quality and excellence in the delivery of health services, including those set forth on the following pages:

TOWER HEALTH HOSPITALS ARE RECOGNIZED FOR EXCELLENCE
Reading Hospital

Reading Hospital received Healthgrades® 100 Best Hospitals' Award™
3 Consecutive Years (2017-2019)

healthgrades

America's 100 Best Specialty Care: Stroke Care
Recipient of Excellence Award™: Stroke Care, Neurosciences, Pulmonary Care, and Critical Care

Emergency Department

Healthgrades
- 100 Best Hospitals' Award™ (2017-2019)
- America's 250 Best Hospitals

Centers for Medicare & Medicaid Services:
5-Star Rating for Overall Hospital Quality

US News & World Report:
- Best Regional Hospital in 6 Types of Care
- Best National Hospital - Pulmonology

Leapfrog Hospital Safety Grade A
Fall 2019

TOWER HEALTH HOSPITALS ARE RECOGNIZED FOR EXCELLENCE

Brandywine Hospital, Chestnut Hill Hospital, Jennersville Hospital, Phoenixville Hospital, Pottstown Hospital

Phoenixville

Chestnut Hill
Pottstown

Brandywine

Phoenixville

Brandywine

Phoenixville

Brandywine
- Joint Commission Top Performer on Key Quality Measures (2014)
- Joint Commission Gold Seal of Approval for:
  - Hip and Knee Replacement (2018)
  - Acute Myocardial Infarction (AMI) (2019)
  - Wound Care (2019)
  - Advanced Certification in Stroke - Primary Stroke Center (2018)
  - Laboratory (2019)

Chestnut Hill
- Joint Commission Certified Advanced Primary Stroke Center (2018-2020)
- Joint Commission Disease Specific Care Certification for Wound Care (2018-2020)
- Joint Commission Accredited - Laboratory (2019)

Jennersville
- Joint Commission Gold Seal of Approval – Laboratory (2018)

Phoenixville
- Joint Commission Advanced Heart Failure Disease Specific Certification (2018)
- Joint Commission Advanced Total Joint Replacement Disease Specific Certification (2018)
- Joint Commission Accredited Primary Stroke Center (2019)

Pottstown
- Joint Commission Gold Seal of Approval for:
  - Hip and Knee Replacement (2018)
  - Primary Stroke Center Designation (2018)

All Hospitals
- Joint Commission Hospital Accreditation

Brandywine
Phoenixville

Pottstown

Phoenixville

Phoenixville
Pottstown

Brandywine

Chestnut Hill

Brandywine
Phoenixville

Phoenixville
Pottstown

Chestnut Hill

Brandywine
Phoenixville
Pottstown

Pottstown

Chestnut Hill

Phoenixville
Pottstown
Jennersville

Pottstown

Brandywine
Chestnut Hill
Phoenixville
Pottstown

Brandywine
Jennersville
Phoenixville
Pottstown

Brandywine
Jennersville
Phoenixville
Pottstown

Pottstown

TOWER HEALTH HOSPITALS ARE RECOGNIZED FOR EXCELLENCE
St. Christopher's Hospital for Children

2019 Women's Choice Award® Best Children's Hospitals

2019 Women's Choice Award® America's Best Hospitals Emergency Care

The Leapfrog Group Top Children's Hospital 2018

Verified Pediatric Burn Center

2017-2019
ECMO Team at
St. Christopher's Hospital
for Children

RICHARD ROBINSON AWARD

St. Christopher's Pediatric Associates
Center for the
Urban Child
- Reach Out and Read -

Level 1
Pediatric Trauma Center

St. Christopher's Hospital for Children
A PARTNERSHIP OF TOWER HEALTH AND DREXEL UNIVERSITY

Keystone First

2019 PCMH Award of Distinction
St. Christopher's Hospital for Children – Special Needs

2019 PCMH Outstanding Award
St. Christopher's Hospital for Children
Center for Child with Special Healthcare Needs – Intense Care

TOWER HEALTH
Advancing Health. Transforming Lives.

Philadelphia Magazine's Top Doctors 2019

45 St. Christopher's Hospital for Children Physicians included in Top Docs 2019

Enitan Adegite, MD, Adolescent Medicine
Nadja Peter, MD, Adolescent Medicine
Karen Carvalho, MD, Child Neurology
Agustin Legido, MD, Child Neurology
Joseph Melvin, DO, Child Neurology
Maureen Fee, MD, Developmental-Behavioral Peds.
Endla Anday, MD, Neonatal-Perinatal Medicine
Alison Carey, MD, Neonatal-Perinatal Medicine
Daniel Conway, MD, Immunology
Jan Goplerud, MD, Neonatal-Perinatal Medicine
Folasade Kehinde, MD, Neonatal-Perinatal Medicine
Alan Zubrow, MD, Neonatal-Perinatal Medicine
Nicole DeLarato, MD, Ophthalmology
Robert Spector, MD, Ophthalmology
Martin Herman, MD, Orthopedic Surgery
Shuping Ge, MD, Pediatric Cardiology
Nandini Madan, MD, Pediatric Cardiology
Igor Mesia, MD, Pediatric Cardiology
Elizabeth Suarez, MD, Pediatric Endocrinology
Harpreet Pall, MD, Pediatric Gastroenterology
Gregory Halligan, MD, Pediatric Oncology
Marta Rozans, MD, Pediatric Oncology
David Zwillenberg, MD, Pediatric Otolaryngology
Seth Zwillenberg, MD, Pediatric Otolaryngology
Janet Chen, MD, Pediatric Infectious Disease
Laurie Varlotta, MD, Pediatric Pulmonology
Donald Goldsmith, MD, Pediatric Rheumatology
Svetlana Lvovich, DO, Pediatric Rheumatology
Grier Arthur III, MD, Pediatric Surgery
Harsh Grewal, MD, Pediatric Surgery
Rajeev Prasad, MD, Pediatric Surgery
Keith Herzog, MD, Pediatrics
Shareen Kelly, MD, Pediatrics
Hans Kersten, MD, Pediatrics
Francis McNesby, MD, Pediatrics
Jeremiah Goldstein, MD, Pediatrics
Roberta Laguerre-Frederique, MD, Pediatrics
Deborah Sandrock, MD, Pediatrics
Daniel Taylor, DO, Pediatrics
Renee Turchi, MD, Pediatrics
Paul Glat, MD, Plastic Surgery
Brooke Burkey, MD, Plastic Surgery
Wellington Davis, III, MD, Plastic Surgery
Kiersten Arthur, MD, Sports Medicine
Kathleen O'Brien, MD, Sports Medicine

ST. CHRISTOPHER'S

St. Christopher's is a 188-bed hospital and has more than 220 pediatric experts on staff, combining general pediatric care with pediatric specialties, including Cardiology, Ear, Nose and Throat, Gastroenterology, Oncology and Orthopedics. It houses one of only three Level I Pediatric Trauma Centers in Pennsylvania. In addition to its main location in Philadelphia, the hospital has a growing network of primary and specialty care locations throughout the Philadelphia suburbs and New Jersey. **The information presented in this section is based on data provided to the System as part of STC Opco's acquisition of St. Christopher's in December 2019 and has not been fully validated by the System.**

Financial Information and Utilization Statistics

On a consolidated basis, total gross patient revenue for the twelve months ended December 31, 2017 and December 31, 2018 was $1,878,093,877 and $1,937,861,190, respectively. Net revenue was $345,430,873 and $361,698,730, respectively. Total operating expenses for the twelve months ended December 31, 2017 and December 31, 2018 totaled $325,257,501 and 343,301,105, respectively. EBITDA to net revenue was 5.8% and 5.1%, respectively.

Total admissions for the twelve months ended December 31, 2017 and December 31, 2018 for St. Christopher's and its physician group, St. Christopher's Pediatric Associates, were 7,828 and 7,212, respectively. Adjusted admissions were 17,095 and 15,281, respectively. The average daily census for the twelve months ended December 31, 2017 and December 31, 2018 was 93 and 90, respectively, which includes inpatient only. The adjusted average daily census was 202 and 191, respectively.

Sources of Patient Service Revenue; Managed Care

St. Christopher's revenues come directly from patients, commercial insurance carriers or from governmental sources such as Medicare and Medicaid. The following is a summary of St. Christopher's net patient service revenue by source for the twelve months ended December 31, 2018 and 2019. The following summary of net patient service revenue by source includes data for St. Christopher's and its physician group, St. Christopher's Pediatric Associates.

	Twelve Months Ended December 31,	
	2018	**2019**
Medicare/Managed Medicare	1%	1%
Medicaid/Managed Medicaid	65	67
Blue Cross	13	14
Non-Blue Commercial	20	17
Other and Self Pay	1	1
Total	100%	100%

Medicare and Medicaid. Medicare and Medicaid are the commonly accepted names for hospital payment programs created by certain provisions of the Federal Social Security Act. Medicare is exclusively a Federal Program, and Medicaid is a combined Federal and state program. Effective April 2015, the Medicaid program was expanded in the Commonwealth of Pennsylvania, which lowered the uninsured rate and increased the number of patients covered by Medicaid.

Independence Blue Cross. Independence Blue Cross reimburses St. Christopher's under an agreement which provides for payments based on a fixed payment methodology for each MS-DRG, with certain services carved out as case rates or per diems.

Aetna. Aetna reimburses St. Christopher's under an agreement which provides for payment based on a fixed rate payment for each MS-DRG and includes case rates and per diems for carved out services.

Other Commercial, Non-Governmental Insurers. Health Partners and Keystone First reimburses St. Christopher's under an agreement which provides for payment based on All Patient Refined Diagnosis Related Groups ("APR-DRGs"). Outpatient services are reimbursed based on a percentage of the plan fee schedule with carve outs priced as case rates and per diems.

Non-Contracted Commercial Insurance. Other commercial insurance plans reimburse their subscribers or make direct payments to St. Christopher's for covered services at prevailing area room rates plus ancillary service charges, subject to various limitations, insurance provisions and deductibles.

SUMMARY OF FINANCIAL INFORMATION

(dollars in thousands)

Summary of Financial Data

The following summary consolidated financial information presented below provides information for the System for each of the fiscal years ended June 30, 2018 and 2019 and for the three month periods ended September 30, 2018 and 2019. The consolidated statements of operations and balance sheets for Tower Health and Subsidiaries as of and for the fiscal years ended June 30, 2018 and 2019 are derived from the audited financial statements of Tower Health and Subsidiaries. The financial information for the three month periods ended September 30, 2018 and 2019 have been derived from the System's unaudited consolidated interim reports and include all adjustments which management considers necessary to present such information in conformity with accounting principles generally accepted in the United States of America. The results of operations for the three month period ended September 30, 2019 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2020. This information should be read in conjunction with the consolidated financial statements, related notes and other financial information included in Appendix B hereto.

This financial information and consolidated financial statements include information concerning subsidiaries of Tower Health which are not members of the Obligated Group. The Obligated Group accounted for 85.4% and 86.7% of consolidated revenues of Tower Health and Subsidiaries for the fiscal years ended June 30, 2018 and 2019, respectively, and accounted for 97.7% and 95.4% of the consolidated assets of Tower Health and Subsidiaries at June 30, 2018 and 2019, respectively. **The financial information in this "Summary of Financial Information" section does not include St. Christopher's.**

Condensed Statements of Operations

	Fiscal Years Ended June 30		Three Months Ended September 30	
	2018	**2019**	**2018**	**2019**
Unrestricted revenues and other support:				
Net patient service revenue	$1,674,401	$1,688,264	$409,630	$478,418
Provision for uncollectible accounts*	(107,871)	--	--	--
Net patient service revenue less provision for uncollectible accounts	1,566,530	1,688,264	409,630	478,418
Other revenue	54,418	65,464	22,834	14,587
Total revenues and other support	$1,620,948	$1,753,728	$432,464	$493,005
Expenses:				
Salaries and benefits	$ 870,916	$1,038,286	$243,489	$278,514
Supplies	260,541	291,284	70,210	71,015
Interest	36,580	42,010	10,068	10,565
Depreciation	90,491	94,412	22,744	23,649
Purchased services	198,647	258,189	32,390	31,403
Repairs and maintenance	52,834	64,676	13,818	17,925
Other	103,144	122,015	45,678	64,864
Transaction related expenses	18,567	21,637	2,831	4,594
Total expenses	1,631,720	1,932,509	441,228	502,529
Loss from operations	(10,772)	(178,781)	(8,764)	(9,524)
Nonoperating (losses) gains:				
Investment income	119,667	49,592	21,929	6,925
Change in fair value of swap contracts and net of settlement payments	7,307	(9,072)	1,907	(4,072)
Loss on early extinguishment of debt	(4,314)	--	--	--
Other losses	(3,204)	(3,605)	(1,187)	(1,326)
Nonoperating (losses) gains, net	119,456	36,915	22,650	1,526
Excess (deficiency) of revenues, (losses) gains and other support over expenses	$ 108,684	$(141,866)	$ 13,886	$ (7,998)
Operating margin	-0.7%	-10.2%	-2.0%	-1.9%
Operating cash flow**	$134,866	$(20,722)	$26,879	$29,284
Operating cash flow margin***	8.3%	-1.2%	6.2%	5.9%

* In the first quarter of fiscal 2019, the System adopted Accounting Standards Update (ASU) 2014-09 and ASU 2016-20, which pertain to accounting for revenue. Under the new standards, the historical provision for uncollectible accounts and allowance for uncollectible accounts were instead recognized as an implicit price concession and therefore not separately presented from net patient service revenue and patient accounts receivable, respectively. The System adopted these standards using a modified retrospective transition method and elected the option to not restate comparative periods.

** Operating cash flow = Income (loss) from operations + interest + depreciation + transaction related expenses

*** Operating cash flow margin = Operating cash flow / total revenues and other support

Consolidated Balance Sheets
Tower Health and Subsidiaries

	June 30		September 30
Assets	**2018**	**2019**	**2019**
Current assets:			
Cash and cash equivalents	$ 67,502	$ 3,818	$ 4,913
Patient accounts receivable, less allowance for uncollectible accounts of $84,771 in 2018*	314,232	314,630	379,655
Other receivables	5,339	10,757	14,123
Receivables from affiliates	142	312	44
Inventories	37,133	48,392	44,786
Estimated third-party payor receivables	14,087	21,461	37,939
Prepaid expenses and other current assets	27,763	32,515	37,336
Assets held for sale	19,875	19,875	19,875
Assets whose use is limited – required for current liabilities:			
Self-insurance funding arrangements	7,482	7,483	7,483
Total current assets	493,555	459,243	546,154
Assets whose use is limited:			
Self-insurance funding arrangements	11,988	19,902	21,663
Under regulatory requirements	2,000	2,000	2,000
By board for capital improvements	850,868	698,438	680,775
Investments with donor restrictions	33,601	40,998	36,719
Total assets whose use is limited, net of current portion	898,457	761,338	741,157
Property, plant and equipment, net	1,054,776	1,131,464	1,130,689
Operating lease right of use asset	--	--	47,930
Goodwill	128,127	155,191	155,191
Investments in joint ventures	19,940	17,350	22,517
Other assets	4,348	1,580	12,062
Total assets	$2,599,203	$2,526,166	$2,655,700
Liabilities and Net Assets			
Current liabilities:			
Current installments of long-term debt	$ 5,600	$ 6,312	$ 6,312
Line of credit	--	17,802	88,924
Capital and finance leases	2,120	2,215	2,256
Current portion of operating lease liabilities**	--	--	23,714
Accounts payable	77,589	136,622	122,243
Estimated third-party payor settlements	8,965	4,277	13,535
Current portion of estimated self-insurance costs	13,669	9,430	9,430
Accrued expenses	56,445	51,742	73,814
Accrued vacation	40,997	50,515	49,059
Other current liabilities	13,202	24,732	26,031
Total current liabilities	218,587	303,287	415,318
Long-term debt, net of current portion and unamortized discount/premium and deferred financing costs	1,126,194	1,117,656	1,116,854
Capital and finance leases, net of current portion	19,651	18,887	18,084
Operating lease liabilities**	--	--	25,024
Accrued pension liabilities	201,974	226,031	222,860
Other liabilities	7,352	9,114	7,510
Estimated self-insurance costs, net of current portion	28,536	25,099	24,747
Swap contracts	26,776	31,387	38,375
Total liabilities	$1,629,070	$1,731,461	$1,868,772

Net assets:			
Without donor restrictions	935,296	754,955	746,902
With donor restrictions	34,837	39,750	40,026
Total net assets	970,133	794,705	786,928
Total liabilities and net assets	$2,599,203	$2,526,166	$2,655,700

* In the first quarter of fiscal 2019, the System adopted Accounting Standards Update (ASU) 2014-09 and ASU 2016-20, which pertain to accounting for revenue. Under the new standards, the historical provision for uncollectible accounts and allowance for uncollectible accounts were instead recognized as an implicit price concession and therefore not separately presented from net patient service revenue and patient accounts receivable, respectively. The System adopted these standards using a modified retrospective transition method and elected the option to not restate comparative periods..

**In the first quarter of fiscal 2020, the System adopted ASU 2016-02, which pertains to accounting for leases. Under the new standard, lessees are required to recognize right-of-use assets and lease liabilities on the balance sheet for all leases. The System adopted this standard using a modified retrospective transition method and elected the option to not restate comparative periods.

Long-Term Debt Summary

The table below sets forth (i) the total outstanding long-term debt, net of Tower Health and Subsidiaries at June 30, 2018 and 2019 and (ii) pro forma total outstanding long-term debt, net for the year ended June 30, 2019, assuming the issuance of the Series 2020 Bonds and the refunding of the Prior Debt.

	Fiscal Year Ended June 30,		
	2018	**2019**	**2019 Pro Forma**
Series 2009A3	$ 54,255	$ 49,600	--
Series 2012A	160,065	160,065	$ 160,065
Series 2012B	91,775	91,775	--
Series 2012C	9,936	8,558	--
Series 2016A	50,165	50,165	--
Series 2016C	25,000	25,000	--
Series 2016D	50,000	50,000	--
Series 2017	590,500	590,500	590,500
Series 2017A	50,000	50,000	--
Series 2020A	--	--	44,660
Series 2020B-1	--	--	64,565
Series 2020B-2	--	--	82,450
Series 2020B-3	--	--	72,920
Series 2020	--	--	190,720
Total Net Debt	**$1,081,696**	**$1,075,663**	**$1,205,880**
Premium (Discounts)	58,801	56,483	114,266
Deferred Financing[(1)]	(8,703)	(8,178)	--
Total Outstanding Long-Term Debt, net	**$1,131,794**	**$1,123,968**	**$1,320,146**

(1) The total outstanding long-term debt, net for 2019 Pro Forma does not include deferred financing costs.

Other Indebtedness

As of September 30, 2019, Tower Health maintains $110 million in available, uncommitted 364-day lines of credit facilities with multiple banks for general corporate purposes. The Santander line ($25 million available) is secured by the Master Indenture, and the other lines are unsecured. As of September 30, 2019, there was $88,923 in drawn and outstanding balances. The System anticipates paying down approximately $100 million in connection with the issuance of the Series 2020 Bonds.

Liquidity

The table below sets forth (i) the cash position and liquidity of Tower Health and Subsidiaries at June 30, 2018 and 2019 and (ii) a pro forma cash position and liquidity analysis for the year ended June 30, 2019, assuming the issuance of the Series 2020 Bonds and the refunding of the Prior Debt. Liquidity includes operating cash, short-term investments and assets limited by the Tower Health Board to capital improvements. Excluded are trustee-held bond funds, funds held under self-insurance funding arrangements, and funds held for workers' compensation.

Selected Liquidity Indicators
Tower Health and Subsidiaries

	Fiscal Year Ended June 30,		
	2018	**2019**	**2019 Pro Forma**
Unrestricted Cash and Investments[(1)]	$918,322	$701,598	$701,598
Average Daily Operating Expenses[(2)]	$4,223	$5,036	$5,075
Days Cash on Hand (Days)[(3)]	217	139	138
Cash to Debt[(4)] (%)	81%	62%	53%

(1) Includes all cash and cash equivalents and Board designated investments that are not restricted by donors or other third parties. Excludes assets held under regulatory requirements for Tower Risk Retention Group, certain Reading Hospital and Tower Health Enterprises, LLC investments. See "Unrestricted Cash and Investments" for excluded amounts.

(2) Annual expenses exclusive of depreciation divided by number of days in the year.

(3) Unrestricted cash and investments divided by Average Daily Operating Expenses.

(4) Unrestricted cash and investments divided by total outstanding long-term debt, net which is net of unamortized discount/premium and deferred financing costs. For 2018 and 2019, total outstanding long-term debt, net includes unamortized discount/premium and deferred financing costs. For 2019 Pro Forma, total outstanding long-term debt, net includes unamortized discount/premium only.

The following table sets forth (i) selected capitalization indicators with respect to Tower Health and Subsidiaries at June 30, 2018 and 2019 and (ii) pro forma capitalization indicators at June 30, 2019, assuming the issuance of the Series 2020 Bonds and the refunding of the Prior Debt.

Selected Capitalization Indicators
Tower Health and Subsidiaries

	June 30,		
	2018	**2019**	**2019 Pro Forma**
Total Outstanding Long-Term Debt, net	$1,131,794	$1,123,968	$1,320,146
Net Assets Without Donor Restriction[(1)]	$935,296	$754,955	$754,955
Long-Term Debt to Capitalization[(2)] (%)	54.8%	59.8%	63.6%

(1) 2019 Pro Forma Net Assets without Donor Restriction does not include gains/(losses) from the extinguishment of debt.

(2) Total outstanding long-term debt, net divided by the sum of (a) total outstanding long-term debt, net and (b) net assets without donor restrictions.

Note: For 2018 and 2019, total outstanding long-term debt, net includes unamortized discount/premium and deferred financing costs. For the 2019 Pro Forma, the total outstanding long-term debt, net includes unamortized discount/premium only.

Debt Service Coverage

The following table sets forth (i) income available for debt service for each of the years ended June 30, 2018 and 2019 for the Obligated Group; (ii) historical coverage of the maximum annual principal and interest requirement on debt outstanding as of June 30, 2018 and 2019 for the Obligated Group; and (iii) pro forma coverage of maximum annual debt service for the year ended June 30, 2019, assuming the issuance of the Series 2020 Bonds and the refunding of the Prior Debt.

Historical and Pro Forma Coverage of Maximum Annual Debt Service

	Fiscal Year Ended June 30,		
	2018	**2019**	**Pro Forma 2019**
Income (Loss) from Operations	$117,840	($8,953)	($23,359)
Adjustments:			
Depreciation	87,078	91,481	91,481
Interest[(1)]	36,293	41,986	56,392
Investment Income	116,986	49,482	49,482
Gifts and Bequests & Other Gains (Losses)	(7,539)	(3,774)	(3,774)
Realized gains (and loss) on interest rate swaps	(6,707)	(4,461)	(4,461)
Income Available for Debt Service	$343,951	$165,761	$165,761
Maximum Annual Debt Service[(2)]	$67,915	$67,992	--
Coverage of Maximum Annual Debt Service[(3)]	5.06x	2.44x	--
Pro Forma Maximum Annual Debt Service[(3)]	--	--	$72,355
Coverage of Pro Forma Maximum Annual Debt Service	--	--	2.29x

(1) Interest expense in Pro Forma 2019 does not include amortization of deferred financing fees and amortization of premium on new borrowings.

(2) As reported in annual Electronic Municipal Market Access ("EMMA") disclosures.

(3) Calculated in compliance with the provisions of the Master Trust Indenture. See Appendix D – Summary of the Master Indenture attached hereto.

Investment Policy

Cash and investments are managed pursuant to policies established by the Investment Committee, a subcommittee of the System Board. The Investment Committee, Tower Health's senior management, and investment consultants meet bi-monthly, determines the allocation of Unrestricted Investments and Pension investments according to asset classes, selects Advisors for each investment allocation, and reviews Advisor performance based on a benchmark rate of return established for that Advisor portfolio. The Investment Committee also reviews and modifies, as appropriate, both Unrestricted Investments and Pension Investment Policy Statements at least annually.

Unrestricted Cash and Investments

The following table sets forth the consolidated System operating cash and unrestricted investments (including cash held as investments, assets held under regulatory requirements of $2,000 each year for Tower RRG, and certain Reading Hospital and Tower Health Enterprises, LLC investments of $48 and $658, respectively) at market value by asset class and the percentage which each asset class represents of the total as of June 30, 2018 and 2019.

	As of June 30			
	2018		2019	
Asset Class	**Market Value**	**Percentage of Total**	**Market Value**	**Percentage of Total**
Cash and cash equivalents*	$ 82,360	8.9%	$ 10,431	1.5%
Common, foreign and preferred stock	16,416	1.8	13,041	1.9
Equity mutual funds	351,505	38.2	196,963	28.0
Fixed income mutual funds	328,914	35.8	268,611	38.1
Hedge, private equity and common collective trust funds	141,175	15.3	215,210	30.5
Total	$920,370	100.0%	$704,256	100.0%

*Cash and cash equivalents includes balance sheet operating cash and cash held in investment portfolio.

Liquidity and Leverage. Tower Health has historically balanced the incurrence of incremental indebtedness with the maintenance of substantial balance sheet liquidity. The System maintains a conservative total return investment philosophy emphasizing choosing liquidity and minimizing risk. Excluding corporate cash which is for daily liquidity needs, approximately 69% of the System's Investment Portfolio is available three business days following liquidation. The System's Investment Policy Statement ("IPS") is reviewed and updated annually by the System's investment consultants and Investment Committee. The IPS is intended to provide investment guidelines for the System, its investment consultants, advisors and managers.

Three Months Ended September 30, 2019 vs September 30, 2018

Operational Performance

Tower Health year-to-date operating performance through September 30, 2019 (Q1 FY 2020) demonstrates improvement, particularly with the five CMP Hospitals. During Q1 FY 2020, total revenues and other support increased by 14.0% compared with the three-month period ended September 30, 2018 (Q1 FY 2019). The System generated a negative operating margin of 1.9% during Q1 FY 2020. Q1 FY 2020 includes $4.6 million of one-time, non-recurring expenses. Of the $4.6 million, $2.3 million was related to Epic implementation costs at the newly acquired hospitals, with the remainder related to other one-time transaction costs. Excluding the $4.6 million in one-time, non-recurring expenses (which includes $2.1 million for Reading Hospital, $1.6 million for the CMP Hospitals, and $0.9 million for THMG) includes, the System's adjusted operating income during Q1 FY 2020 was negative $4.9 million, resulting in an adjusted operating margin of negative 1.0%, compared with an adjusted operating margin of negative 1.4% during Q1 FY 2019. Excluding the $4.6 million in one-time, non-recurring expenses, the System's adjusted operating cash flow margin* was 5.9% during Q1 FY 2020, compared with 6.2% during Q1 FY 2019.

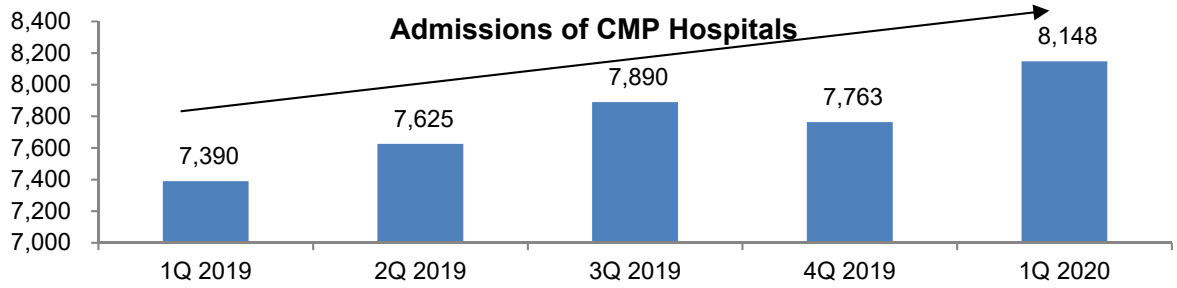
Operating income at Reading Hospital continues to be robust and was $47.7 million, resulting in an operating margin during Q1 FY 2020 of 17.5%, compared with 15.3% during Q1 FY 2019. Reading Hospital's adjusted operating cash flow margin* was 25.7%, compared with 24.1% during Q1 FY 2019. The five acquired hospitals generated adjusted operating cash flow of $8.7 million and adjusted operating cash flow margin* of 5.2% during Q1 FY 2020 compared to adjusted operating cash flow of $2.8 million and adjusted operating cash flow margin* of 1.9% during Q1 FY 2019.

The CMP Hospitals showed strong improvement during Q1 FY 2020, generating an adjusted operating margin of negative $4.5 million, for an adjusted operating margin of negative 2.7%, compared with Q1 FY 2019, which was an adjusted operating loss of $10.6 million for an adjusted operating margin of negative 7.0%. Q1 FY 2020 removes one-time, nonrecurring integration expenses of $1.6 million. The CMP Hospitals' adjusted operating loss decreased by 57.4% during Q1 FY 2020 compared with Q1 FY 2019. Total revenues and other support for the CMP Hospitals in Q1 FY 2020 increased by 10.9% compared with Q1 FY 2019, while total adjusted expenses excluding one-time, non-recurring integration expenses, interest, and depreciation increased by only 7.1%.

The CMP Hospitals' adjusted operating income excluding one-time non-recurring expenses for FY 2019 was negative $53.9 million, or an average negative $4.5 million per month. Q1 FY 2020's average monthly adjusted operating results of negative $1.5 million represent an improvement over the last fiscal year average.

*Adjusted operating cash flow margin = adjusted operating cash flow / total revenues and other support. Adjusted operating cash flow = income (loss) from operations + interest + depreciation + transaction related expenses and one-time adjustments, as applicable.

Strategies aimed at increasing utilization at the CMP Hospitals began to produce results, with admissions in Q1 FY 2020 increasing by 10.3%, compared with Q1 FY 2019. Admissions at the CMP Hospitals have shown an increasing trend over the past five quarters, as depicted on the chart below.



Operations Excellence Plan (OEP)

Tower Health's Operations Excellence Plan (OEP), which is an institution-wide continuing effort to improve efficiency by improving operations, resulting in revenue enhancement and cost savings, was very successful in Q1 FY 2020. With a budget of achieving $13.2 million in improved efficiency, management achieved $20.7 million in improved efficiency, an improvement of 56.8% from budget. Key areas of success include improved labor productivity, reinitiating 340b, and referring cases to the most appropriate setting.

Revenue Cycle

Tower Health has made significant improvements within the Revenue Cycle including: information system development, process and workflow improvements, and staff development. Each of the five CMP Hospitals were previously on disparate clinical and patient accounting systems, causing many integration and management challenges. The patient accounting system was antiquated and not well supported by the vendor. Lastly, the interim management of the CMP Hospitals AR was entrusted to Tower Health's long-time Self-Pay vendor. The vendor was not equipped or prepared to take on the insurance portion of the accounts receivable.

In July of 2019, after a full Request for Proposal process, Tower Health replaced the previous vendor partner with an industry leading insurance and self-pay vendor. In August of 2019, the Tower Health enterprise Epic system was implemented at all five CMP Hospitals. This implementation has laid the foundation for enterprise Revenue Cycle workflows improvements. Standardizing and integrating the CMP workflows in the Tower Health pre-visit and point of service scheduling, registration, and clinical workflows has streamlined CMP Hospitals' operations. The Epic implementation has allowed the CMP Hospitals to automate the charging process, with clinical documentation driving real-time automated charges, and has increased revenue capture. As CMP Hospital's charges file to Epic accounts, they are processed via proven billing and AR management workflows which have been in place for years at Reading Hospital. With the Epic consolidation, Revenue Cycle Operations has more effectively segmented AR collection activities utilizing in-house resources while maximizing the use of industry-leading specialized partners for managing portions of the AR such as Medical Assistance, Workers Comp/Auto and Self Pay. The Revenue Cycle leadership team has been solidified and has a renewed focus on enterprise process improvement. Comprehensive training has been deployed across the system to further develop the staff. The foundation is now in place for future expansion in Urgent Care, Home Health, St. Christopher's Children's Hospital, and beyond.

Balance Sheet Discussion

Total unrestricted cash and cash equivalents, short-term investments and board-designated funds for capital improvements were $684.5 million at September 30, 2019. This represented a decrease of nearly $200.8 million from September 30, 2018. Total days cash on hand for the System was 134 at September 30, 2019, representing a decrease of 57 days from September 30, 2018. The decrease is primarily due to Epic implementation costs and integration expenses at the CMP Hospitals. Net assets were $786.9 million at September 30, 2019. This represented a decrease of $224.7 million from September 30, 2018. Total outstanding long-term debt, net which includes unamortized premiums and deferred financing costs was $1,123.2 million at September 30, 2019. This represented a decrease of $7.9 million from September 30, 2018.

Twelve Months Ended June 30, 2019 vs June 30, 2018

Operational Performance

Tower Health year-to-date operating performance through June 30, 2019 was challenging. Total revenues and other support increased by 8.2% compared with the twelve-month period ended June 30, 2018. Similarly, the financial challenges are largely attributable to the issues Tower Health encountered in addressing revenue cycle, quality and integration/ utilization issues at the acquired hospitals (see below). The System generated a negative operating margin of 10.2% during the twelve-month period ended June 30, 2019. The twelve-month period ended June 30, 2019 includes $21.6 million of one-time, non-recurring expenses. Of the $21.6 million, $11.1 million was related to Epic implementation costs at the newly acquired hospitals, with the remainder related to other one-time transaction costs. In addition, there was a revenue adjustment for the CMP Hospitals for $86.4 million. This is a one-time integration cost, and the majority of the adjustments were non-cash and resulted from untimely follow-up from our outsourced A/R vendor. Excluding the $108.0 million in one-time, non-recurring expenses and revenue adjustments, the System's adjusted operating income for the twelve-month period ended June 30, 2019 was negative $70.8 million, resulting in an adjusted operating margin of negative 4.0%, compared with an adjusted operating margin of positive 0.5% for the twelve-month period ended June 30, 2018. Excluding the $108.0 million in one-time, non-recurring expenses and revenue adjustments, the System's adjusted operating cash flow margin* was 3.7%, compared with an adjusted operating cash flow margin* of 8.3% for the twelve-month period ended June 30, 2018.

Operating income at Reading Hospital was strong at $124.7 million, resulting in an operating margin for the twelve-month period ended June 30, 2019 of 12.3%, compared with 11.2% for the twelve-month period ended June 30, 2018. Reading Hospital's adjusted operating cash flow margin* was 21.9%, compared with 21.2% for the twelve-month period ended June 30, 2018. The five acquired hospitals generated positive adjusted operating cash flow of $0.4 million and positive adjusted operating cash flow margin* of 0.1% for the twelve-month period ended June 30, 2019. The five acquired hospitals generated adjusted operating cash flow of $44.8 million and adjusted operating cash flow margin* of 9.5% for the twelve-month period ended June 30, 2018.

Non-operating income was $36.9 million, of which $49.6 million was investment income. The System's deficiency of revenues, gains, and other support over expenses was $141.9 million, resulting in a margin of negative 8.1% for twelve-month period ended June 30, 2019. Excluding the $108.0 million in one-time, non-recurring expenses and non-cash revenue adjustments, the System's deficiency of revenues, gains, and other support over expenses was $33.8 million, resulting in a margin of negative 1.9% for the twelve-month period ended June 30, 2019.

Balance Sheet Discussion

Total unrestricted cash and cash equivalents, short-term investments and board-designated funds for capital improvements were $701.6 million at June 30, 2019. This represented a decrease of nearly $216.7 million from June 30, 2018. Total days cash on hand for the System was 139 at June 30, 2019, representing a decrease of 78 days from June 30, 2018. The decrease is primarily due to capital investment in the CMP Hospitals and revenue cycle issues at the CMP Hospitals. Net assets were $794.7 million at June 30, 2019. This represented a decrease of $175.4 million from June 30, 2018. Total outstanding long-term debt, net which includes unamortized premiums and deferred financing costs was $1,124.0 million at June 30, 2019. This represented a decrease of $7.8 million from June 30, 2018.

Twelve Months Ended June 30, 2018 vs June 30, 2017

Operational Performance

Tower Health year-to-date operating performance through June 30, 2018 continued to be strong. Total revenues and other support increased by 54.0% compared with the twelve-month period ended June 30, 2017. The increase is primarily attributable to the October 1, 2017 acquisition of five hospitals and related physician groups from Community Health Systems. The System generated a negative operating margin of 0.7% during the twelve-month period ended June 30, 2018. The twelve-month period ended June 30, 2018 includes $18.6 million of one-time, non-recurring expenses primarily related to the sale of The Highlands at Wyomissing, the acquisition of the five hospitals and the Epic implementation costs (transaction and integration costs) at the five acquired hospitals. Excluding the $18.6 million in one-time, non-recurring expenses, the System's adjusted operating income for the twelve-month period ended June 30, 2018 was $7.8 million, resulting in an adjusted operating margin of 0.5%, compared with an adjusted operating margin of 1.1% for the twelve-month period ended June 30, 2017. Excluding the $18.6 million in one-time, non-recurring expenses, the System's adjusted operating cash flow margin* was 8.3%, compared with an adjusted operating cash flow margin* of 10.3% for the twelve-month period ended June 30, 2017.

The five acquired hospitals generated operating income of $7.9 million for the nine-month period from the acquisition date through June 30, 2018. Total revenues and other support at Reading Hospital increased by $50.8 million which is 5.4% over prior year, resulting in an operating margin for the twelve-month period ended June 30, 2018 of 11.2%, compared with 9.1% for the twelve-month period ended June 30, 2017. Excluding the $9.3 million incurred by the hospital in one-time, non-recurring expenses, Reading Hospital's adjusted operating cash flow margin* was 21.2%, compared with an adjusted operating cash flow margin* of 18.9% for the twelve-month period ended June 30, 2017.

In addition, the System's strategic plan, with a goal of increasing revenue and utilization through successful recruitment of employed physicians in key specialty service areas, has led to an increase in volume. Tower Health has been successful in the recruitment of employed physicians in key specialty areas, including oncology, neuroscience, cardiology, and orthopedics. Reading Hospital's net patient revenue per adjusted discharge increased 4.7% to $13,759 for the twelve-month period ended June 30, 2018, compared with $13,136 for the twelve-month period ended June 30, 2017.

Management has implemented thorough processes to monitor budgeted volume on a month to month basis. Rigorous financial management through Tower Health's Operations Excellence Plan continues to contribute to strong operating performance, particularly in the areas of revenue cycle, labor, benefits, and supply expenses. Reading Hospital's labor and benefit expense per adjusted discharge declined by 3.1% to $6,352 for the twelve-month period ended June 30, 2018, compared with $6,558 for the twelve-month period ended June 30, 2017. Supply expense per adjusted discharge increased only by 1.6% to $2,220 for the twelve-month period ended June 30, 2018, compared with $2,184 for the twelve-month period ended June 30, 2017.

Investment income of $119.7 million for the twelve-month period ended June 30, 2018 was due to the System liquidating the bulk of its unrestricted long-term capital fund and re-allocating proceeds into a new direct fund structure. This new structure is saving the System $2.5 million in annual investment management fees. This liquidation was completed in the second quarter, resulting in a one-time gain of $85.0 million. Without this re-allocation, investment income would have been $34.7 million for the twelve-month period ended June 30, 2018, compared to $44.4 million for the twelve-month period ended June 30, 2017, primarily related to the market performance.

Balance Sheet Discussion

Total unrestricted cash and cash equivalents, short-term investments and board-designated funds for capital improvements were $918.3 million at June 30, 2018. This represented an increase of nearly $4.8 million from June 30, 2017. Total days cash on hand for the System was 217 at June 30, 2018, representing a decrease of 131 days from June 30, 2017. The decrease is primarily due to increased operating expenses from the acquisition of the CMP hospitals. Net assets were $970.1 million at June 30, 2018. This represented an increase of $77.1 million from June 30, 2017. Total outstanding long-term debt, net which includes unamortized premiums and deferred financing costs was $1,131.8 million at June 30, 2018. This represented an increase of $557.3 million from June 30, 2017 due to the addition of the Series 2017 bonds.

PENSION AND POST-RETIREMENT BENEFIT PLANS

(dollars in thousands)

Prior to June 30, 2016, substantially all employees of the System were covered under a qualified noncontributory defined benefit pension plan (the "Plan"). Pension costs are funded as accrued except when not permitted by regulations, such as full funding limitations. The Plan is funded as required under ERISA and according to the provisions of the Pension Protection Act, which generally requires a seven year amortization of unfunded plan liabilities.

The System has effectively transitioned the retirement benefits for employees into a defined contribution plan as of June 30, 2016. Employees hired on or after July 1, 2013 have been enrolled in the defined contribution plan. Previous defined benefit participants hired on or before June 30, 2013, continued to accrue benefits in the existing defined benefit plan until June 30, 2016. As of July 1, 2016, all vested participant defined benefits remain accrued, but all current employees have now converted to and began to accumulate funds under the existing defined contribution plan. This action has effectively frozen the defined benefit plan as of June 30, 2016.

At June 30, 2018 and 2019, the Plan's benefit obligations exceeded the fair value of plan assets by $201,974 and $226,031, respectively. The System also offers a supplemental employee retirement plan for certain members of senior management.

Tower Health did not assume any outstanding pension obligations with respect to the former employees of St. Christopher's.

FOUNDATIONS AND FUNDRAISING

Reading Hospital Foundation (the "Foundation"), created on January 21, 2015, is a nonprofit corporation (operated for charitable purposes) that provides financial support for the mission of Reading Hospital, focusing on innovation, education and research to benefit the health and well-being of patients and the greater community. The Foundation engages in fundraising activities, provides financial management and supports programs, activities and the acquisition of assets benefiting Reading Hospital.

Donations to the Foundation are held in investment accounts and are managed and administered by the Foundation for Reading Hospital's benefit. The Development Fund, valued at nearly $11 million,

is an unrestricted fund designed to support patient care by utilizing donated funds to purchase equipment or initiate new programs focused on patients and their families. Funds restricted by the donor, and valued at nearly $5 million, support certain clinical areas, such as cardiac, neo-natal or oncology care, and support ongoing education for health professionals through programs or scholarships. The Foundation also has a permanent endowment fund valued at over $1 million. In addition, the Foundation is the beneficiary of certain designated trusts, which have a current market value of approximately $17 million.

The Foundation has a Grants and Awards committee that accepts proposals twice annually from internal stakeholders for projects and programs. Since inception, over $1.6 million has been awarded for projects that strive to advance health and transform lives in the community.

Over one hundred and fifty years ago, private funding created Reading Hospital. Donor support over many decades has made possible innumerable advancements in Reading Hospital's facilities and patient services. Philanthropy from the community continues to drive excellence in care and research. Recent examples of successful fundraising support include gifts supporting the McGlinn Cancer Center, the Miller Regional Heart Center and a new Pediatric Emergency Department, established through a large gift provided by James & Deborah Radwanski.

COMMUNITY BENEFIT

(dollars in thousands)

A core value of the System is the goal of improving the health and wellbeing of the System's neighbors throughout the communities it serves. During the fiscal year ended June 30, 2018, the System committed $242,700 to community benefit efforts that addressed specific community needs through a broad array of education, service and outreach offerings. More than 200 programs and events reached approximately 60,000 individuals and included free screenings, free immunizations, provision of information, sponsorship of support groups and hosting educational programs.

In addition, during the fiscal year ended June 30, 2018, the System provided $57,000 in charity care, $139,000 in unreimbursed government-sponsored care and $12,400 to individuals unable or unwilling to pay. Another $6,400 of community benefit funding supported patient care community services, including free flu immunizations and screenings, free educational programs and in-kind donations to agencies that support the System in taking care of patients. The commitment for medical education and schools for providing future health professionals for the region totaled $24,000. The System committed $3,900 to Cancer Clinical Research and Tumor Registry.

The Community Health Needs Assessment ("CHNA"), which was completed for each System hospital, is the primary driver of community initiatives and collaborations for the System. The CHNA has identified four areas of priority: Access to Healthcare Services, Social Determinants of Health, Disease Prevention and Management and Behavioral Health. Consistent with these priorities, Reading Hospital has been designated as a Pennsylvania Center of Excellence to fight opioid abuse and was awarded a grant to develop interventions to address the opioid crisis. Reading Hospital has also been awarded a five-year, $4.5 million cooperative agreement grant from the Centers for Medicare & Medicaid Services to screen Berks County Medicare and Medicaid beneficiaries for social determinants of health to reduce unnecessary emergency room utilization in the target population through more efficient provision of core and supplemental health-related social need services. Since 2018, more than 29,000 patients have been screened.

Medical Malpractice Considerations

Tower Health maintains a self-insurance trust fund to provide protection against professional liability claims involving the legacy Reading Health System for claims that occurred prior to October 1, 2018. The trust is funded on an annual basis to provide primary, single limit professional liability coverage of $500 per occurrence and $2,500 in the annual aggregate for Reading Hospital and certain employees. Separate primary limits are also provided in the amounts of $500 per occurrence and $1,500 in the annual aggregate each to Reading Hospital Transitional Sub-Acute Unit and Reading Birth and Women's Center physicians and certified nurse midwives. In addition, the trust includes coverage for miscellaneous professional liability risks with respect to licensed practitioners required by Pennsylvania law to have separate medical malpractice liability limits, but do not participate in the Mcare Fund (discussed below). This coverage is in the shared amount of $1,000 per occurrence and $3,000 in the annual aggregate.

On October 1, 2017, Tower Health established the Tower Health Reciprocal Risk Retention Group ("THRRRG"), domiciled in South Carolina, to provide protection against professional liability claims brought against its acute care hospitals, their agents, servants and employees, as well as against certain agents, servants and employees of other subsidiary organizations and affiliates of Tower Health. Medical malpractice for the legacy Reading Health System was transitioned into the THRRRG effective October 1, 2018. The THRRRG is actuarially funded on an annual basis to provide primary, single limit professional liability coverage of $500 per claim and $2,500 in the annual aggregate for the acute care hospitals and certain employees. Separate primary limits are also provided in the amounts of $500 per claim and $1,500 in the annual aggregate each to Reading Hospital Transitional Sub-Acute Unit and Reading Birth and Women's Center physicians and certified nurse midwives. In addition, the trust includes coverage for miscellaneous professional liability risks with respect to licensed practitioners required by Pennsylvania law to have separate medical malpractice liability limits, but do not participate in the Mcare Fund (discussed below). This coverage is in the shared amount of $1,000 per claim and $3,000 in the annual aggregate.

Various Tower Health entities participate in the Pennsylvania Medical Care Availability and Reduction of Error Fund (Mcare Fund) established under the laws of the Commonwealth of Pennsylvania. The Mcare Fund presently provides coverage to each of the acute care hospitals, the Reading Hospital Transitional Sub-Acute Unit, the Reading Birth and Women's Center, physicians and certified nurse midwives in the amount of $500 per occurrence over the primary retention for both the self-insurance trust fund and THRRRG (which is currently $500) with an annual aggregate of $1,500.

For incidents occurring on or after April 30, 2009, commercial excess insurance has been purchased to provide coverage on a claims-made basis. Currently, Tower Health has excess insurance in an amount up to $70,000, which is in excess of a total retention of $5,000 for each and every incident and an additional one-time $1,000 retained buffer layer for Reading Hospital and a one-time $5,000 retained buffer for Tower Health's other acute care hospitals.

Other Insurance Coverage

Tower Health maintains a comprehensive liability insurance program covering various exposures. Such commercial lines of coverage include employer's liability, automobile liability, ambulance liability, and aviation (helipad) liability. In addition, Tower Health provides limits of $1,000 per occurrence and $3,000 in the annual aggregate for its general liability through THRRRG. These lines of coverage have the same excess insurance limits as stated above for the professional liability program. In addition, Tower Health carries commercial lines of coverage for directors and officers liability, privacy and security (cyber) liability, fiduciary liability, crime liability, volunteer accident, environmental liability and

property and business interruption liability. Tower Health provides workers' compensation through a self-insurance program.

Litigation

There is no litigation pending or threatened against the System (other than claims for malpractice, against which the System is insured) that management believes would adversely affect the System's ability to meet its obligations in the event of an adverse result.

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APPENDIX B

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF TOWER HEALTH AND SUBSIDIARIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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TOWER HEALTH AND SUBSIDIARIES

Consolidated Financial Statements and
Supplementary Consolidating Information

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

TOWER HEALTH AND SUBSIDIARIES

Table of Contents

KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

The Board of Directors
Tower Health (formerly Reading Health System):

We have audited the accompanying consolidated financial statements of Tower Health (formerly Reading Health System) and Subsidiaries, which comprise the consolidated balance sheets as of June 30, 2019 and 2018, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tower Health (formerly Reading Health System) and Subsidiaries as of June 30, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 2(w) to the consolidated financial statements, Tower Health and Subsidiaries adopted Accounting Standards Update (ASU) No. 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, and ASU No. 2014-09, *Revenue from Contracts with Customers* during the year ended June 30, 2019. Our opinion is not modified with respect to these matters.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Supplementary Consolidating Information in Schedules I – IV 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Philadelphia, Pennsylvania
October 2, 2019

TOWER HEALTH AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2019 and 2018

(Dollars in thousands)

Assets		2019	2018
Current assets:			
Cash and cash equivalents	$	3,818	67,502
Patient accounts receivable, less allowance for uncollectible accounts of $84,771 in 2018		314,630	314,232
Other receivables		10,757	5,339
Receivables from affiliates		312	142
Inventories		48,392	37,133
Estimated third-party payor receivables		21,461	14,087
Prepaid expenses and other current assets		32,515	27,763
Assets held for sale		19,875	19,875
Assets whose use is limited – required for current liabilities:			
Self-insurance funding arrangements		7,483	7,482
Total current assets		459,243	493,555
Assets whose use is limited:			
Self-insurance funding arrangements		19,902	11,988
Under regulatory requirements		2,000	2,000
By board for capital improvements		698,438	850,868
Investments with donor restrictions		40,998	33,601
Total assets whose use is limited, net of current portion		761,338	898,457
Property, plant and equipment, net		1,131,464	1,054,776
Goodwill		155,191	128,127
Investments in joint ventures		17,350	19,940
Other assets		1,580	4,348
Total assets	$	2,526,166	2,599,203

(Continued)

TOWER HEALTH AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2019 and 2018

(Dollars in thousands)

Liabilities and Net Assets		2019	2018
Current liabilities:			
Current installments of long-term debt	$	6,312	5,600
Line of credit		17,802	—
Capital leases		2,215	2,120
Accounts payable		136,622	77,589
Estimated third-party payor settlements		4,277	8,965
Current portion of estimated self-insurance costs		9,430	13,669
Accrued expenses		51,742	56,445
Accrued vacation		50,515	40,997
Other current liabilities		24,372	13,202
Total current liabilities		303,287	218,587
Long-term debt, net of current portion and unamortized discount/premium and deferred financing costs		1,117,656	1,126,194
Capital leases, net of current portion		18,887	19,651
Accrued pension liabilities		226,031	201,974
Other liabilities		9,114	7,352
Estimated self-insurance costs, net of current portion		25,099	28,536
Swap contracts		31,387	26,776
Total liabilities		1,731,461	1,629,070
Net assets:			
Without donor restrictions		754,955	935,296
With donor restrictions		39,750	34,837
Total net assets		794,705	970,133
Total liabilities and net assets	$	2,526,166	2,599,203

See accompanying notes to consolidated financial statements.

TOWER HEALTH AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended June 30, 2019 and 2018

(Dollars in thousands)

	2019	2018
Revenues and other support:		
Net patient service revenue	$ 1,688,264	1,674,401
Provision for uncollectible accounts	—	(107,871)
Net patient service revenue less provision for uncollectible accounts	1,688,264	1,566,530
Other revenue	65,464	54,418
Total revenues and other support	1,753,728	1,620,948
Expenses:		
Salaries and benefits	1,038,286	870,916
Supplies	291,284	260,541
Interest	42,010	36,580
Depreciation	94,412	90,491
Purchased services	258,189	198,647
Repairs and maintenance	64,676	52,834
Other	122,015	103,144
Transaction related expenses	21,637	18,567
Total expenses	1,932,509	1,631,720
Loss from operations	(178,781)	(10,772)
Nonoperating gains:		
Investment income	49,592	119,667
Change in fair value of swap contracts, net of settlement payments	(9,072)	7,307
Loss on early extinguishment of debt	—	(4,314)
Other losses	(3,605)	(3,204)
Nonoperating gains, net	36,915	119,456
(Deficiency) excess of revenues, gains and other support over expenses	$ (141,866)	108,684

See accompanying notes to consolidated financial statements.

TOWER HEALTH AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2019 and 2018

(Dollars in thousands)

	Without donor restrictions	With donor restrictions	Total net assets
Net assets at June 30, 2017	$ 862,951	30,118	893,069
Changes in net assets:			
Excess of revenues, gains, and other support over expenses	108,684	—	108,684
Net in unrealized (losses) gains on investments	(70,878)	361	(70,517)
Change in pension liability	34,887	—	34,887
Donor restricted contributions	—	3,328	3,328
Net assets released from restrictions	—	(348)	(348)
Change in beneficial interest in trusts	—	1,378	1,378
Other	(348)	—	(348)
Change in net assets	72,345	4,719	77,064
Net assets at June 30, 2018	935,296	34,837	970,133
Changes in net assets:			
Deficiency of revenues, gains, and other support over expenses	(141,866)	—	(141,866)
Net in unrealized gains on investments	341	127	468
Net in realized gains on investments	—	855	855
Change in pension liability	(39,841)	—	(39,841)
Donor restricted contributions	—	5,310	5,310
Net assets released from restrictions	—	(2,493)	(2,493)
Change in beneficial interest in trusts	—	133	133
Other	1,025	981	2,006
Change in net assets	(180,341)	4,913	(175,428)
Net assets at June 30, 2019	$ 754,955	39,750	794,705

See accompanying notes to consolidated financial statements.

TOWER HEALTH AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018

(Dollars in thousands)

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ (175,428)	77,064
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized losses (gains) on investments and beneficial interest in trusts	(18,120)	73,658
Change in fair value of swap contracts	4,611	(14,014)
Amortization of bond discount	60	65
Amortization of bond premium	(2,378)	(1,923)
Amortization of deferred financing costs	525	448
Change in pension liability, net	24,057	(50,282)
Depreciation	94,412	90,491
Amortization of entrance fees	—	(1,236)
Proceeds from entrance fees and deposits	—	937
Gain on disposal of fixed assets	—	(1,115)
Provision for uncollectible accounts	—	107,871
Investment income	(31,336)	(124,186)
Equity in earnings of affiliates	(7,213)	(8,875)
Contributions and investment income donor restricted for long-term investment and capital	(5,310)	(3,328)
Loss on early extinguishment of debt	—	4,314
Loss on divestiture of affiliate	—	6,390
Gain on acquisition of affiliate	(3,550)	—
Change in cash due to changes in operating assets and liabilities:		
Receivable from patients and others	(5,038)	(301,669)
Inventories	(11,259)	(3,469)
Prepaid expenses and other assets	(1,829)	(7,416)
Accounts payable and other liabilities	61,065	60,323
Estimated self-insurance costs	(7,676)	(6,179)
Third-party payor settlements	(12,062)	(1,972)
Net cash used in operating activities	(96,469)	(104,103)
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(157,118)	(87,102)
Proceeds from the sale of property, plant and equipment	—	3,773
Divestiture of affiliate	—	69,133
Acquisition of businesses, net of cash received	(23,510)	(423,365)
Investment in equity investees	(430)	—
Distribution from equity investees	6,589	4,770
Sales of investments and assets whose use is limited, net	309,045	779,290
Purchases of investments and assets whose use is limited, net	(118,082)	(786,617)
Net cash provided by (used in) investing activities	16,494	(440,118)
Cash flows from financing activities:		
Contributions and investment income donor restricted for long-term investment and capital	5,310	3,328
Payments to escrow for debt extinguishment	—	(48,561)
Proceeds from long-term debt issuance	—	646,651
Payment of deferred financing costs	—	(4,171)
Repayments of long-term debt	(6,033)	(39,548)
Proceeds from bridge loan	—	(491,018)
Repayment of bridge loan	—	491,018
Proceeds from line of credit	31,531	—
Repayments on line of credit	(13,729)	—
Payments on capital leases	(788)	(1,457)
Refunds of entrance fees and deposits	—	(54)
Net cash provided by financing activities	16,291	556,188
Net (decrease) increase in cash and cash equivalents	(63,684)	11,967
Cash and cash equivalents:		
Beginning of year	67,502	55,535
End of year	$ 3,818	67,502
Supplemental cash flow information:		
Cash paid during the year for interest, net of capitalized interest of $2,638 and $382 for 2019 and 2018	$ 42,045	32,354
Fixed asset additions included in accounts payable and accrued expenses at June 30	14,696	5,138
Noncash consideration of affiliate	3,466	—

See accompanying notes to consolidated financial statements.

(1) Organizational Structure and Nature of Operations

Tower Health (formerly Reading Health System) (Parent) is a tax-exempt not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. The Parent is located in West Reading, Pennsylvania, and provides inpatient, outpatient and emergency care for residents of the greater Berks, Montgomery, and Chester County areas through its subsidiaries (collectively, the System).

(a) Subsidiaries of the Parent Include

Reading Hospital (Hospital), a tax-exempt not-for-profit corporation providing acute and post-acute care.

Chester/Montgomery/Philadelphia hospitals acquired on October 1, 2017 from Community Health Systems (CHS), are tax-exempt not-for-profit corporations providing acute and post acute care. The five hospitals include: Brandywine Hospital in Coatesville; Chestnut Hill Hospital in Philadelphia; Jennersville Regional Hospital in West Grove; Phoenixville Hospital in Phoenixville and Pottstown Memorial Medical Center in Pottstown (collectively, Chester/Montgomery/Philadelphia Hospitals (CMP)).

Tower Health Medical Group (THMG), formerly Reading Health Physician Network (RHPN), a tax-exempt entity established to assure access to high quality primary care physicians and specialty physicians in sufficient numbers to meet the community needs for charitable, educational, and scientific purposes. THMG also recruits physicians and provides administrative services for the Hospital, including supervision and instruction for medical students completing their residency training. The Chester/Montgomery/Philadelphia clinics and practices are part of THMG.

The Highlands at Wyomissing (The Highlands), a not-for-profit corporation, was a fully controlled entity of the Parent through September 30, 2017. The purpose of The Highlands was to operate a continuing care retirement community including residential, recreational and health care facilities and services specially designed to meet the physical, social and psychological needs of elderly persons. The Highlands facility is located in Wyomissing, Pennsylvania, and its residents are principally from the Wyomissing and Reading, Pennsylvania, area. The facility contains 285 residential living units, an 80-bed skilled nursing unit, and 66 personal care units. Certain members of the Board of Directors from the Hospital are also members of the Board of Directors of The Highlands. The Highlands affiliation with the Parent was divested on September 30, 2017. The Parent recorded a loss of $6,390 in the year ended June 30, 2018 in connection with the divestiture, which is included in transaction related expenses in the accompanying 2018 consolidated statement of operations.

Tower Health Partners (THP), formerly Reading Health Partners (RHP), a Pennsylvania limited liability company, was formed to develop a physician network working in conjunction with the Parent to implement a clinical integration program. Clinical integration is the implementation of an active and ongoing program to evaluate and modify practice patterns by the network’s physician participants and create a high degree of interdependence and cooperation among the physicians to control costs and improve the quality and efficiency of health care in the community.

Reading Hospital Foundation (RHF), formerly Reading Health System Foundation, a not-for-profit corporation to support research, education, innovation and fund raising in support of the Parent and its subsidiaries, and the community. The Parent is the sole member of RHF.

Tower Health Enterprises (THE), a Pennsylvania limited liability company, was initially formed to hold the interest in joint ventures acquired as part of the acquisition of CMP on October 1, 2017. These joint ventures are recorded under the equity method of accounting and are included in investments in joint ventures on the accompanying consolidated balance sheets, totaling $4,098 and $3,685 at June 30, 2019 and 2018, respectively. Also included is Tower Health Urgent Care, acquired on December 1, 2018 from Premier Immediate Medical Care, LLC (Premier), and Tower Health at Home, acquired on January 1, 2019.

(b) Other Noncontrolled Entities Include

The Reading Hospital Surgicenter at Springridge, LLC (Springridge, LLC), a limited liability company, was established to provide ambulatory surgery services to the surrounding community. The Hospital maintains a 50% ownership and during the years ended June 30, 2019 and 2018, the Hospital received distributions of $2,716 and $3,445, respectively. This investment is recorded under the equity method of accounting and is included in investments in joint ventures on the accompanying consolidated balance sheets, totaling $199 and $605 at June 30, 2019 and 2018, respectively.

The Parent, along with several other acute care service hospitals throughout the central Pennsylvania area, contributed capital to form Central Pennsylvania Alliance Laboratories (CPAL), a joint venture to combine laboratory operations. The Parent maintains a 20% ownership interest in CPAL. This investment is recorded under the equity method of accounting and is included in investments in joint ventures on the accompanying consolidated balance sheets, totaling $350 at both June 30, 2019 and 2018.

The Parent's ownership of Central Pennsylvania Homecare, Inc. (d.b.a. Affilia Home Health, AHH) is 44.1%. AHH provides visiting home nursing services to outpatients of the Hospital and other healthcare providers in the surrounding community. This investment is recorded under the equity method of accounting and is included in investments in joint ventures on the accompanying consolidated balance sheets, totaling $0 and $6,361 at June 30, 2019 and 2018, respectively. In the year ended June 30, 2019, the joint venture was dissolved and the Parent received a distribution of $2,500. On January 1, 2019 the Parent acquired Berks Visiting Nurse Association (VNA), Pottstown VNA and Advantage Home Care, Inc (BHC), see note 3(b). These transactions resulted in a net gain of $3,550 in the year ended June 30, 2019.

The Parent is a 20% owner of Quest Behavioral Health, Inc. (Quest). Quest is a not-for-profit corporation providing full service managed behavioral healthcare. This investment is recorded under the equity method of accounting and is included in investments in joint ventures on the accompanying consolidated balance sheets, totaling $164 and $90 at June 30, 2019 and 2018, respectively.

Horizon is a for-profit limited liability partnership of which the Parent is a 25% owner. The investment is recorded under the equity method of accounting and is included in investments in joint ventures on the accompanying consolidated balance sheets, totaling $2,222 and $1,292 at June 30, 2019 and 2018, respectively.

AllSpire Health Partners, LLC is an alliance of five systems in New Jersey and Pennsylvania of which the Parent is a 20% owner. The consortium will carry out joint activities in traditional areas of patient care services, research and education to enhance the value of health care that communities receive. This investment is recorded under the equity method of accounting and is included in investments in joint ventures on the accompanying consolidated balance sheets, totaling $406 and $602 at June 30, 2019 and 2018, respectively.

AllSpire Health GPO, LLC formed May 31, 2016 is an alliance of the five system's that are part of AllSpire Health Partners, LLC of which the Parent is a 20% owner. The alliance was created to help manage expenses by group establishing purchasing volumes, streamlining suppliers and implementing efficiencies across all partners. The goal is to identify clinical optimization and revenue opportunities to provide access to quality products to providers and patients. In the year ended June 30, 2019 and 2018, the Parent received a distribution of $1,373 and $1,324, respectively. This investment is recorded under the equity method of accounting and is included in investments in joint ventures on the accompanying consolidated balance sheets, totaling $2,510 and $2,863 at June 30, 2019 and 2018, respectively.

UPMC (University of Pittsburgh Medical Center) Health Plan and the Parent created a joint venture on January 1, 2017, of which each member is a 50% equity owner. UPMC Health Plan provides third party administration and flexible spending account administration services for the System. Additional benefits result in enhanced cost savings, value based healthcare to residents and companies in the greater Berks County area and access to the System as an in-network provider. This investment is recorded under the equity method of accounting and is included in investments in joint ventures on the accompanying consolidated balance sheets, totaling $7,401 and $4,092 at June 30, 2019 and 2018, respectively.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP). The significant accounting policies followed by the System are as follows:

(a) Principles of Consolidation

The consolidated financial statements of the System include the accounts of the Parent, the Hospital, CMP, THMG, The Highlands (divested on September 30, 2017), THP, RHF, and THE. All entities where the Parent, Hospital, or THE exercises significant influence but for which it does not have control are accounted for under the equity method. All significant intercompany balances and transactions have been eliminated.

(b) Use of Estimates

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

(c) (Deficiency) Excess of Revenues, Gains and Other Support over Expenses

The consolidated statements of operations include the (deficiency) excess of revenues, gains and other support over expenses. Changes in net assets without donor restrictions that are excluded from this performance indicator, consistent with industry practice, include changes in unrealized gains (losses) on marketable securities classified as other than trading securities, adjustments for defined benefit and other postretirement benefits, and contributions of long-lived assets (including assets acquired using contributions, which by donor-restriction were to be used for the purposes of acquiring such assets).

(d) Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less. At June 30, 2019 and 2018, the System had cash balances in financial institutions that exceeded federal depository insurance limits. Management believes that the credit risk related to these deposits is minimal.

(e) Net Patient Service Revenue

The System's net patient service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors, and others and include an estimate of variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the System bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility.

Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The System 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. Generally, performance obligations satisfied over time relate to inpatient services. The System 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. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the System does not believe it is required to provide additional goods or services to the patient.

The majority of the System's services are rendered to patients with third party coverage. Reimbursement under these programs for all payors is based on a combination of prospectively determined rates, discounted charges and historical costs. Amounts received under Medicare and Medicaid programs are subject to review and final determination by program intermediaries or their agents the contracts the System 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. Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The System also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The System 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 are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Consistent with the System's mission, care is provided to patients regardless of their ability to pay. The System has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (e.g. copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the System expects to collect based on its collection history with those patients. Patients who meet the System's criteria for charity care are provided care without charge or at amounts less than established rates. The System has determined that it has provided sufficient implicit price concessions for these accounts. Price concessions, consisting of charity care are not reported as revenue.

The Company's estimate of the transaction price includes estimates of price concessions for such items as contractual allowances, charity care, potential adjustments that may arise from payment and other reviews, and uncollectible amounts, which are determined using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. Estimates for uncollectible amounts are based on the aging of the accounts receivable, historical collection experience for similar payors and patients, current market conditions, and other relevant factors.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the payor's or patient's ability to pay are recorded as bad debt expense. Bad debt expense for the year ended June 30, 2019 was not significant to the consolidated financial statements.

(Dollars in thousands)

The percentages of net patient service revenue from patients and third-party payors for the years ended June 30, 2019 and 2018 were as follows:

	2019	2018
Medicare	19 %	22 %
Medicare Advantage	11	13
Medicaid	3	2
Managed Medicaid	9	9
Blue Cross	33	30
Commercial	19	20
Self-pay and other	6	4
	100 %	100 %

(f) Accounts Receivable

The System has agreements with third-party payors that provide for payment at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Management regularly reviews accounts and contracts and provides appropriate contractual allowances and discounts that are netted against patient accounts receivable in the consolidated balance sheets. The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements. The percentages of net patient accounts receivable from patients and third-party payors as of June 30, 2019 and 2018 were as follows:

	2019	2018
Medicare	14 %	12 %
Medicare Advantage	13	12
Medicaid	7	6
Managed Medicaid	12	13
Blue Cross	16	16
Commercial	18	20
Self-pay and other	20	21
	100 %	100 %

(g) Inventories

Inventories are stated at lower of cost (determined by the first-in, first-out method) or market.

(h) Assets Whose Use is Limited

Assets whose use is limited includes designated assets set aside by the Board of Directors for future capital improvements, assets held by trustees under indenture agreements and self-insurance trust

arrangements. The Board of Directors retains control over Board-designated assets and may at its discretion subsequently use these assets for other purposes.

Assets whose use is limited includes cash and cash equivalents, marketable securities (including U.S. government and government agencies, corporate, state and local government), marketable equity securities (including common, preferred, and foreign stock), exchange traded/listed mutual funds (including fixed income funds), hedge funds, private equity funds, and limited partnerships.

(i) Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value in the consolidated balance sheets. In the year ended June 30, 2018, the System restructured its unrestricted Long-Term Capital (LTC) investment portfolio by eliminating redundant investment advisors and redeploying investments. As a part of this restructuring, the LTC portfolio was designated as a trading portfolio.

Investment income earned on securities (interest and dividends) is reported in the nonoperating gains (losses) section of the consolidated statements of operations within investment income. Realized gains or losses related to the sale of investments, impairment losses on other than trading investments, and unrealized gains or losses on alternative investments and LTC investments, are included in the nonoperating gains (losses) section of the consolidated statements of operations in investment income unless the income or loss is restricted by donor or law.

Restricted investments and assets held for self-funding arrangements are classified as other than trading, and changes in unrealized gains on these instruments are included in the consolidated statements of changes in net assets. Impairment losses are included in the consolidated statements of operations within nonoperating gains (losses) as other than temporary impairment on other than trading investments. Prior to the restructuring of the LTC portfolio in the year ended June 30, 2018, unrestricted investments held in the LTC were also classified as other than trading.

The fair value option for financial assets and liabilities permits the System to elect to measure eligible items at fair value on an instrument by instrument basis. If elected, this option requires the System to report the unrealized gains and losses on these instruments as part of the performance indicator. Once elected, the fair value option is irrevocable for that instrument. Alternative investments include investments in managed funds, which include hedge funds, private equities, limited partnerships, and other investments that do not have readily determinable fair values and may be subject to withdrawal restrictions. Investments in hedge funds, private equities, limited partnerships, and other investments in managed funds (collectively Alternative Investments) are accounted for using the fair value option. The unrealized gains or losses from these Alternative Investments are included in the consolidated statements of operations as part of nonoperating gains (losses) within investment income.

(j) Fair Value Measurements

The System follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement* (ASC 820), which defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a

framework for measuring fair value using valuation techniques such as the market approach, cost approach, and income approach, and making disclosures about fair value measurements.

ASC 820 emphasizes that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing an asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 defines a three-level fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participants. The fair value 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 – Inputs utilized quoted market prices in active markets for identical assets or liabilities that the System has the ability to access.

Level 2 – Inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset and liability (other than quoted prices) such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.

Level 3 – Inputs are unobservable inputs for the asset or liability, which is typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the Level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest Level input that is significant to the fair value measurement in its entirety. The System's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Where quoted prices are available in an active market, investments are classified in Level 1 of the valuation hierarchy. Investments in Level 1 include cash, exchange-traded equity securities, and mutual funds with a published daily net asset value or its equivalent (NAV). Investments in Level 2 include financial instruments valued based on quoted market prices for identical securities in markets that are not active, quoted prices for similar securities in markets that are active, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. If quoted prices are not available, other accepted valuation methodologies, such as interest rates, observable yield curves and spreads may be used to determine fair value. Level 2 includes state and municipal government securities, corporate and foreign bonds, U.S. Government securities, and certain mutual and fixed income funds that permit daily redemptions but whose NAV is not published. Auction rate securities are estimated using the income approach. This approach uses estimation techniques to determine the estimated future cash flows of the respective asset or liability expected by a market participant and discounts those cash flows back to present value.

The fair values of Alternative Investments have been estimated by management based on all available data, including information provided by third-party pricing vendors, fund managers and general partners. Alternative Investments are recorded at fair value based on the NAV as a practical expedient, as provided by the respective general partner or fund administrator of the individual Alternative

(Dollars in thousands)

Investment funds. The System believes the fair value of Alternative Investments in the consolidated balance sheets is a reasonable estimate of its ownership interest in the Alternative Investment funds. As part of the System's overall valuation process, management evaluates these third-party methodologies to ensure that they are representative of exit prices in the security's principal markets.

These valuation methods may produce a fair value estimate that may not be reflective of future fair values. Furthermore, while the System believes that its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value could result in a materially different estimate of fair value at the reporting date.

(k) Property, Plant and Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation. Expenditures that substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of each class of depreciable asset. Useful lives range as follows:

Land improvements	5–25 years
Buildings and building improvements	10–50 years
Fixed equipment	5–15 years
Movable equipment (including software and hardware)	3–15 years

During the year ended June 30, 2018, the System changed the estimated useful lives of certain capital assets at the Hospital, primarily impacting buildings and building improvements from 10-40 years to 10-50 years. The effect was a decrease in depreciation expense of approximately $15,000 for the year ended June 30, 2018.

Gains and losses resulting from the retirement or sale of property, plant and equipment are included in the consolidated statements of operations. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Gifts of long-lived operating assets such as land, buildings or equipment are reported as contributions without donor restrictions and are excluded from the performance indicator unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit donor 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 support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

The System reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Management has reviewed the carrying amount of these assets and has determined that they are not currently impaired.

(l) Goodwill and Intangible Assets

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination. The System evaluates goodwill for impairment annually and whenever events or changes in circumstances indicate that the value of the asset may be impaired. Impairment testing consists of performing internal qualitative and/or quantitative assessments and considers other publicly available market information. If the carrying amount of the goodwill exceeds the estimated fair value, an impairment charge to current operations is recorded to reduce the carrying value to the estimated fair value. All of the System's goodwill was acquired as a result of the transactions with CHS and Premier. As of June 30, 2019 and 2018 there was no indication of impairment of goodwill.

(m) Deferred Financing Costs

Deferred financing costs are amortized over the period the debt is outstanding using the straight-line method, which approximates the effective interest method. Amortization of deferred financing costs totaled $525 and $448 for the years ended June 30, 2019 and 2018, respectively. Accumulated amortization totaled $2,127 and $1,602 as of June 30, 2019 and 2018, respectively.

(n) Estimated Self-Insurance Costs

The provision for estimated self-insured claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The System self-insures its medical malpractice, general liability, and workers' compensation risks. Reserve estimates are subject to the impact of changes in claim trends as well as prevailing social, economic, and legal conditions. The ultimate net cost of settling these liabilities may vary from the estimated amounts. Accordingly, reserve estimates are continually reviewed and updated, and any resulting adjustments are reflected in the performance indicator.

(o) Accrued Vacation

The System records a liability for amounts due to employees for future paid leave, which are attributable to services performed in the current and prior periods.

(p) Bond Premiums and Discounts

Bond premiums and discounts are amortized to interest and expensed as direct additions or reductions of the carrying values of the related debt instruments from which the discounts or premiums arose. Bond premiums and discounts are amortized to interest expense over the period during which the debt is outstanding using the straight-line method, which approximates the effective interest method.

(q) Derivative Instruments

The System follows accounting guidance on derivative financial instruments that is based on whether the derivative instrument meets the criteria for designation as an effective cash flow hedge. The process for designating a derivative as an effective hedge includes an assessment of the instrument's effectiveness in risk reduction, matching the derivative instrument to its underlying transactions and an assessment of the probability that the underlying transaction will occur. All of the System's derivative financial instruments are interest rate swap agreements without hedge accounting designation.

Entering into interest rate swap agreements involves, to varying degrees, elements of credit, default, prepayments, and market risk in excess of the amounts recognized on the consolidated balance sheets. Such risks include the possibility that there will be no liquid market for these arrangements, the counterparty to these arrangements may default on its obligations to perform, and there may be unfavorable changes in interest rates. The System does not hold derivative instruments for the purpose of managing credit risk and enters into derivative transactions with high quality counterparties.

The interest rate swap agreements entered into by the System are adjusted to market value based upon quotations from the counterparties and a credit valuation adjustment is applied to the valuations of the swaps which takes into consideration counterparty risk of default. The change in market value is recorded in the consolidated statements of operations within the performance indicator.

(r) Net Assets with Donor Restrictions

Net assets with donor restrictions are those whose use by the System have been limited by donors to a specific time period or purpose and net assets that have been restricted by donors to be maintained by the System in perpetuity.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the System to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are to be reported in net assets with donor restrictions as of year-end. These deficiencies can result from unfavorable market fluctuations that occur shortly after the investment of new donor restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. No material deficiencies existed at June 30, 2019 and 2018.

(s) Other Revenue

Significant components of other revenue include rental income on leased properties, residential revenue, tuition revenue for The Reading Hospital School of Health Sciences, and cafeteria revenues.

Additionally, pharmacy sales and other contracts related to health care 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 can be reasonably assured.

(t) 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 restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying consolidated statements of operations.

(u) Income Taxes

The System is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. On such a basis, the exempt entities do not incur liability for federal income taxes, except in the case of unrelated business income.

The System evaluates uncertain tax positions using a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in an unrelated business activity tax return and disclosures regarding uncertainties in tax positions. No adjustments to the consolidated financial statements were required as a result of this evaluation.

On December 22, 2017, the President signed into law H.R. 1, originally known as the Tax Cuts and Jobs Act. The new law includes several provisions that result in substantial changes to the tax treatment of tax-exempt organizations and their donors. The System has reviewed these provisions and the potential impact and concluded the enactment of H.R. 1 did not have a material impact on the operations of the System.

(v) Uncompensated Care and Community Service

The System provides services to patients who meet the criteria of its charity service policy without charge or at amounts less than the established rates. Criteria for charity care consider the patient's family income, family size, and ability to pay. Individuals who qualify for charity care do not have insurance or other coverage.

The System maintains records to identify and monitor the level of charity care and community service it provides. These records include the amount of charges foregone based on established rates for services, and supplies furnished under its charity care and community service policies, and the estimated cost of those services.

Charges foregone for uncompensated care as determined in accordance with the System's policies were approximately $23,187 and $16,621 in the years ended June 30, 2019 and 2018, respectively. Direct and indirect costs to provide these services were approximately $6,912 and $4,955 for the years ended June 30, 2019 and 2018, respectively. The estimated costs were based on a calculation, which multiplied the cost to charge ratio by the gross charges associated with providing uncompensated care to patients. The cost to charge ratio was obtained from the System's most recently filed Medicare cost report.

Additionally, the System sponsors certain other service programs and charity services, which provide substantial benefit to the broader community. Such programs include services to needy populations requiring special services and support, community service programs and charity services, as well as health promotion and education.

The System's community service includes the Medical Assistance program, which makes payment for services provided to families with dependent children, the aged, the blind, and the permanently and totally disabled, whose income and resources are insufficient to meet the costs of necessary medical

services. Payments from the Medical Assistance program are generally less than the System's cost of providing the service.

In addition, community service represents the cost to deliver services to the community, net of any payment received for those services. Included in these services are the System's subsidies of outpatient clinics, education of medical professionals who work with various health care providers in the community upon graduation and community mental health programs. The System also sponsors health fairs and other wellness programs throughout the community.

(w) Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, (ASU 2014-09) which changes the requirements for recognizing revenue when entities enter into contracts with customers. Under ASU 2014-09, an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. It also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In December 2016, the FASB issued ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, (ASU 2014-20) which serves to narrow aspects of the guidance issued in ASU 2014-09. The adoption of ASU 2014-09 is effective for annual and interim periods beginning after December 15, 2017 and early adoption is not permitted. The System adopted ASU 2014-09 and ASU 2016-20, effective July 1, 2018 using the modified retrospective method.

In January 2016, the FASB issued ASU No 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01*)*, which changes the income statement impact of equity investments held by an entity, and the recognition of changes in fair value of financial liabilities when the fair value option is elected. The adoption of ASU 2016-01 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted for fiscal years beginning after December 15, 2017. The System is currently assessing the impact of the adoption of ASU 2016-01 and the impact it will have on the System's consolidated financial condition and results of operations.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (ASU 2016-02), which will require lessees to recognize most leases on-balance sheet, increasing their reported assets and liabilities – sometimes very significantly. This update was developed to provide financial statement users with more information about an entity's leasing activities, and will require changes in processes and internal controls. The adoption of ASU 2016-02 is effective for annual and interim periods beginning after December 15, 2018, and will require application of the new guidance at the beginning of the earliest comparable period presented. Early adoption is permitted. The System adopted the standard on July 1, 2019 and is finalizing the accounting for ASU No. 2016-02, which is expected to have a material impact on the System's consolidated financial position and results of operations.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. This update is intended to improve financial statement requirements by not-for-profit organizations. There are changes to qualitative and quantitative

(Dollars in thousands)

requirements in a number of areas; including net asset classification, liquidity and availability of resources, disclosing expenses by both their natural and functional classification, financial performance and cash flows. The main provision of this guidance reduces the number of net asset classes presented on the balance sheet from three to two: *with donor restrictions* and *without donor restrictions*. The System adopted ASU 2016-14 effective July 1, 2018 using the retrospective method of transition. As a result of adopting this standard certain prior year amounts were reclassified to conform to the presentation requirements of the standard.

(3) Acquisitions

(a) Tower Health Urgent Care

On December 1, 2018, the System acquired Tower Health Urgent Care, LLC from Premier. Total cash consideration paid was $24,345. The total consideration paid was allocated to net tangible assets acquired and liabilities assumed based upon the estimated fair values. The excess of the consideration paid over the estimated fair value of the net tangible assets acquired and liabilities assumed was recorded as goodwill. Goodwill recognized from the acquisition is the result of the expected savings to be realized from achieving certain efficiencies and economies of scale with increased quality and access at a lower cost of care.

The consideration price and related fair value allocation of the assets acquired and liabilities assumed in the acquisition, which resulted in goodwill totaling $27,064, are summarized as follows:

Property, plant and equipment	$	2,346
Goodwill		27,064
Accrued expenses		(2,719)
Accrued vacation		(416)
Other current liabilities		(1,863)
Capital lease obligations		(67)
Net assets acquired	$	24,345

(b) Tower Health at Home

The System acquired Tower Health at Home on January 1, 2019. No cash consideration was paid as a result of the acquisition. The Parent treated the business combination as a nonreciprocal transfer of assets, resulting in the contribution of the fair value of the acquiree's net assets to the acquirer. The excess of the fair value of net assets acquired over the consideration transferred was recorded as a

(Dollars in thousands)

contribution related to the acquisition totaling $7,194. The related fair value allocation of the assets acquired and liabilities assumed in the acquisition is summarized as follows:

Cash and cash equivalents	$	835
Account receivables		948
Prepaid expenses and other current assets		109
Property, plant and equipment		2,078
Investments		4,389
Other assets		46
Accounts payable		(570)
Accrued expenses		(589)
Capital lease obligations		(52)
Net assets acquired	$	7,194

(c) Chester/Montgomery/Philadelphia Hospitals

On October 1, 2017, the Chester/Montgomery/Philadelphia Hospitals and related physician clinics and practices were acquired from CHS. The total consideration paid was $423,377. The total consideration paid was allocated to net tangible assets acquired and liabilities assumed based upon the estimated fair values. The excess of the consideration paid over the estimated fair value of the net tangible assets acquired and liabilities assumed was recorded as goodwill. The allocation of the consideration paid to property, plant and equipment was based upon valuation data and estimates. Goodwill recognized from the acquisition is the result of (i) the expected savings to be realized from achieving certain efficiencies and economies of scale with increased quality and access at a lower cost of care and (ii) anticipated long-term improvements in core businesses of the Chester/Montgomery/Philadelphia Hospitals and related physician clinics and practices.

The acquisition purchase price of $423,377 was financed with proceeds from a bridge loan borrowing of $491,018 with the remaining proceeds used for the general working capital needs of the System. The bridge loan was repaid in connection the issuance of Berks County Municipal Authority Hospital Revenue Bond Series of 2017 on October 31, 2017 (note 9).

For the year ended June 30, 2018, the System incurred acquisition costs of $6,856, consisting of investment banking, legal, accounting and other costs associated with the transaction, which is included in transaction related expenses on the accompanying consolidated statements of operations. The System also incurred $4,171 of deferred financing costs associated with the debt financings in the year ended June 30, 2018, which has been capitalized and treated as a reduction in long-term debt on the accompanying consolidated balance sheets.

(Dollars in thousands)

The consideration paid and related fair value allocation of the assets acquired and liabilities assumed in the acquisition, which resulted in goodwill totaling $128,127, are summarized as follows:

Cash and cash equivalents	$	12
Inventories		18,831
Prepaid expenses and other current assets		5,230
Property, plant and equipment		298,045
Goodwill		128,127
Investments in joint ventures		3,518
Accrued vacation		(7,145)
Other current liabilities		(13)
Capital lease obligations		(23,228)
Net assets acquired	$	423,377

The 2018 consolidated statement of operations includes the results of operations of the Chester/Montgomery/Philadelphia Hospitals and related physician clinics and practices from October 1, 2017. Total revenues and other support attributable to the Chester/Montgomery/Philadelphia Hospitals in the accompanying 2019 and 2018 consolidated statement of operations was $533,669 and $471,865, respectively.

The pro forma combined results as though the acquisition date occurred at the beginning of the fiscal year 2018 are summarized as follows:

		June 30, 2018 (Unaudited)
Total revenues and other support	$	1,800,425
Loss from operations		(26,465)

(4) Pending Transactions

On November 12, 2018, the System announced an agreement to sell an undeveloped 80 acre parcel of land in Spring Township, Pennsylvania. The System's overall ownership of the parcel is approximately 103 acres and it will retain approximately 23 acres following the transaction. The land has been reclassified to assets held for sale at June 30, 2019 and 2018 on the accompanying consolidated balance sheets.

In February 2019, the System and Drexel University (Drexel) signed a 20 year academic agreement. In connection with this affiliation, a new four-year regional campus of Drexel University College of Medicine will be constructed in West Reading. The campus is expected to be operational for the 2021-2022 academic year. In August 2019, the System entered into a joint venture arrangement and the construction of the campus will be funded by capital commitments from the joint venture partners and lender financing.

(Continued)

The System contributed $6,145 to the joint venture in August 2019 and future committed contributions are not to exceed $4,855.

In September 2019, the System and Drexel entered into an agreement to acquire St. Christopher's Hospital for Children for $50,000. After the closing, the System and Drexel will each own 50% of St. Christopher's Hospital for Children. The sale was approved by the U.S. Bankruptcy Court for the District of Delaware as part of the process to resolve the Chapter 11 bankruptcy filed by the former owner and operator of St. Christopher's Hospital for Children. The transaction is expected to close in the quarter ended December 31, 2019.

(5) Net Patient Service Revenue

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

(a) Medicare and Medicare Advantage

Inpatient acute care and rehabilitation services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services are reimbursed by Medicare under the Ambulatory Payment Classification System. The System is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare fiscal intermediary. The System's classification of patients under the Medicare program and the appropriateness of their admission are subject to medical necessity reviews by independent organizations under contract with the Center for Medicare and Medicaid Services (CMS). The System has received settlements on Medicare cost reports through June 30, 2016.

(b) Medicaid and Managed Medicaid

On December 29, 2010, the Pennsylvania Department of Human Services (DHS) received approval from the Centers for Medicare & Medicaid Services for the state plan amendments pursuant to Act 49 of 2010, passed by the Pennsylvania General Assembly on July 3, 2010, which established a new inpatient hospital fee for service payment system, new supplemental payments and the waiver to establish the statewide Quality Care Assessment. DHS also received approval on final language for the DHS contracts with managed care organizations. The estimated net impact on the System for the years ended June 30, 2019 and 2018, was $20,864 and $17,494, respectively, (based on total payment increases of $50,723 and $43,087, offset by assessments of $29,944 and $25,593, respectively).

(c) Nongovernmental Payors

Inpatient services rendered by nongovernmental payors are reimbursed at negotiated rates. The System continues to be reimbursed for outpatient services at a negotiated percentage of covered charges.

(d) Workers' Compensation

The payment method by which all employers and/or insurers of workers' compensation policies will pay for the services provided by health care providers to employees covered by workers' compensation is a percentage of the Medicare payment for these services.

(e) Other Contractual Arrangements

The System has various payment agreements with preferred provider organizations and health maintenance organizations. The basis for payment under these agreements includes discounts from established charges.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at the time. Recently, government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed.

(Continued)

(Dollars in thousands)

(6) Assets Whose Use is Limited and Investments

Assets whose use is limited and that are required for obligations classified as current liabilities are reported as current assets. The composition of assets whose use is limited at June 30, is set forth in the following tables.

	2019	2018
Self-insurance funding arrangements:		
Cash and cash equivalents	$ 2,169	351
Certificates of deposit	7,723	—
U.S. government securities	11,693	10,717
Corporate bonds	5,230	7,887
Equity mutual funds	570	515
Total assets whose use is limited under self-insurance funding arrangements	$ 27,385	19,470
By board for capital improvements and under regulatory requirements:		
Cash and cash equivalents	$ 6,613	14,858
Common, foreign, and preferred stock	13,041	16,416
Equity mutual funds	196,963	351,505
Fixed income mutual funds	268,611	328,914
Hedge, private equity, common collective trust funds	215,210	141,175
Total assets whose use is limited by the board for capital improvements and under regulatory requirements	$ 700,438	852,868
Investments with donor restrictions:		
Cash and cash equivalents	$ 6,661	699
Equity mutual funds	12,423	12,081
Fixed income mutual funds	3,885	3,834
Beneficial interest in trusts	18,029	16,987
Total investments with donor restrictions	$ 40,998	33,601

The System's investments include a variety of financial instruments; the related values as presented in the consolidated financial statements are subject to various market fluctuations, which include changes in the equity markets, interest rate environment and general economic conditions.

(Continued)

(Dollars in thousands)

In the year ended June 30, 2018, the System restructured its unrestricted Long-Term Capital (LTC) investment portfolio by eliminating redundant investment advisors and redeploying investments. This redeployment created approximately $85,000 of one-time realized gains for the year ended June 30, 2018.

The following table presents cost and fair value of assets whose use is limited and investments as of June 30, 2019:

	Fair value	Cost
Cash and cash equivalents	$ 15,446	15,446
Certificates of deposit	7,723	7,723
Corporate and foreign bonds	5,230	5,193
Common, foreign, and preferred stock	13,041	13,236
U.S. government securities	11,691	11,562
Equity mutual funds	209,955	206,421
Fixed income mutual funds	272,496	259,796
Hedge funds and private equity	215,210	191,935
Beneficial interest in trusts	18,029	15,301
Total	$ 768,821	726,613

The following table presents cost and fair value of assets whose use is limited and investments as of June 30, 2018:

	Fair value	Cost
Cash and cash equivalents	$ 15,908	15,908
Corporate and foreign bonds	7,887	7,956
Common, foreign, and preferred stock	16,416	16,244
U.S. government securities	10,717	10,818
Equity mutual funds	364,101	357,890
Fixed income mutual funds	332,748	340,408
Hedge funds and private equity	141,175	120,366
Beneficial interest in trusts	16,987	14,528
Total	$ 905,939	884,118

(Continued)

(Dollars in thousands)

The following table represents the fair value measurement levels for all assets and liabilities, which the System has recorded at fair value on a recurring basis:

		2019			
		Fair value June 30, 2019	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Assets:					
Cash and cash equivalents	$	15,446	15,446	—	—
Certificates of deposit		7,723	7,723	—	—
Corporate and foreign bonds		5,230	—	5,230	—
Common, foreign and preferred stock		13,041	13,041	—	—
U.S. government securities		11,691	—	11,691	—
Equity mutual funds		209,955	209,955	—	—
Fixed income funds		272,496	272,496	—	—
Hedge funds and private equity (1)		215,210	—	—	—
Beneficial interest in trusts		18,029	—	—	18,029
Total investments	$	768,821	518,661	16,921	18,029
Liabilities:					
Swap contracts	$	31,387	—	31,387	—

		2018			
		Fair value June 30, 2018	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Assets:					
Cash and cash equivalents	$	15,908	15,908	—	—
Corporate and foreign bonds		7,887	—	7,887	—
Common, foreign and preferred stock		16,416	16,416	—	—
U.S. government securities		10,717	—	10,717	—
Equity mutual funds		364,101	364,101	—	—
Fixed income funds		332,748	332,748	—	—
Hedge funds and private equity (1)		141,175	—	—	—
Beneficial interest in trusts		16,987	—	—	16,987
Total investments	$	905,939	729,173	18,604	16,987
Liabilities:					
Swap contracts	$	26,776	—	26,776	—

(Continued)

(Dollars in thousands)

(1) Certain investments that are measured at net asset value per share (or its equivalent) as a practical expedient to fair value have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

Following is the summary of the inputs and valuation techniques as of and for the years ended June 30, 2019 and 2018 for valuing Level 2 financial instruments:

Financial instrument	Input	Valuation technique
State, municipal government, and auction rate securities	Broker/dealer	Income
Corporate and foreign bonds	Broker/dealer	Market
U.S. government securities	Broker/dealer	Market
Swap contracts	Broker/dealer	Market

The following table represents the change in fair value for which fair value was measured under Level 3:

	Beneficial interests in trust
Fair value at June 30, 2017	$ 15,609
Net unrealized gains	1,378
Fair value at June 30, 2018	16,987
Net unrealized gains and additions	1,042
Fair value at June 30, 2019	$ 18,029

Transfers between levels occur when there is a change in the observability of significant inputs. A transfer between Level 1 and Level 2 generally occurs when the availability of quoted prices changes or when market activity of an investment significantly changes to active or inactive. A transfer between Level 2 and Level 3 generally occurs when the underlying inputs become, or can no longer be, corroborated with market observable data. Transfers between levels are recognized on the date they occur. For the years ended June 30, 2019 and 2018, no transfers were made between any Levels.

(Continued)

The System holds instruments recorded at net asset value per share (or its equivalent) as a practical expedient to fair value and that do not have a readily determinable fair value as follows as of June 30:

2019	Fair value	Unfunded commitments	Redemption frequency (if eligible)	Redemption notice period
	(In millions)			
b – Multi-strategy hedge funds	$ 62.9	—	Quarterly, annually	60 days
c – Real assets	8.5	0.7	Annually, up to 3 years	90 days
d – Real estate funds	99.1	7.6	N/A	N/A
e – Private equity funds	44.7	24.8	N/A	N/A
Total	$ 215.2	33.1		

2018	Fair value	Unfunded commitments	Redemption frequency (if eligible)	Redemption notice period
	(In millions)			
a – Event driven hedge funds	$ 0.1	—	Quarterly	65–70 days
b – Multi-strategy hedge funds	62.0	1.4	Quarterly, annually	60 days
c – Real assets	7.0	0.8	Annually	90 days
d – Real estate funds	29.8	18.2	N/A	N/A
e – Private equity funds	42.3	19.4	N/A	N/A
Total	$ 141.2	39.8		

a. Event Driven: This class includes investments in hedge funds that invest in equities and bonds to profit from economic, political and government driven events. A majority of the investments are targeted at economic policy decisions. The fair values of the investments in this class have been estimated using the net asset value per share of the investments as a practical expedient.

b. Multi-Strategy Hedge Funds: This class invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The fair values of the investments in this class have been estimated using the net asset value per share of the investments as a practical expedient. The remaining restriction period for these investments ranges from quarterly to annually.

c. Real Assets: This class includes funds with direct investments in global and energy infrastructure as well as in base and precious metals and investment securities of miners and associated mining equipment. The fair values of the investments in this class have been estimated using the net asset value per share of the investments as a practical expedient.

(Continued)

(Dollars in thousands)

d. Real Estate: This class includes real estate funds that invest in U.S. and non-U.S. residential and commercial properties as well as distressed real estate. The fair values of the investments in this class have been estimated using the net asset value of the System's ownership interest in partners' capital as a practical expedient. It is estimated that the underlying assets of these funds will be liquidated over the next 7 to 10 years, although these funds may liquidate early in the event of purchase by a third party or initial public offering. The fair values of the investments in this class have been estimated using the net asset value of the System's ownership interest in partners' capital as a practical expedient.

e. Private Equity: This class includes private equity funds. These investments cannot be redeemed with the funds. Instead, the nature of the investments in this class is that distributions are received through the liquidation of the underlying assets of the fund. These funds are managed by one of the System's advisors with particular private equity experience in secondary market dealing. These funds could be subject to redemption to a third party buyer, but at June 30, 2019 and 2018, no funds were currently being evaluated this way. The fair values of the investments in this class have been estimated using the net asset value of the System's ownership interest in partners' capital as a practical expedient.

(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 at June 30 are as follows:

		2019	2018
Cash and cash equivalents	$	3,818	67,502
Patient accounts receivable		314,630	314,232
Other receivables		10,757	5,339
Estimated third-party payor receivables		21,461	14,087
	$	350,666	401,160

Current financial assets not available for general use because of contractual or donor-imposed restrictions was $7,483 for June 30, 2019. Amounts not available for general use include amounts set aside for self-insurance funds and perpetual, time and purpose restricted assets.

(Dollars in thousands)

(8) Property, Plant and Equipment

Property, plant and equipment and related accumulated depreciation at June 30 consists of the following:

	2019	2018
Land and land improvements	$ 101,947	100,223
Buildings and improvements	913,694	893,959
Fixed equipment	415,413	406,847
Movable equipment (includes software and hardware)	640,439	598,485
Construction in progress	174,069	58,557
Property, plant and equipment before depreciation	2,245,562	2,058,071
Less accumulated depreciation	(1,114,098)	(1,003,295)
Property, plant and equipment, net	$ 1,131,464	1,054,776

As of June 30, 2019 and 2018, assets under capital leases consist of medical buildings with an acquired fair value of $20,261 and $20,227 and accumulated amortization of $1,493 and $1,192, respectively. Assets under capital leases are included in property, plant and equipment on the accompanying consolidated balance sheets.

Depreciation expense relating to property, plant and equipment was $94,412 and $90,491 for the years ended June 30, 2019 and 2018, respectively.

(9) Long-Term Debt

Long-term debt at June 30, 2019 consists of the following:

	Carrying value	Fair value (Level 2)
Berks County Municipal Authority Hospital Revenue Bond Series of 2017, net of unamortized discount and premium	$ 692,773	713,000
Berks County Municipal Authority Hospital Revenue Bond Series of 2012, net of unamortized discount and premium	265,197	262,167
Berks County Municipal Authority Hospital Revenue Bond Series of 2009, net of unamortized discount	49,011	50,302
Term loans	125,165	125,165
Total long-term debt	1,132,146	$ 1,150,634
Less amounts due within one year	(6,312)	
Less deferred financing costs, net	(8,178)	
Long-term debt, net of current portion	$ 1,117,656	

(Continued)

(Dollars in thousands)

Long-term debt at June 30, 2018 consists of the following:

	Carrying value	Fair value (Level 2)
Berks County Municipal Authority Hospital Revenue Bond Series of 2017, net of unamortized discount and premium	$ 694,940	686,633
Berks County Municipal Authority Hospital Revenue Bond Series of 2012, net of unamortized discount and premium	266,757	259,720
Berks County Municipal Authority Hospital Revenue Bond Series of 2009, net of unamortized discount	53,635	56,478
Term loans	125,165	125,165
Total long-term debt	1,140,497	$ 1,127,996
Less amounts due within one year	(5,600)	
Less deferred financing costs, net	(8,703)	
Long-term debt, net of current portion	$ 1,126,194	

Under the terms of the various debt agreements, the System is required to maintain certain deposits with a trustee. Such deposits are included in assets whose use is limited in the accompanying consolidated balance sheets.

Scheduled principal repayments on long-term debt are as follows for the years ending June 30:

2020	$ 6,312
2021	3,997
2022	6,025
2023	13,756
2024	16,821
Thereafter	1,028,752
Total long-term debt – Par	1,075,663
Plus unamortized net premium/discounts	56,483
Less deferred financing costs, net	(8,178)
Long term-debt, net of unamortized premiums/discount and deferred financing costs	$ 1,123,968

(Continued)

The Parent, the Hospital, and the Chester/Montgomery/Philadelphia Hospitals (collectively, the Obligated Group) have borrowed funds through revenue bonds issued by the Berks County Municipal Authority and the Berks County Industrial Development Authority (Authority). The proceeds originally were used in part to finance certain facilities of the Obligated Group. The revenue bonds are secured by a pledge of revenue of the Obligated Group. For accounting purposes, the revenue bonds are treated as though they are the debt of the entity which received the proceeds.

(a) Berks County Industrial Development Authority Hospital Revenue Bond Series of 2017

On October 31, 2017, the Authority issued $590,500 of Revenue Bonds (2017) for the purpose of repaying the bridge loan (note 3) and refunding the 2009 A-3 bonds. The net original issuance premium associated with the issuance was $56,151.

The Series 2017 bonds are comprised of $161,400 of serial bonds and $429,100 of term bonds. The serial bonds are due in annual installments payable on November 1, 2021 through November 1, 2039 with payments ranging from $1,770 to $13,715. The term bonds are due on November 1, 2042, 2047 and 2050 with total payments of $43,185, $196,320, and $189,595, respectively. The effective interest rate ranges from 4% to 5% on the serial bonds and 3.75% to 5% on the term bonds.

On December 27, 2017, Berks County Municipal Authority issued $50,000 of Variable Rate Serial Revenue bonds (2017 A) for the purpose of refunding the Authority Series 2016B. Mandatory annual principal redemptions by the System for the Series 2017 A bonds due November 1, 2022 through November 1, 2035, range from $2,475 to $5,025 with final maturity on November 1, 2035. Interest on these bonds is calculated on a SIFMA Municipal Index rate plus a fixed spread of 0.75%. The SIFMA Municipal Index Rate at June 30, 2019 and 2018 was 1.90% and 1.51%, respectively.

(b) Berks County Municipal Authority Hospital Revenue Bond Series of 2012

On June 28, 2012, the Authority issued $473,275 of Revenue Bonds in four series, 2012 A, B, C, and D.

The Authority issued $160,065 of Fixed Rate Serial Revenue Bonds (2012 A) for the purpose of refunding the then-existing Dauphin County General Authority Hospital Revenue Bond Series 1994A, and Berks County Bond Series 1998 and 2008. Mandatory annual principal redemptions by the System for the 2012 A bonds due November 1, 2039 through November 1, 2044, range from $7,590 to $33,555 with final maturity on November 1, 2044. Effective interest rate of the bonds range from 4.23% to 4.50%.

The Authority issued $91,775 of Variable Rate Serial Revenue bonds (2012 B) for the purpose of refunding the Series 2009 A-5 bonds. Mandatory annual principal redemptions by the System for the 2012 B bonds due November 1, 2035 through November 1, 2039, range from $3,225 to $24,955 with final maturity on November 1, 2039. Interest on these bonds is calculated on a SIFMA Municipal Index rate plus a fixed spread of 1.50%. The SIFMA Municipal Index rate at June 30, 2019 and 2018, was 1.90% and 1.51%, respectively.

The Authority issued a $47,235 Floating Rate Bond (2012 C) used to refund the then-existing Series 2009 A-4 bonds and a $174,000 Floating Rate Bond (2012 D) used to refund the then-existing Series 2009 A-1 and A-2 bonds. Both Series 2012 C and 2012 D bonds were privately placed with commercial banks. Mandatory monthly principal redemptions by the System for the Series 2012 C bonds commenced on August 1, 2012 through July 1, 2022, and range from $39 to $129 with final maturity date on July 1, 2022. Interest on these bonds is calculated using a one-month London Interbank Offered Rate Index rate (LIBOR) plus a fixed spread of 1.20% with the sum multiplied by a factor of 70.0%. The one-month LIBOR rate at June 30, 2019 and 2018, was 2.40% and 2.09%, respectively.

(c) Berks County Municipal Authority Hospital Revenue Bond Series of 2009

The Series 2009 A-3 bonds were issued on July 15, 2009. The Authority issued $133,665 of Fixed Rate Revenue Bonds, Series 2009 A-3 for the primary purpose of redeeming $115,520 of the then-existing Series 2001 bonds and $14,965 for major renovation projects.

The Series 2009 A-3 bonds are comprised of $44,285 of serial bonds and $89,380 of term bonds. The serial bonds are due in installments payable November 1, 2009, through 2019, with payments ranging from $120 to $4,895. The term bonds are due on November 1 of 2024, 2031, and 2039, with payments ranging from $820 to $9,380. The effective interest rate ranges from 3% to 5% on the serial bonds and 5.25% to 5.75% on the term bonds.

During the fiscal year ended June 30, 2018, in connection with the issuance of the Series 2017 bonds, the System advance refunded a portion of the Series 2009 A-3 bonds by in-substance defeasance. The System funded an escrow account of $48,561 and in connection with this transaction, the System recognized $4,314 as a loss on early extinguishment of debt in the consolidated statements of operations. As of June 30, 2019 and 2018, $44,675 of the original debt remained outstanding, but was considered to be extinguished by the System. Such debt will be paid to bondholders from escrow accounts funded at the transaction date.

(d) Term Loans

Effective May 16, 2016, the System refinanced the Series 2012 D bonds by the securing term bank loans in four series, 2016 A, B, C, and D with a notional amount of $175,165. All 2016 series nonsyndicate bank loans are direct bank loans with a maturity of seven years.

Series 2016A with a notional amount of $50,165 has an interest rate calculated at 67% of 1-month LIBOR plus a fixed spread of 0.58%. Principal installments of $2,485 begin in November 1, 2022 followed by a full redemption of the balances in May 2023.

Series 2016B with a notional amount of $50,000 were refunded in December 2017 by the issuance of the Series 2017A Variable Rate Serial Revenue Bonds.

Series 2016C with a notional amount of $25,000 has an interest rate calculated at 70% of 1-month LIBOR plus a fixed spread of 0.84%. Principal installments of $1,240 begin November 1, 2022 followed by a full redemption of the balance in May 2023.

Series 2016D with a notional amount of $50,000 has an interest rate calculated at 67% of 1-month LIBOR plus a fixed spread of 0.675%. Principal installments of $2,475 begin in November 1, 2022 followed by a full redemption of the balance in May 2023.

(e) Lines of Credit

At June 30, 2019 and 2018, the Hospital has an unused line of credit with a regional bank in the amount of $10,000. Letter of credit draws or direct borrowings from this facility are charged an interest rate of 1-month LIBOR plus 1.50%. Total combined open and undrawn letters of credit at June 30, 2019 and 2018 amounted to $2,269 and $3,095 respectively.

During 2019, an additional short-term 1-year uncommitted bank line of credit facility was opened in the amount of $25,000. This line is used for liquidity purposes. Borrowings from this facility are charged an interest rate of 1-month LIBOR plus 1.20%. Drawn amounts on the bank line at June 30, 2019 were $17,802.

Subsequent to June 30, 2019, The System opened new or modified existing lines of credit with several banks. The aggregate capacity opened subsequent to June 30, 2019 was $75,000 with an average interest rate of 2.87%.

(f) Covenants

The various agreements place limits on the incurrence of additional borrowings and require that the System satisfy certain measures of financial performance as long as the debt is outstanding. These covenants apply to the Obligated Group and include, but are not limited to: a long-term debt service coverage ratio of 1.1 (measured quarterly) and 80 days cash on hand (measured annually at June 30).

(10) Interest Rate Swaps

The System utilizes derivative instruments, such as interest rate swaps, to manage certain interest rate exposures. Derivative instruments are viewed as risk management tools by the System and are not used for trading and speculative purposes.

When quoted market prices are not available, the valuation of derivative instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each leg of the derivative. This analysis reflects the contractual terms of the derivatives, including interest rate curves and implied volatilities. The estimates of fair value valuation are made by swap counterparties using a standardized methodology based on observable market inputs. As part of the System's overall valuation process, management evaluates this counterparty valuation methodology to ensure that it is representative of exit prices in the principal markets. These future net cash flows, however, are susceptible to change primarily due to fluctuations in interest rates. As a result, the estimated values of these derivatives will change over time as cash is received and paid and as interest rates change. As these changes occur, they may have a positive or negative impact on estimated valuations.

The System has classified its interest rate swaps in Level 2 of the fair value hierarchy, as the significant inputs to the overall valuations are based on market-observable data or information derived from or corroborated by market-observable data. For over-the-counter derivatives that trade in liquid markets such

(Dollars in thousands)

as interest rate swaps, model inputs (i.e., contractual terms, market prices, yield curves, credit curves, and measures of volatility) can generally be verified, and model selection does not involve significant management judgment.

The fair value of the swap contracts was as follows as of June 30:

Classification of derivatives included in liabilities in the consolidated balance sheets	Fair value 2019	2018
Derivatives not designated as hedging instruments:		
2008 bond issuance	$ (3,344)	(3,730)
2005 bond issuance	1,724	1,588
2002 bond issuance	15,311	13,256
2001 bond issuance	17,076	15,166
1992 bond issuance	620	496
Total swap contracts	$ 31,387	26,776

Changes in fair value of swap contracts in the consolidated balance sheets totaled a loss of $4,611 and a gain of $14,014 for the years ended June 30, 2019 and 2018, respectively. The net amount paid or received under the swap contracts is recorded in the consolidated statements of operations as net cash settlement payments. Net payments totaled $4,461 and $6,707 for the years ended June 30, 2019 and 2018, respectively.

No new swaps were initiated in the fiscal years ending June 30, 2019 and 2018.

In connection with the 2008 bond issuance, the System entered into two interest rate basis swap agreements with a third party by which the System pays SIFMA and receives an average of 0.85% of three-month LIBOR with a third party. Notional amounts of these basis swaps are $146,835 and $152,210, respectively, and the three-month LIBOR rate at June 30, 2019 and 2018, was 2.320% and 2.337%, respectively. The SIFMA Municipal Index Rate at June 30, 2019 and 2018 was 1.900% and 1.510%, respectively.

In connection with the 2005 bond issuance, the System entered into an interest rate swap agreement with a third party. The swap economically converts the variable rate obligation of the 2005 bonds to a fixed rate of 3.584%. Notional amount of the swap is $21,000.

In connection with the 2001 and 2002 bonds issuances, the System entered into two interest rate swap agreements with a third party. The swaps economically convert the variable rate obligations of the 2001 and 2002 bonds to a fixed rate of 4.30% and 4.69%, respectively. Notional amounts of the 2001 and 2002 bond issuance swaps are $100,015 and $59,530, respectively.

(Continued)

(Dollars in thousands)

In connection with the 2002 bond issuance, the System entered into two interest rate swap agreements with a third party. One of these swaps expired in FY2018. The remaining swap effectively converts the variable rate obligation of the Series A bonds to a fixed rate of 4.69%. Notional amounts of the swap is $3,635.

In connection with the 1992 bond issuance, the System entered into an interest rate swap agreement with a third party, which was effective as of May 26, 2005. The swap effectively converts the variable rate obligation of the bonds to a fixed rate of 3.607%. Notional amount of the swap is $5,500.

The change in the fair value of the interest rate swap agreements and the net settlement payments associated with these swaps are recorded in nonoperating gains (losses) on the consolidated statements of operations.

(11) Retirement Plans

Prior to June 30, 2016, substantially all employees of the System were covered under a qualified noncontributory defined benefit pension plan (the Plan). Pension costs are funded as accrued except when not permitted by regulations, such as full funding limitations. Unfunded prior service costs are amortized over an initial term of thirty years.

The System has effectively transitioned the Plan into a defined contribution plan as of June 30, 2016. Employees hired on or after July 1, 2013 have been enrolled in the defined contribution plan. Previous defined benefit participants hired on or before June 30, 2013, continued to accrue benefits in the existing defined benefit plan until June 30, 2016. As of July 1, 2016, all vested participant defined benefits remain accrued, but all current employees have now converted to and began to accumulate funds under the defined contribution plan. This action has effectively frozen the defined benefit plan as of June 30, 2016.

In the year ended June 30, 2019, the System completed a small balance pension plan annuitization initiative with a national insurance company in which a number of retirees who were previously paid monthly benefits by the pension plan, with an accrued pension liability of $24,100, were transferred out of the plan for a one-time payment from plan assets of $23,957. Impact to the plan funding status was negligible. The initiative had the effect of transferring administrative costs and future monthly pension payments of 44% of existing plan retirees to the insurance company. Further savings were also realized by reducing System future payments to the PBGC – Pension Benefit Guaranty Corporation.

Obligations and funded status at June 30 for the Plan:

		2019	2018
Change in projected benefit obligation:			
Benefit obligation at beginning of year	$	626,203	672,408
Interest cost		26,214	26,037
Actuarial gain		42,822	(34,420)
Benefits paid		(46,025)	(37,822)
Benefit obligation at end of year	$	649,214	626,203

(Continued)

(Dollars in thousands)

		2019	2018
Change in plan assets:			
Fair value of plan assets at beginning of year	$	424,228	420,152
Actual return on assets		31,660	27,628
Employer contributions		13,320	14,270
Benefits paid		(46,025)	(37,822)
Fair value of plan assets at end of year	$	423,183	424,228

Amounts recognized in the consolidated balance sheets at June 30 consist of:

		2019	2018
Accrued pension	$	226,031	201,974
Total accrued liability	$	226,031	201,974
Amounts recognized in net assets consist of:			
Net actuarial loss	$	269,294	229,453
Pension cost charged to net assets	$	269,294	229,453

Net periodic pension benefit components at June 30 include the following:

		2019	2018
Interest cost on projected benefit obligation	$	26,214	26,037
Expected return on plan assets		(33,900)	(33,256)
Amortization of net loss		5,222	6,094
Net periodic pension benefit	$	(2,464)	(1,125)

Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions as of June 30:

		2019	2018
Net gain/(loss)	$	45,063	(28,793)
Amortization of net loss		(5,222)	(6,094)
Total recognized in net assets without donor restrictions	$	39,841	(34,887)

(Continued)

(Dollars in thousands)

The amount expected to be amortized from net assets without donor restrictions to net periodic pension cost in nonoperating gains (losses) during fiscal year 2020 is $6,176.

Weighted average assumptions used to determine benefit obligations at June 30:

	2019	2018
Discount rate	3.78 %	4.29 %
Rate of compensation increase	N/A	N/A
Measurement date	6/30/2019	6/30/2018

Weighted average assumptions used to determine net periodic benefit cost for years ended June 30:

	2019	2018
Discount rate	4.29 %	3.94 %
Expected long-term return on plan assets	8.00	8.00
Rate of compensation increase	N/A	N/A

To develop the expected long-term rate of return on assets assumption, the System considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio.

(a) Plan Assets

The Plan's weighted average actual asset allocations and target allocations as of June 30 by asset category are as follows:

	2019	
	Target	Actual
Asset category:		
Cash and cash equivalents	— %	1.2 %
Equities, including mutual funds	45.0	39.5
Fixed income, including mutual funds, state, municipal government, and auction rate securities	20.0	23.6
Alternative investments (1)	35.0	35.7
	100.0 %	100.0 %

(Continued)

(Dollars in thousands)

	2018	
	Target	**Actual**
Asset category:		
Cash and cash equivalents	— %	2.1 %
Equities, including mutual funds	45.0	22.2
Fixed income, including mutual funds, state, municipal government, and auction rate securities	20.0	23.7
Alternative investments (1)	35.0	52.0
	100.0 %	100.0 %

(1) Note: Long/Short Equity and Private Equity are classified as Alternative Investments.

The overall investment objective of the Plan is to provide a return on investment consistent with the Plan's spending needs and to prevent erosion of purchasing power by inflation. Achievement of the return will be sought from an investment strategy that provides an opportunity for superior returns within acceptable levels of risk and volatility of returns. The following tables represent the fair value measurement levels for the Plan's investments:

		2019			
	Fair value June 30, 2019	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant other unobservable inputs (Level 3)**
Cash and cash equivalents	$ 5,088	5,088	—	—
Equity mutual funds	158,125	158,125	—	—
Equities	8,935	8,935	—	—
Fixed income mutual funds	99,779	99,779	—	—
Hedge funds and private equity (1)	151,256	—	—	—
Total investments	$ 423,183	271,927	—	—

(Continued)

(Dollars in thousands)

		2018		
	Fair value June 30, 2018	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Cash and cash equivalents	$ 9,113	9,113	—	—
State, municipal government, and auction rate securities	4,525	—	4,525	—
Equity mutual funds	54,094	54,094	—	—
Equities	40,059	40,059	—	—
Fixed income mutual funds	95,995	95,995	—	—
Hedge funds and private equity (1)	220,442	—	—	—
Total investments	$ 424,228	199,261	4,525	—

(1) Certain investments that are measured at net asset value per share (or its equivalent) as a practical expedient to fair value have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

Transfers between levels occur when there is a change in the observability of significant inputs. A transfer between Level 1 and Level 2 generally occurs when the availability of quoted prices changes or when market activity of an investment significantly changes to active or inactive. A transfer between Level 2 and Level 3 generally occurs when the underlying inputs become, or can no longer be, corroborated with market observable data. Transfers between levels are recognized on the date they occur. For the years ended June 30, 2019 and 2018, no transfers were made between Levels.

(Continued)

The Plan holds investments that calculate net asset value per share (or its equivalent) and do not have a readily determinable value are as follows as of June 30:

2019	Fair value	Unfunded commitments	Redemption frequency (if eligible)	Redemption notice period
	(In millions)			
a – Multi-strategy hedge funds	$ 108.3	3.3	Monthly, quarterly, annually, biannually, biennially	30–90 days
b – Real assets	11.0	4.5	Weekly, Monthly	5–30 days
c – Real estate funds	6.9	1.9	N/A	N/A
d – Private equity funds	25.1	13.7	N/A	N/A
Total	$ 151.3	23.4		

2018	Fair value	Unfunded commitments	Redemption frequency (if eligible)	Redemption notice period
	(In millions)			
a – Multi-strategy hedge funds	$ 169.6	0.2	Monthly, quarterly, annually, biannually, biennially	30–90 days
b – Real assets	15.4	6.3	Weekly, Monthly	5–30 days
c – Real estate funds	9.0	7.7	N/A	N/A
d – Private equity funds	26.4	16.3	N/A	N/A
Total	$ 220.4	30.5		

a. Multi-Strategy: This class invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The fair values of the investments in this class have been estimated using the net asset value per share of the investments as a practical expedient. The remaining restriction period for these investments ranges from monthly to biennially.

b. Real Assets: This class includes funds with direct investments in commodities and energy master limited partnerships. The fair values of the investments in this class have been estimated using the net asset value per share of the investments as a practical expedient.

c. Real Estate: This class includes real estate funds that invest in U.S. and non-U.S. residential and commercial properties as well as distressed real estate. The fair values of the investments in this class have been estimated using the net asset value of the System's ownership interest in partners' capital as a practical expedient. It is estimated that the underlying assets of these funds will be liquidated over the next 7 to 10 years, although these funds may liquidate early in the event of purchase by a third party or initial public offering.

(Continued)

(Dollars in thousands)

d. Private Equity: This class includes private equity funds. These investments cannot be redeemed with the funds. Instead, the nature of the investments in this class is that distributions are received through the liquidation of the underlying assets of the fund. These funds could be subject to redemption to a third-party buyer, but at June 30, 2019 and 2018, no funds were currently being evaluated this way. The fair values of the investments in this class have been estimated using the net asset value of the System's ownership interest in partners' capital as a practical expedient.

(b) Contributions

The System expects to contribute the minimum required contribution during the fiscal year 2020 to the Plan, which is estimated to be $12,806. For the years ended June 30, 2019 and 2018, the System contributed $13,320 and $14,270, respectively to the Plan. For the years ended June 30, 2019 and 2018, the System contributed $41,229 and $41,001, respectively to the defined contribution plan and $2,390 and $1,763, respectively to the nonqualified deferred compensation plan.

(c) Estimated Future Benefit Payments

The following benefit payments are expected to be paid for the fiscal years ending June 30:

2020	$	22,587
2021		24,564
2022		26,184
2023		27,649
2024		29,057
2025 through 2029		161,718

(12) Net Assets with Donor Restrictions

Net asset with donor restriction are available for the following purposes at June 30:

		2019	2018
Various health care services	$	21,721	17,850
Permanent endowment funds, the interest and dividend income from which is expendable to support health care services		18,029	16,987
Total donor restricted net assets	$	39,750	34,837

(13) Insurance Arrangements

The System participates in the Pennsylvania Medical Care Availability and Reduction of Error Fund or Mcare Fund established under the Commonwealth of Pennsylvania. The Mcare Fund presently provides coverage excess of up to $500 to the System's primary per occurrence retention (which is currently $500) with annual aggregate coverage of $1,500.

The System established a self-insurance trust fund to provide protection against professional liability claims. The trust is actuarially funded on an annual basis to provide single limit professional liability coverage of $500 per occurrence and $4,500 in the annual aggregate for the Hospital and certain employees. For incidents occurring since April 30, 2009, the System purchased commercial insurance to provide coverage on a claims-made basis in an amount up to $25,000 in excess of a total retention of $3,000, $500 primary; $500 Mcare excess and a $2,000 self-insured buffer. Claim liabilities are presented gross of any insurance recoveries. Certain claim liabilities are discounted at an interest rate of 3% for years ended June 30, 2019 and 2018, and decreased the undiscounted liability as of June 30, 2019 and 2018 by $1,193 and $2,889, respectively. For the years ended June 30, 2019 and 2018, the insurance recoverable amount was $3,500 and $3,500, respectively, which is included in other receivables and other assets on the consolidated balance sheets. Funding requirements of the plan are subject to increase depending on the plan's claim experience. Premium payments for the Mcare Fund are based upon each individually licensed healthcare provider's rating with the Joint Underwriters Association and the amount of the surcharge to be assessed is determined by the Mcare Fund on an annual basis. The System's annual surcharge premium for participation in the Mcare Fund was $3,573 and $3,220 for the years ended June 30, 2019 and 2018, respectively.

During the fiscal year ended June 30, 2018, in conjunction with the acquisition of CMP, Tower Health formed a captive Reciprocal Risk Retention Group (RRG) subsidiary for the purpose of self-insuring malpractice at CMP. Subsequent to June 30, 2018, a decision was made to extend the RRG coverage not only to the CMP professional liabilities, but to cover Reading hospital and all affiliates as well. All reserves and liabilities accrued to Reading Hospital will be borne by the existing self-insurance coverages and, beginning in the second quarter of fiscal 2019, all new reserves incurred and liabilities will accrue to the RRG. Statutory funding of $0 and second year's premiums in the amount of $8,359 were paid during the 2019 fiscal year. Statutory funding is included in assets under regulatory requirements on the consolidated balance sheets.

Additionally, the System self-insures its workers' compensation and minor general liability risks. The System's self-insurance plan has been reviewed and approved by the Commissioner of Insurance of Pennsylvania. The System purchases excess workers' compensation insurance for all controlled entities of the hospital with statutory limits over a self-retention of $1,000 per occurrence subject to a policy maximum of $1,000 for the policy period. Workers' compensation liabilities are discounted at an interest rate of 3% for the years ended June 30, 2019 and 2018, and decreased the undiscounted liability as of June 30, 2019 and 2018 by $1,832 and $2,269, respectively.

(Dollars in thousands)

Reserves for self-insurance claims at June 30 are summarized as follows:

	2019	2018
Professional liability claims payable	$ 25,411	31,580
Workers' compensation	9,118	10,625
Total self-insurance claims reserve	34,529	42,205
Less current portion	(9,430)	(13,669)
Self-insurance claims reserve, net of current portion	$ 25,099	28,536

(14) Commitment and Contingencies

(a) Operating and Capital Leases

The System leases equipment and facilities under operating and capital leases expiring at various dates. Total rental expense under all operating leases was $34,112 and $26,382 for the years ended June 30, 2019 and 2018, respectively.

The following table summarizes future minimum rental commitments under noncancelable operating leases with initial or remaining terms of more than one year and capital leases for the fiscal years ending June 30:

	Capital leases	Operating leases
2020	$ 2,215	26,085
2021	2,243	18,780
2022	2,286	15,534
2023	2,309	15,836
2024	2,341	14,729
Thereafter	15,655	101,774
Total future minimum lease payments	27,049	$ 192,738
Less amount representing interest	(6,706)	
Total capital leases	20,343	
Less current portion	(2,215)	
Total capital leases, net of current	$ 18,128	

The capital leases represent the present value of future minimum lease payments, bear imputed interest at 4.33%, and mature at dates ranging from 2028 to 2031.

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(b) Litigation

The System and its controlled entities are involved in certain litigation, which involves professional and general liability. In the opinion of management and legal counsel, the ultimate liability, if any, will not have a material effect on the consolidated financial condition of the Parent and its subsidiaries.

(c) Regulatory Compliance

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

(15) Concentrations

(a) Concentrations of Credit Risk

Financial instruments, which potentially subject the System to concentrations of credit risk, consist primarily of cash, cash equivalents, investments, and accounts receivable.

Management periodically evaluates the credit standing of the financial institutions with which the System maintains its cash, cash equivalents, and investments. Amounts held in its accounts often exceed the federally insured levels.

The fair value of the System's investments is subject to various market fluctuations, which include changes in the interest rate environment and general economic conditions.

(b) Unions and Collective Bargaining

As of June 30, 2019 and 2018, approximately 6% and 7% of the System's employees are subject to collective bargaining agreements with various unions, respectively. The bargaining agreements have various expiration dates, with the next expiration in 2021.

(Dollars in thousands)

(16) Functional Expenses

Expenses attributed to each program or supporting function of Tower Health are reported in the following table. Expenses attributable to more than one program require allocation, which is consistently applied and based upon reasonable statistics such as revenue, expenses or full-time equivalents. The System considers health program services and general/administrative to be its primary functional categories for purposes of expense classification. General/administrative includes information systems, general corporate management, advertising and marketing. Functional categories of expenses for the years ended June 30 are as follows:

	2019		
	Healthcare services	General and administrative	Total
Salaries and benefits	$ 944,915	93,371	1,038,286
Supplies	289,765	1,519	291,284
Interest	42,010	—	42,010
Depreciation	94,412	—	94,412
Purchased services	212,231	45,958	258,189
Repairs and maintenance	64,043	633	64,676
Other	80,558	41,457	122,015
Transaction related expenses	—	21,637	21,637
Total 2019	$ 1,727,934	204,575	1,932,509
Total 2018	$ 1,529,215	102,505	1,631,720

(17) Certain Significant Risks and Uncertainties

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, Health Care Reform), enacted in March 2010, have changed and will continue to make broad-based changes to the U.S. health care system which could significantly affect the U.S. economy and which the System expects will continue to impact the System's business operations and financial results. Since its enactment in 2010, key components of Health Care Reform have been phased in, including health insurance exchanges (Public Exchanges), new Medicare products, and the individual coverage mandate. Although Health Care Reform is to be phased in through 2018, many significant changes occurred in 2014. The System is dedicating material resources to monitor the potential impacts of Health Care Reform as well as state level health care reform. While the federal government has issued a number of regulations implementing Health Care Reform, certain significant parts of Health Care Reform, including aspects of Public Exchanges, Medicaid expansion, enforcement related reporting for the individual and employer mandates, and the implementation of Medicare Advantage, require further guidance and clarification at the federal level and/or in the form of regulations and actions by state legislatures to implement the law. The federal government also has announced significant changes to and/or delays in effective dates of various aspects of Health Care Reform, and it is likely that further changes will be made at the federal and/or state level based on implementation experience. As a result, key aspects and impacts of Health Care Reform will not be known for several years, and given the inherent difficulty of foreseeing how individuals and

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businesses will respond to the choices afforded them by Health Care Reform, the System cannot predict the full effect Health Care Reform will have on the System. It is reasonably possible that Health Care Reform, in the aggregate, could have an adverse effect on the System's business operations and financial results.

Federal budget negotiations, ongoing regulatory changes to Health Care Reform, pending efforts in the U.S. Congress to amend or restrict funding for various aspects of Health Care Reform and litigation challenging aspects of the law continue to create uncertainty about the ultimate impact of Health Care Reform.

In addition, the federal and state governments continue to enact or seriously consider many other broad-based legislative and regulatory proposals that have impacted or could materially impact various aspects of the health care system. The System cannot predict whether pending or future federal or state legislation, will change various aspects of the health care system or Health Care Reform or the impact those changes will have on the System's business operations or financials results, but the effects could be adverse.

(18) Subsequent Events

The System has evaluated subsequent events from the consolidated balance sheet date through October 2, 2019, the date at which the consolidated financial statements were available to be issued, and determined there are no other items to disclose.

Schedule I

TOWER HEALTH AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2019

(Dollars in thousands)

	Parent	Hospital	CMP	THP	THMG	RHF	THE	Consolidating and eliminating entries	Tower Health consolidated
Current assets:									
Cash and cash equivalents	$ 3,275	697	87	—	91	—	(332)	—	3,818
Patient accounts receivable	—	148,521	131,994	—	29,074	—	5,041	—	314,630
Other receivables	926	1,918	2,214	103	3,462	423	1,711	—	10,757
Receivable from affiliates	8,632	4,481	906	—	—	—	(7,395)	(6,312)	312
Inventories	—	26,948	20,926	—	511	—	7	—	48,392
Estimated third-party payor receivables	—	18,376	3,085	—	—	—	—	—	21,461
Prepaid expenses and other current assets	5,555	18,487	6,746	7	1,419	—	301	—	32,515
Assets held for sale	19,875	—	—	—	—	—	—	—	19,875
Assets whose use is limited – required for current liabilities:									
Self-insurance funding arrangements	1	7,482	—	—	—	—	—	—	7,483
Total current assets	38,264	226,910	165,958	110	34,557	423	(667)	(6,312)	459,243
Assets whose use is limited:									
Self-insurance funding arrangements	7,723	12,179	—	—	—	—	—	—	19,902
Under regulatory requirements	2,000	—	—	—	—	—	—	—	2,000
By board for capital improvements	697,780	42	—	—	—	—	616	—	698,438
Investments with donor restrictions	—	3,869	—	—	—	33,669	3,460	—	40,998
Total assets whose use is limited, net of current portion	707,503	16,090	—	—	—	33,669	4,076	—	761,338
Long-term receivables from affiliates	378,108	—	—	—	—	—	—	(378,108)	—
Property, plant and equipment, net	16,121	791,507	305,735	—	13,449	—	4,652	—	1,131,464
Goodwill	—	—	128,127	—	—	—	27,064	—	155,191
Investments in joint ventures	13,053	199	—	—	—	—	4,098	—	17,350
Other assets	—	(456)	—	—	225	1,536	275	—	1,580
Total assets	$ 1,153,049	1,034,250	599,820	110	48,231	35,628	39,498	(384,420)	2,526,166

(Continued)

Schedule I

TOWER HEALTH AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2019

(Dollars in thousands)

	Parent	Hospital	CMP	THP	THMG	RHF	THE	Consolidating and eliminating entries	Tower Health consolidated
Current liabilities:									
Current installments of long-term debt	$ 6,312	—	—	—	—	—	—	—	6,312
Line of credit	17,802	—	—	—	—	—	—	—	17,802
Capital leases	—	—	2,201	—	—	—	14	—	2,215
Accounts payable	(2)	91,743	42,057	47	2,363	—	414	—	136,622
Estimated third-party settlements	—	3,680	597	—	—	—	—	—	4,277
Current portion of estimated self-insurance costs	—	9,430	—	—	—	—	—	—	9,430
Accrued expenses	7,026	11,884	5,823	162	26,362	—	485	—	51,742
Accrued vacation	—	22,359	11,182	88	15,683	—	1,203	—	50,515
Current installments of long-term affiliated payables	—	6,312	—	—	—	—	—	(6,312)	—
Other current liabilities	—	15,915	7,673	89	695	—	—	—	24,372
Total current liabilities	31,138	161,323	69,533	386	45,103	—	2,116	(6,312)	303,287
Long-term debt, net of current portion and unamortized discount/premium	1,117,656	—	—	—	—	—	—	—	1,117,656
Capital leases	—	—	18,831	—	—	—	56	—	18,887
Accrued pension liabilities	—	226,031	—	—	—	—	—	—	226,031
Other liabilities	—	6,735	229	27	80	10	2,033	—	9,114
Estimated self-insurance costs, net of current portion	7,445	17,654	—	—	—	—	—	—	25,099
Swap contracts	31,387	—	—	—	—	—	—	—	31,387
Long-term affiliates payables, net of current portion	—	378,108	—	—	—	—	—	(378,108)	—
Total liabilities	1,187,626	789,851	88,593	413	45,183	10	4,205	(384,420)	1,731,461
Net assets (deficit):									
Without donor restrictions	(34,577)	240,530	511,220	(303)	3,048	(10)	35,047	—	754,955
With donor restrictions	—	3,869	7	—	—	35,628	246	—	39,750
Total net assets (deficit)	(34,577)	244,399	511,227	(303)	3,048	35,618	35,293	—	794,705
Total liabilities and net assets (deficit)	$ 1,153,049	1,034,250	599,820	110	48,231	35,628	39,498	(384,420)	2,526,166

See accompanying independent auditors' report.

Schedule II

TOWER HEALTH SYSTEM AND SUBSIDIARIES

Consolidating Statement of Operations Information

Year ended June 30, 2019

(Dollars in thousands)

	Parent	Hospital	CMP	THP	THMG	RHF	THE	Consolidating and eliminating entries	Tower Health consolidated
Revenues and other support:									
Net patient service revenue	$ —	976,053	525,498	—	205,001	—	20,186	(38,474)	1,688,264
Other revenue	6,998	41,404	8,171	1,836	5,126	2,320	3,897	(4,288)	65,464
Total revenues and other support	6,998	1,017,457	533,669	1,836	210,127	2,320	24,083	(42,762)	1,753,728
Expenses:									
Salaries and benefits	—	475,010	287,533	2,525	296,149	491	16,332	(39,754)	1,038,286
Supplies	—	154,724	125,197	11	10,597	3	752	—	291,284
Interest	—	13,156	28,830	—	—	—	24	—	42,010
Depreciation	—	66,012	25,469	830	1,660	—	441	—	94,412
Purchased services	263	60,720	151,360	91	44,397	59	1,363	(64)	258,189
Repairs and maintenance	36	42,023	20,580	793	857	35	352	—	64,676
Other	45	61,719	34,976	208	22,291	2,386	3,334	(2,944)	122,015
Transaction related expenses	—	19,424	—	—	2,213	—	—	—	21,637
Total expenses	344	892,788	673,945	4,458	378,164	2,974	22,598	(42,762)	1,932,509
Income (loss) from operations	6,654	124,669	(140,276)	(2,622)	(168,037)	(654)	1,485	—	(178,781)
Nonoperating (losses) gains:									
Investment income	49,623	(141)	—	—	—	—	110	—	49,592
Change in fair value of swap contracts net of settlement payments	(9,072)	—	—	—	—	—	—	—	(9,072)
Other (losses) gains	(521)	(3,323)	70	—	(25)	—	194	—	(3,605)
Nonoperating (losses) gains, net	40,030	(3,464)	70	—	(25)	—	304	—	36,915
Excess (deficiency) of revenues, (losses) gains, and other support over expenses	$ 46,684	121,205	(140,206)	(2,622)	(168,062)	(654)	1,789	—	(141,866)

See accompanying independent auditors' report.

TOWER HEALTH AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2018

(Dollars in thousands)

	Parent	Hospital	CMP	THP	THMG	RHF	THE	Consolidating and eliminating entries	Tower Health consolidated
Current assets:									
Cash and cash equivalents	$ 98,549	(16,367)	(14,614)	—	(66)	—	—	—	67,502
Patient accounts receivable, less allowance for uncollectible accounts of $84,771	—	138,446	151,764	—	24,022	—	—	—	314,232
Other receivables	327	1,145	565	47	3,073	182	—	—	5,339
Receivable from affiliates	5,095	(6,962)	19,649	(1)	(10,397)	(1,642)	—	(5,600)	142
Inventories	—	16,542	20,032	—	559	—	—	—	37,133
Estimated third-party payor receivables	—	7,876	6,211	—	—	—	—	—	14,087
Prepaid expenses and other current assets	2,179	19,502	4,878	7	1,197	—	—	—	27,763
Assets held for sale	19,875	—	—	—	—	—	—	—	19,875
Assets whose use is limited – required for current liabilities:									
Self-insurance funding arrangements	—	7,482	—	—	—	—	—	—	7,482
Total current assets	126,025	167,664	188,485	53	18,388	(1,460)	—	(5,600)	493,555
Assets whose use is limited:									
Self-insurance funding arrangements	—	11,988	—	—	—	—	—	—	11,988
Under regulatory requirements	2,000	—	—	—	—	—	—	—	2,000
By board for capital improvements	850,820	48	—	—	—	—	—	—	850,868
Investments with donor restrictions	—	372	—	—	—	33,229	—	—	33,601
Total assets whose use is limited, net of current portion	852,820	12,408	—	—	—	33,229	—	—	898,457
Long-term receivables from affiliates	389,973	—	—	—	—	—	—	(389,973)	—
Property, plant and equipment, net	16,121	726,867	302,344	830	8,614	—	—	—	1,054,776
Goodwill	—	—	128,127	—	—	—	—	—	128,127
Investments in joint ventures	15,650	605	—	—	—	—	3,685	—	19,940
Other assets	—	3,195	—	—	114	1,039	—	—	4,348
Total assets	$ 1,400,589	910,739	618,956	883	27,116	32,808	3,685	(395,573)	2,599,203

(Continued)

Schedule III

TOWER HEALTH AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2018

(Dollars in thousands)

	Parent	Hospital	CMP	THP	THMG	RHF	THE	Consolidating and eliminating entries	Tower Health consolidated
Current liabilities:									
Current installments of long-term debt	$ 5,600	—	—	—	—	—	—	—	5,600
Capital leases	—	—	2,120	—	—	—	—	—	2,120
Accounts payable	—	47,669	27,297	82	2,542	(1)	—	—	77,589
Estimated third-party settlements	—	4,099	4,866	—	—	—	—	—	8,965
Current portion of estimated self-insurance costs	—	13,669	—	—	—	—	—	—	13,669
Accrued expenses	7,266	15,806	11,359	98	21,916	—	—	—	56,445
Accrued vacation	—	19,933	8,740	33	12,291	—	—	—	40,997
Current installments of long-term affiliated payables	—	5,600	—	—	—	—	—	(5,600)	—
Other current liabilities	—	11,472	1,344	34	352	—	—	—	13,202
Total current liabilities	12,866	118,248	55,726	247	37,101	(1)	—	(5,600)	218,587
Long-term debt, net of current portion and unamortized discount/premium	1,126,194	—	—	—	—	—	—	—	1,126,194
Capital leases	—	—	19,651	—	—	—	—	—	19,651
Accrued pension liabilities	—	201,974	—	—	—	—	—	—	201,974
Other liabilities	—	7,080	181	23	56	12	—	—	7,352
Estimated self-insurance costs, net of current portion	50	28,486	—	—	—	—	—	—	28,536
Swap contracts	26,776	—	—	—	—	—	—	—	26,776
Long-term affiliates payables, net of current portion	—	389,973	—	—	—	—	—	(389,973)	—
Total liabilities	1,165,886	745,761	75,558	270	37,157	11	—	(395,573)	1,629,070
Net assets (deficit):									
Without donor restrictions	234,703	164,606	543,391	613	(10,041)	(1,661)	3,685	—	935,296
With donor restriction	—	372	7	—	—	34,458	—	—	34,837
Total net assets (deficit)	234,703	164,978	543,398	613	(10,041)	32,797	3,685	—	970,133
Total liabilities and net assets (deficit)	$ 1,400,589	910,739	618,956	883	27,116	32,808	3,685	(395,573)	2,599,203

See accompanying independent auditors' report.

Schedule IV

TOWER HEALTH SYSTEM AND SUBSIDIARIES

Consolidating Statement of Operations Information

Year ended June 30, 2018

(Dollars in thousands)

	Parent	Hospital	CMP	THP	THMG	RHF	Highlands	THE	Consolidating and eliminating entries	Tower Health consolidated
Revenues and other support:										
Net patient service revenue	$ —	1,012,462	504,198	—	192,318	—	1,189	—	(35,766)	1,674,401
Provision for uncollectible accounts	—	(58,106)	(38,969)	—	(10,796)	—	—	—	—	(107,871)
Net patient service revenue less provision for uncollectible accounts	—	954,356	465,229	—	181,522	—	1,189	—	(35,766)	1,566,530
Other revenue	6,132	33,279	6,636	3,355	4,118	197	6,361	167	(5,827)	54,418
Total revenues and other support	6,132	987,635	471,865	3,355	185,640	197	7,550	167	(41,593)	1,620,948
Expenses:										
Salaries and benefits	—	447,495	195,954	1,992	260,273	488	3,157	—	(38,443)	870,916
Supplies	—	156,417	94,071	9	9,489	7	548	—	—	260,541
Interest	—	18,448	17,845	—	—	—	287	—	—	36,580
Depreciation	—	70,836	16,242	830	1,621	—	962	—	—	90,491
Purchased services	166	71,097	100,822	452	25,499	34	639	—	(62)	198,647
Repairs and maintenance	—	39,207	12,152	557	760	46	112	—	—	52,834
Other	18	64,422	24,033	315	16,345	229	870	—	(3,088)	103,144
Transaction related expenses	6,390	9,352	2,825	—	—	—	—	—	—	18,567
Total expenses	6,574	877,274	463,944	4,155	313,987	804	6,575	—	(41,593)	1,631,720
Income (loss) from operations	(442)	110,361	7,921	(800)	(128,347)	(607)	975	167	—	(10,772)
Nonoperating (losses) gains:										
Investment income	117,292	(306)	—	—	—	—	2,681	—	—	119,667
Change in fair value of swap contracts net of settlement payments	7,308	(1)	—	—	—	—	—	—	—	7,307
Loss on early extinguishment of debt	(4,314)	—	—	—	—	—	—	—	—	(4,314)
Other (losses) gains	—	(3,232)	7	—	—	—	21	—	—	(3,204)
Nonoperating (losses) gains, net	120,286	(3,539)	7	—	—	—	2,702	—	—	119,456
Excess (deficiency) of revenues, (losses) gains, and other support over expenses	$ 119,844	106,822	7,928	(800)	(128,347)	(607)	3,677	167	—	108,684

See accompanying independent auditors' report.

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APPENDIX C-1 AND C-2

SUMMARY OF THE BOND INDENTURES AND THE LOAN AGREEMENTS

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SUMMARY OF THE SERIES 2020A BOND INDENTURE AND THE SERIES 2020A LOAN AGREEMENT

DEFINITIONS OF CERTAIN TERMS

In addition to the terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in the Series 2020A Bond Indenture and the Series 2020A Loan Agreement and this Official Statement unless the context clearly otherwise requires. Reference is hereby made to the Series 2020A Bond Indenture and the Series 2020A Loan Agreement for complete definitions of all terms.

"Act" shall mean the Municipality Authorities Act, approved June 19, 2001, P.L. 22, as amended.

"Authorized Investments" means any of the following that at the time are legal investments under the laws of the Commonwealth for moneys held hereunder and then proposed to be invested therein, 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:

(a) Government Obligations.

(b) Bonds, debentures, notes, participation certificates or other evidences of indebtedness issued, or the principal of and interest on which are unconditionally guaranteed, by the Federal National Mortgage Association, the Bank for Cooperatives, or the Federal Intermediate Credit Bank, the Federal Home Loan Bank System, the Federal Land Banks, the Government National Mortgage Association or any other agency or instrumentality of or corporation wholly owned by the United States of America when such obligations are backed by the full faith and credit of the United States.

(c) Obligations of any state of the United States or any political subdivision thereof, which is rated at the time of purchase "Aaa/AAA" by Moody's or general obligations of any state of the United States with a rating at the time of purchase of at least "A2/A" or higher by Moody's.

(d) "Pre-refunded Municipal Obligations" which means any obligations of any state of the United States 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 to call on the date specified in such irrevocable instructions; and which are rated at the time of purchase, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or any successors thereto; or 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 paragraph (a) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a firm of nationally recognized independent public accountants or other experts in escrow fund cash flow verification, to pay principal of and interest and redemption premium, if any, on the obligations described in this paragraph on the maturity date or dates or redemption date or dates specified in the irrevocable instructions referred to above, as appropriate.

(e) 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: Senior debt obligations

rated at the time of purchase "Aaa" by Moody's issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC); obligations of the Resolution Funding Corporation (REFCORP); or senior debt obligations of the Federal Home Loan Bank System.

(f) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and which matures not more than 270 calendar days after the date of purchase.

(g) Shares or interests in money market mutual funds, including without limitation, any mutual fund for which the Bond Trustee or an affiliate of the Bond Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Bond Trustee or an affiliate of the Bond Trustee receives fees from such funds for services rendered, (ii) the Bond Trustee charges and collects fees for services rendered pursuant to the Series 2020A Bond Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Series 2020A Bond Indenture may at times duplicate those provided to such funds by the Bond Trustee or its affiliates, and which are rated in the highest rating category by Moody's or S&P, at the time of investment.

(h) Guaranteed investment contracts, repurchase agreements and/or investment agreements.

(i) U.S. dollar denominated time and demand deposit accounts, federal funds, trust funds, trust accounts, certificates of deposit and banker's acceptances with domestic commercial banks, including the Bond Trustee and any of its affiliates 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 "P-1" by Moody's and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank).

(j) trust funds, trust accounts, certificates of deposit, time deposit agreements, demand deposits or other comparable banking arrangements, whether negotiable or nonnegotiable, issued by any bank, trust company or national banking association (including the Bond Trustee and any of its affiliates), provided that such investments must be (i) fully insured by the Federal Deposit Insurance Corporation, or (ii) secured, to the extent not insured by the Federal Deposit Insurance Corporation, as required by applicable law or (iii) issued by an institution whose unsecured, long term senior debt obligations are, at the time of such issuance, rated by S&P and Moody's in either of their respective two highest rating categories (disregarding qualifications of such categories by symbols as "+" or "-").

Whenever "highest rating category", "one of the two highest rating categories" or a phrase of similar import is used herein, such phrase refers to the rating category or categories of the appropriate rating service or services without regard to any refinement or gradation of such rating category or categories by numerical modifier or otherwise, unless otherwise specifically stated.

"Board" shall mean the governing body of the Authority or the Corporation, as applicable.

"Bond" or "Bonds" shall mean any 2020A Bond, or all the 2020A Bonds, as the case may be, authenticated and delivered under the Series 2020A Bond Indenture.

"Bondholder" or "bondholder" or "Bondowner" or "Holder of the Bonds" or "holder of the bonds" or "Holder" or "Owner" or any similar term shall mean any registered owner of any Bond or legal representative thereof.

"Bond Redemption Fund" shall mean the Bond Redemption Fund created under the Series 2020A Bond Indenture.

"Cede & Co." means Cede & Co., as nominee name of The Depository Trust Company, New York, New York.

"Certified Authority Resolution" shall mean a copy of a resolution certified by the Secretary or Assistant Secretary of the Authority, under its corporate seal, to have been duly adopted by the Board and to be in full force and effect on the date of such certification.

"Certified Corporation Resolution" shall mean a copy of a resolution certified by the Secretary or Assistant Secretary of the Corporation, under its corporate seal, to have been duly adopted by the Board of Directors of the Corporation or a committee of the Board of Directors or officers of the Corporation, in each case duly authorized to act on behalf of the Corporation, and to be in full force and effect on the date of such certification.

"Code" shall mean the Federal Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder.

"Commonwealth" shall mean the Commonwealth of Pennsylvania.

"Debt Service Fund" shall mean the Debt Service Fund created under the Series 2020A Bond Indenture.

"Defeasance Obligations" shall mean cash or Government Obligations.

"Event of Default" shall mean any one or more of those events set forth under the caption "SUMMARY OF THE SERIES 2020A BOND INDENTURE--Defaults and Remedies" and "SUMMARY OF THE SERIES 2020A LOAN AGREEMENT—Events of Default" below.

"Fiscal Year" shall mean each period of twelve consecutive calendar months ending June 30.

"Fitch" means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Corporation by notice in writing to the Authority and the Bond Trustee.

"Government Obligations" means any of the following securities, if and to the extent the same are non-callable and not subject to redemption other than at the option of the owners, at the time legal for investment of funds held under the Series 2020A Bond Indenture: direct obligations of, or obligations the full and timely payment of the principal of and interest on which is unconditionally guaranteed by, the United States of America, including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America and including a receipt, certificate or any other evidence of an ownership interest in an aforementioned obligation, or in specified portions thereof (which may consist of specified portions of interest thereon).

"Master Notes" or "Notes" means any notes issued, authenticated and delivered under the Master Indenture.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, 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 Corporation, by notice in writing to the Authority and the Bond Trustee.

"Officers' Certificate" shall mean a statement signed by a Responsible Officer of the Corporation or of the Authority, as the case may be. If such Officers' Certificate shall include a statement with respect to the existence or non-existence of an event of default or any condition, event, act or omission which, with the giving of notice or lapse of time or both, would constitute an event of default, such Officers' Certificate may state that such statement is based upon the best knowledge, information and belief of the signer of such certificate, provided that such certificate also states that, in the opinion of the signer of such certificate, he has made such examination or investigation as he deemed reasonably appropriate to enable him to make such statement.

"Outstanding", "outstanding", "outstanding under the Series 2020A Bond Indenture" or "outstanding hereunder", when used in reference to the Series 2020A Bond Indenture, shall mean, with reference to 2020A Bonds, as of any particular time, all 2020A Bonds executed, authenticated, issued and delivered under the Series 2020A Bond Indenture; provided, however, that such terms shall not include, in any case:

(a) 2020A Bonds canceled or delivered to the Bond Trustee for cancellation at or prior to such time;

(b) 2020A Bonds in substitution for which other 2020A Bonds shall have been authenticated and delivered pursuant to provisions of the Series 2020A Bond Indenture; and

(c) 2020A Bonds for payment or redemption of which provision has been made in accordance with the Series 2020A Bond Indenture; provided, however, that if such 2020A Bonds are being redeemed, notice of any such redemption shall have been mailed or provision not unsatisfactory to the Bond Trustee shall have been made for such notice or written waivers of such notice shall have been received as provided in the Series 2020A Bond Indenture.

The foregoing, however, is subject to the condition that, for purpose of reference in the Series 2020A Bond Indenture or in the Series 2020A Loan Agreement to Holders of a particular percentage of 2020A Bonds, there shall be excluded 2020A Bonds, if any, held by the Authority or the Corporation.

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated organization, an authority or similar body or a government or a political subdivision or agency thereof, or any other entity.

"Project Fund" means the Project Fund created under the Series 2020A Bond Indenture.

"Registered Owner" shall mean a Person in whose name any 2020A Bond shall be registered on books of the Authority to be kept for that purpose in accordance with provisions of the Series 2020A Bond Indenture and of such 2020A Bond.

"Responsible Officer" means (a) when used with respect to the Authority its Chairman, Vice Chairman, Executive Director, any Assistant Executive Director, any Treasurer, Assistant Treasurer, Secretary, Assistant Secretary, or an incumbent of such other office or such other officers specifically

named as shall be designated by a currently effective Certified Authority Resolution and (b) when used with respect to the Corporation, its president, any vice president, its secretary or assistant secretary, its treasurer or any other person designated as a Responsible Officer of the Corporation in a Certified Corporation Resolution.

"Revenue Fund" shall mean the Revenue Fund created under the Series 2020A Bond Indenture.

"S&P" means Standard & Poor's, a division of The McGraw-Hill Companies, a corporation organized and existing under the laws of the State of New York, 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 Corporation by notice in writing to the Authority and the Bond Trustee.

"2020A Bonds" or "Bonds" shall mean The Berks County Municipal Authority Revenue Bonds (Tower Health Project), Series 2020A, issued and outstanding under the Series 2020A Bond Indenture.

"Settlement Fund" shall mean the Settlement Fund created under the Series 2020A Bond Indenture.

"Tax Certificate and Compliance Agreement" means, as the context may require, the Non-Arbitrage Certificate and Compliance Agreement dated the date of issuance of the 2020A Bonds delivered by the Authority and the Confirmation Certificate and Agreement dated the date of issuance of the 2020A Bonds delivered by the Corporation, as the same may be amended or supplemented in accordance with its terms.

SUMMARY OF THE SERIES 2020A BOND INDENTURE

The following summarizes certain provisions of the Series 2020A Bond Indenture; however, it is not a comprehensive description, and reference is made to the full text of the Series 2020A Bond Indenture for a complete recital of its terms.

Pledge and Assignment

The Authority pledges to the Bond Trustee, as trustee under the Series 2020A Bond Indenture, its successors in the trust and its and their assigns forever, to the extent provided in the Series 2020A Bond Indenture, all of the right, title and interest of the Authority in and to the Series 2020A Loan Agreement (excepting its right to administrative fees and expenses and indemnification), in and to the Series 2020A Master Note and in and to all security therefor under the Master Indenture, together with all sums of money due and payable or to become due and payable thereunder to the Authority (except sums payable in respect of the Authority's administrative fees and expenses and indemnification) or to the Bond Trustee by the Corporation and all money, securities and funds at any time held or set aside by the Bond Trustee pursuant to the provisions of the Series 2020A Bond Indenture.

Funds Created by the Series 2020A Bond Indenture

1. Settlement Fund

2. Project Fund

3. Revenue Fund

4. Debt Service Fund

5. Bond Redemption Fund

Money, from time to time, in the various funds created under the Series 2020A Bond Indenture shall be held by the Bond Trustee, in trust, for the benefit of holders of 2020A Bonds and shall be secured, invested and applied as provided in the Series 2020A Bond Indenture; subject, however, to provisions of the Series 2020A Bond Indenture relating to transfer of certain investment income to or for the benefit of the Corporation.

Settlement Fund

All money representing proceeds of sale of the 2020A Bonds shall be deposited initially into the Settlement Fund and disbursed by the Bond Trustee to pay costs of the Project and to provide for the payment of costs and expenses of issuance of the 2020A Bonds.

Project Fund

Moneys deposited to the credit of the Project Fund pursuant to the provisions of the Series 2020A Bond Indenture or the Series 2020A Loan Agreement shall be deposited therein with, and held in trust by, the Bond Trustee until withdrawn and disbursed by the Bond Trustee in payment of the Costs of the Project. The Project Fund has been established for the benefit of the Corporation and payments therefrom shall be made solely at the direction of the Corporation.

Revenue Fund

All money payable by the Corporation to the Authority under the Series 2020A Loan Agreement and the Series 2020A Master Note shall be paid directly to the Bond Trustee by the Corporation and shall be deposited by the Bond Trustee into the Revenue Fund.

Debt Service Fund

The Bond Trustee shall, on or before each date on which principal of or interest on 2020A Bonds comes due, withdraw from the Revenue Fund and deposit to the Debt Service Fund (subject to deposits from other funds made directly to the Debt Service Fund and other available funds on deposit therein) the amounts required to pay the principal or interest, or both, coming due with respect to the 2020A Bonds. Any interest or profit from investments or deposits of money in other funds created by the Series 2020A Bond Indenture which have been transferred to the Debt Service Fund shall first reduce the amount required to be transferred from the Revenue Fund, as more fully provided in the Series 2020A Bond Indenture.

Bond Redemption Fund

Any amounts that the Corporation elects to provide, or is required by the Master Indenture to provide, for extraordinary redemption of the 2020A Bonds shall be deposited in the Bond Redemption Fund.

The Bond Trustee shall be authorized, without any direction from the Authority, to transfer money from the Bond Redemption Fund to the Debt Service Fund to the extent that the money in

the Debt Service Fund may be insufficient at any time to pay the 2020A Bonds and the interest thereon as the same shall become due or any costs involved therewith or to make the withdrawals and deposits required pursuant to the terms of the Series 2020A Bond Indenture.

The payment of the necessary premiums, costs and expenses of any purchases or redemption of 2020A Bonds pursuant to the Series 2020A Bond Indenture, including, without limiting the generality of the foregoing, all legal fees, costs of advertisement, printing costs, brokerage charges and charges of the Bond Trustee incident to such purchases or redemptions shall be payable from money in the Bond Redemption Fund.

Investment of Funds

Money in each of the funds created under the Series 2020A Bond Indenture shall, from time to time, at the written direction of a Responsible Officer of the Corporation, hereby designated by the Authority as the agent of the Authority for such purpose, be invested by the Bond Trustee in Authorized Investments and shall mature, or be subject to repurchase, withdrawal without penalty, or redemption at the option of the holder, on or before the dates on which the amounts are reasonably expected to be needed for the purposes of the Series 2020A Bond Indenture.

Accrued interest and premiums, if any, paid at the time of the purchase of such investments shall be paid from available money in the particular fund for which such investment is being made. Upon the written direction of the Corporation or whenever the money in said funds are to be applied and paid out pursuant to any provisions of the Series 2020A Bond Indenture, the Bond Trustee may sell all or any part of the obligations in which the money in one or more such funds shall be invested or deposited, and the proceeds of such sale shall be deposited to the credit of the respective fund or funds. Obligations purchased as an investment of money in any such fund and deposits of money in any such Fund shall be deemed at all times to be a part of such fund and the interest accruing thereon and any profit or loss realized from such investment shall be credited to or charged against such fund. The Bond Trustee shall not be deemed to have any investment discretion.

All funds under the Series 2020A Bond Indenture shall be invested only in Authorized Investments. Investments on deposit in all funds and accounts established under the Series 2020A Bond Indenture shall be valued at market value at least quarterly.

Neither the Authority nor the Bond Trustee shall be liable or responsible for any loss resulting from any investment or deposit made in accordance with the provisions of the Series 2020A Bond Indenture or resulting from any sale by the Bond Trustee of any such investment or deposit. For the purpose of the Series 2020A Bond Indenture, investments and deposits shall be deemed to constitute unexpended money and shall be valued at the then market value thereof. The Bond Trustee may request an opinion of legal counsel satisfactory to it as to whether an investment or deposit directed under the Series 2020A Bond Indenture is appropriate and may rely upon such opinion and, if applicable, may refuse to follow or honor any such direction given under the Series 2020A Bond Indenture.

Defaults and Remedies

Each of the following events is an "event of default" under the Series 2020A Bond Indenture:

(A) failure to pay any interest upon any 2020A Bond at any due date expressed therefor; or

(B) failure to pay any part of the principal of, or premium, if any, on any of the 2020A Bonds at maturity as therein expressed or when the same shall become due upon call for mandatory sinking fund redemption, or by declaration or otherwise; or

(C) declaration under the Master Indenture that the principal of all Master Notes issued thereunder is due and payable; or

(D) there shall be an "Event of Default" as defined in the Series 2020A Loan Agreement; or

(E) the Authority shall default in the due and punctual performance (irrespective of any revenues or other money not being available for such purpose) of any other covenant, condition, agreement or provision contained in the 2020A Bonds or in the Series 2020A Bond Indenture on the part of the Authority required to be performed and any such default shall have continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority by the Bond Trustee, which may give such notice in its discretion and shall give such notice upon written request of Holders of not less than 25% in aggregate principal amount of the 2020A Bonds then outstanding.

Upon the occurrence and during the continuance of an event of default, the Bond Trustee shall have the following rights and remedies:

(i) The Bond Trustee shall, at the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of 2020A Bonds then outstanding, by notice in writing given to the Authority and the Corporation, declare the principal amount of all 2020A Bonds then outstanding to be immediately due and payable, whereupon that portion of the principal of the 2020A Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Series 2020A Bond Indenture or in the 2020A Bonds to the contrary notwithstanding. Upon any declaration of acceleration, the Bond Trustee shall: (1) give written notice to the Master Trustee; and (2) give notice to the Bondholders in the same manner as a notice of redemption, stating the date upon which the 2020A Bonds shall be payable, and to the extent that the principal of all the Master Notes issued under the Master Indenture shall not then have been declared to be immediately due and payable, the Bond Trustee shall request the Master Trustee to declare the principal of all Master Notes issued under the Master Indenture to be immediately due and payable, pursuant to the Master Indenture.

(ii) The Bond Trustee may, by mandamus, or other suit, action or proceeding at law or in equity, enforce the right of the Bondholders, and require the Authority or the Corporation or both of them to carry out the agreements with or for the benefit of the Bondholders, and to perform its or their duties, under the Act, the Series 2020A Loan Agreement and the Series 2020A Bond Indenture.

(iii) The Bond Trustee may, by action or suit in equity, require the Authority to account as if it were the trustee for the Bondholders, but any such judgment against the Authority shall be enforceable only against the funds under the Series 2020A Bond Indenture in the hands of the Bond Trustee.

(iv) The Bond Trustee may, by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

(v) The Bond Trustee may, upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bond Trustee and the Bondholders, have appointed a receiver or receiver of the trust estate with such powers as the court making such appointment shall confer.

No right or remedy is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and in addition to any other remedy given under the Series 2020A Bond Indenture or now or hereafter existing at law or in equity or by statute.

If any event of default shall have occurred and shall be continuing and if requested in writing by the holders of twenty-five percent (25%) in aggregate principal amount of 2020A Bonds then Outstanding, and if indemnified as provided in the Series 2020A Bond Indenture, the Bond Trustee shall be obligated to exercise such rights and powers conferred by the Series 2020A Bond Indenture as it, being advised by counsel, shall deem most expedient in the interests of such Bondholders.

Application of Moneys in Event of Default

Any money received by the Bond Trustee or by any receiver from, or in connection with, the Corporation, upon exercise of remedies under the Series 2020A Bond Indenture, shall be applied:

First: to the payment of the compensation, reasonable counsel fees and expenses of the Bond Trustee and then to the payment of the compensation, reasonable counsel fees and expenses of the Authority and of the receivers, if any, and all costs and disbursements allowed by the court, if there be any court action;

Second: to the payment of the whole amount of principal and interest which shall then be owing or unpaid upon the 2020A Bonds to the Holders thereof and in case such amounts shall be insufficient to pay in full the whole sum so due and unpaid, then to the payment of such principal and interest ratably, without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest, except as provided in the Series 2020A Bond Indenture; and

Third: to the payment of the surplus, if any, to the Corporation or to whomever is lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Rights and Remedies of Bondholders

No holder of any of the 2020A Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Series 2020A Bond Indenture or for execution of any trust under the Series 2020A Bond Indenture, or for any other remedy under the Series 2020A Bond Indenture, unless such holder previously shall have given to the Bond Trustee written notice of an event of default, and unless also the holders of not less than 25% of the 2020A Bonds then outstanding shall have made written request of the Bond Trustee, after the right to exercise such powers or rights of action shall have accrued, and shall have afforded the Bond Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted or to institute such action, suit or proceeding in its or their name, nor unless also there shall have been offered to the Bond Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Bond Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case at the option of the Bond Trustee to be conditions precedent to the execution of the powers and trusts of the Series 2020A Bond Indenture and to any action or cause of action for the enforcement of the Series 2020A Bond Indenture or for any other

remedy under the Series 2020A Bond Indenture, it being understood and intended that no one or more holders of any 2020A Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Series 2020A Bond Indenture, or to enforce any right under the Series 2020A Bond Indenture, except in the manner therein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner therein provided and for the ratable benefit (subject to all of the terms, conditions and provisions of the Series 2020A Bond Indenture) of all holders of outstanding 2020A Bonds.

Amendments and Modifications

Modifications or amendments of the Series 2020A Bond Indenture and of the rights and obligations of the Authority and of the holders of the 2020A Bonds in any particular may be made by supplemental indenture, authorized by Certified Authority Resolution, but without the consent of the Bondholders:

(A) to cure any ambiguity or formal defect or omission, to correct or supplement any provision in the Series 2020A Bond Indenture that may be inconsistent with any other provision in the Series 2020A Bond Indenture,

(B) to grant to or confer upon the Bond Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders or the Bond Trustee,

(C) to add to the provisions of the Series 2020A Bond Indenture other conditions, limitations and restrictions thereafter to be observed by the Authority,

(D) to add to the covenants and agreements of the Authority in the Series 2020A Bond Indenture other covenants and agreements thereafter to be observed by the Authority or to surrender any right or power in the Series 2020A Bond Indenture reserved to or conferred upon the Authority,

(E) to permit the qualification of the Series 2020A Bond Indenture under any federal statute now or hereafter in effect or under any state Blue Sky law, and, in connection therewith, if the Authority so determines, to add to the Series 2020A Bond Indenture or any supplemental trust indenture such other terms, conditions and provisions as may be permitted or required by such federal statute or Blue Sky law,

(F) to provide for the issuance of 2020A Bonds in certificated form,

(G) to provide for the maintenance of 2020A Bonds under a book-entry system,

(H) to permit the Bond Trustee to comply with any obligations imposed upon it by law,

(I) to make amendments to the provisions of the Series 2020A Bond Indenture relating to arbitrage matters under Section 148 of the Code, if in the opinion of Bond Counsel selected by the Authority, those amendments would not cause the interest on the 2020A Bonds outstanding to become included in the gross income of the Holders thereof for federal income tax purposes, which amendments may, among other things, change the responsibility for making the relevant arbitrage calculations, or

(J) to permit any other amendment which is not materially adverse to the interests of the Bond Trustee or the Holders.

Other modifications and amendments of the Series 2020A Bond Indenture may be made only with the written consent of the Holders of not less than a majority in aggregate principal amount of the 2020A Bonds then Outstanding or, in case one or more but less than all of the 2020A Bonds then Outstanding are affected by any such modification or amendment, then with the written consent of the Holders of not less than a majority in aggregate principal amount of the 2020A Bonds so affected then Outstanding; provided, however, that, without the consent of the Holders of all of the 2020A Bonds affected then Outstanding, no such modification or amendment shall be made so as to (a) alter the date fixed in any of the 2020A Bonds for the payment of the principal of, or interest on, such 2020A Bonds or otherwise modify the terms of payment of the principal at maturity of, or interest on, the 2020A Bonds or impose any conditions with respect to such payment or affect the right of any Bondholder to institute suit for the enforcement of any such payment on or after the respective due dates expressed in the 2020A Bonds, subject to the requirements of the Series 2020A Bond Indenture requiring the provision of satisfactory indemnity to the Bond Trustee, (b) reduce the amount of, or extend the time for making, sinking fund payments required for any 2020A Bonds, (c) alter the amount of principal of, or the rate of interest or premium (if any) payable on, any of the 2020A Bonds, (d) permit the creation by the Authority of any lien prior to the lien of the Series 2020A Bond Indenture upon the trust estate thereunder, or (e) reduce the percentages above stated in this paragraph.

It shall not be necessary for the consent of the Bondholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof. Upon the request of the Authority, accompanied by the Certified Authority Resolution and the filing with the Bond Trustee of the evidence of the consent of Bondholders, above provided for, the Bond Trustee shall join with the Authority in the execution of any such supplemental indenture unless the same adversely affects the Bond Trustee's own rights, duties or immunities under the Series 2020A Bond Indenture in which case the Bond Trustee may in its discretion, but shall not be obliged to, enter into such supplemental indenture.

Replacement Master Indenture

In the event that a Substitute Obligation (as defined in the Master Indenture) under a Replacement Master Indenture (as defined in the Master Indenture) is delivered to the Bond Trustee pursuant to the provisions of the Master Indenture, references to the Master Indenture and the Series 2020A Master Note in the Series 2020A Bond Indenture shall be deemed to be references to such Replacement Master Indenture and such Substitute Obligation, references to the Obligated Group shall be deemed to be references to the New Group (as defined in the Master Indenture) and references to the Master Trustee shall be deemed to be references to the New Trustee under the Replacement Master Indenture.

Defeasance

(a) If the Authority deposits with the Bond Trustee money or Defeasance Obligations sufficient to pay the principal or redemption price of any particular 2020A Bond or 2020A Bonds becoming due, either at maturity or by call for redemption or otherwise, together with all interest accruing thereon to the due date, interest on the 2020A Bond or 2020A Bonds shall cease to accrue on the due date and all liability of the Authority with respect to such 2020A Bond or 2020A Bonds shall likewise cease, except as provided in subsection (b) below. Thereafter such 2020A Bond or 2020A Bonds shall be deemed not to be Outstanding under the Series 2020A Bond Indenture and the holder or holders of such 2020A Bond or 2020A Bonds shall be restricted exclusively to the funds so

deposited for any claim of whatsoever nature with respect to such 2020A Bond or 2020A Bonds, and the Bond Trustee shall hold such funds in trust for such holder or holders.

(b) Money deposited with the Bond Trustee which remains unclaimed four (4) years after the date payment of the interest, premium and/or principal of the 2020A Bond or 2020A Bonds for which such money was deposited becomes due shall, upon request of the Authority, if the Authority is not at the time to the knowledge of the Bond Trustee in default with respect to any covenant in the Series 2020A Bond Indenture or the 2020A Bonds contained, be paid to the Corporation; and the holders of the 2020A Bonds for which the deposit was made shall thereafter be limited to a claim against the Corporation; provided, however, that the Bond Trustee, before making payment to the Corporation, shall, at the expense of the Corporation, cause a notice to be mailed by first class mail, postage prepaid, to the registered owners of the 2020A Bonds for which such money has been so deposited, stating that the money remaining unclaimed will be paid to the Corporation after a date specified in such notice. In the absence of any such written request from the Authority, the Bond Trustee shall from time to time deliver such unclaimed funds to or as directed by pertinent escheat authority, as identified by the Bond Trustee in its sole discretion, pursuant to and in accordance with the applicable unclaimed property laws, rules or regulations. Any such delivery shall be in accordance with the customary practices and procedures of the Bond Trustee and the escheat authority. Any money held by the Bond Trustee pursuant to his Section shall be held uninvested and without any liability for interest.

(c) Whenever money and/or Defeasance Obligations are deposited with the Bond Trustee in accordance with this Section, the Corporation shall provide to the Bond Trustee (i) a verification report from an independent certified public accountant, satisfactory in form and content to the Bond Trustee and the Authority, demonstrating that the money and/or Defeasance Obligations so deposited and the income therefrom shall be sufficient to pay the principal of, premium, if any, and all unpaid interest to maturity, or to the redemption date, as the case may be, on the 2020A Bonds to be paid or redeemed, as such principal, premium, if any, and interest become due, and (ii) an opinion of nationally recognized bond counsel, satisfactory in form and content to the Bond Trustee and the Authority, to the effect that all of the requirements of the Series 2020A Bond Indenture for the defeasance of the 2020A Bonds have been complied with.

Immunities -- Limitation of Liability

No recourse shall be had for the payment of the principal of or redemption premium, if any, or interest on any of the 2020A Bonds or for any claim based thereon or upon any obligation, covenant or agreement in the Series 2020A Bond Indenture contained against any past, present or future officer, director, member, employee or agent of the Authority, or of any successor public corporation, as such, either directly or through the Authority or any successor public corporation, under any rule of law or equity, statute or constitution, or by the enforcement of any assessment or penalty or otherwise, all such liability of such officers, directors, members, employees or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of the Series 2020A Bond Indenture and the issuance of the 2020A Bonds.

Removal of Bond Trustee

The Bond Trustee may be removed at any time, upon thirty (30) days' notice, by a written instrument, executed by (i) the holders of at least a majority in aggregate principal amount of the Outstanding 2020A Bonds or by their attorneys-in-fact duly authorized and filed with the Bond Trustee, the Authority and the Corporation or (ii) so long as no Event of Default shall have occurred and be continuing, the Corporation, with the consent of the Authority, or the Authority, with the consent of the Corporation, and filed with the Bond Trustee, the Authority and the Corporation, as applicable.

Resignation of Bond Trustee

The Bond Trustee may resign and be discharged of the trusts under the Series 2020A Bond Indenture by executing a written instrument resigning such trusts, filing the same with the Authority and the Corporation and mailing notice of such resignation by first class mail, postage prepaid, to all Holders of the 2020A Bonds not less than three (3) weeks prior to the date when the resignation is to take effect. Such resignation shall take effect only after such notices shall have been mailed, the appointment of a successor trustee shall have been made and such successor trustee shall have accepted the duties of the trustee under the Series 2020A Bond Indenture.

Appointment of Successor Bond Trustee

If the Bond Trustee shall resign or be removed as provided in the Series 2020A Bond Indenture or the office of the Bond Trustee shall become vacant for any reason, a successor may be appointed by the Authority, the Corporation, with the consent of the Authority, or the Holders of at least a majority in aggregate principal amount of the Outstanding 2020A Bonds by a written instrument signed by such Bondholders or by their attorneys-in-fact duly authorized. Such instrument shall be filed with the Authority and the Corporation and a copy thereof shall be promptly delivered by the Authority or the Corporation, as applicable, to the predecessor Bond Trustee and to the trustee so appointed.

After any appointment by the Authority, the Corporation or the Bondholders, the Authority, at the expense of the Corporation, shall cause notice of such appointment to be mailed to all Registered Owners at their addresses shown on the bond register. The Authority covenants in the Series 2020A Bond Indenture that whenever necessary to avoid or fill a vacancy in the office of trustee, it will appoint or cause to be appointed a trustee so that there shall at all times be a trustee eligible under the Series 2020A Bond Indenture.

Holders of 2020A Bonds Deemed Holders of the Series 2020A Master Note

In the event that any request, direction or consent is requested or permitted by the Master Indenture of the registered owners of Master Notes issued thereunder, including the Series 2020A Master Note, the Holders of 2020A Bonds then Outstanding shall be deemed to be registered owners of the Series 2020A Master Note for the purpose of any such request, direction or consent in the proportion that the aggregate principal amount of 2020A Bonds then Outstanding held by each such Holder of 2020A Bonds bears to the aggregate principal amount of all 2020A Bonds then Outstanding. The provisions of this section and of the Master Indenture shall govern the execution of any such request, consent or other instrument in writing required or permitted to be signed by Holders and registered owners of the Series 2020A Master Note, respectively.

SUMMARY OF THE SERIES 2020A LOAN AGREEMENT

The following summarizes certain provisions of the Series 2020A Loan Agreement; however, it is not a comprehensive description, and reference is made to the full text of the Series 2020A Loan Agreement for a complete recital of its terms.

General

The Series 2020A Loan Agreement provides the terms of the loan of all of proceeds of the 2020A Bonds by the Authority to the Corporation and the repayment of such loan by the Corporation.

Loan Repayments

Pursuant to the Series 2020A Loan Agreement, the Corporation agrees to pay, or cause to be paid, "Loan Repayments" in an amount sufficient to enable the Bond Trustee to make the transfers and deposits required at the times and in the amounts pursuant to the Series 2020A Bond Indenture. Each Loan Repayment shall be made in immediately available funds. Notwithstanding the foregoing, the Corporation agrees to make payments, or cause payments to be made, at the times and in the amounts required to be paid as principal or redemption price of and interest on the 2020A Bonds from time to time Outstanding under the Series 2020A Bond Indenture and other amounts required to be paid under the Series 2020A Bond Indenture, as the same shall become due whether at maturity, upon redemption, by declaration of acceleration or otherwise.

Additional Payments

The Corporation also agrees to pay certain additional payments in connection with the issuance of the 2020A Bonds, including fees of the Authority, reasonable fees, charges, expenses and indemnities of the Authority and the Bond Trustee under the Series 2020A Loan Agreement and the Series 2020A Bond Indenture, reasonable fees and expenses of such experts engaged by the Authority or the Bond Trustee, certain taxes and assessments charged to the Authority or the Bond Trustee and all other reasonable and necessary fees and expenses attributable to the Series 2020A Loan Agreement or the Series 2020A Master Note (collectively, the "Additional Payments").

Prepayment

The Corporation may prepay all or any part of the amounts payable under the Series 2020A Loan Agreement for the purpose of redeeming or providing for the redemption or payment at maturity of all or a portion of the 2020A Bonds, all as permitted under, and in accordance with the provisions of, the Series 2020A Bond Indenture.

No Set-Off

The obligation of the Corporation to make the payments required by the Series 2020A Loan Agreement shall be absolute and unconditional. the Corporation will pay without abatement, diminution or deduction (whether for taxes, loss of use, in whole or in part, of the Property, Plant and Equipment (as defined in the Master Indenture) of the Corporation or otherwise) all such amounts regardless of any cause or circumstance whatsoever, which may now exist or may hereafter arise, including without limitation, any defense, set-off, recoupment or counterclaim which the Corporation may have or assert against the Authority, the Bond Trustee, any Bondholder or any other Person.

Tax Covenant

The Corporation covenants and agrees for itself and on behalf of the Authority that it will at all times do and perform, for itself and on behalf of the Authority, all acts and things permitted by law and the Series 2020A Loan Agreement which are necessary in order for the 2020A Bonds to satisfy the requirements of Sections 103 and 141 through 150 of the Code in order to assure that interest paid on the 2020A Bonds (or any of them) will be excluded from gross income for federal income tax purposes and will take no action that would result in failure of the 2020A Bonds to satisfy those requirements of the Code. Without limiting the generality of the foregoing, the Corporation agrees to comply, and to cause the other members of the Obligated Group to comply, with the provisions of the Tax Certificate and Compliance Agreement. This covenant shall survive payment in full or defeasance of the 2020A Bonds.

Events of Default

Each of the following events shall constitute and be referred to as an "Event of Default" with respect to the Series 2020A Loan Agreement:

(a) Failure by the Corporation to pay in full any payment required under the Series 2020A Loan Agreement or by the Obligated Group to pay in full any payment required under the Series 2020A Master Note when due, whether on an Interest Payment Date or at maturity, upon a date fixed for prepayment, by declaration or upon tender of the 2020A Bonds for purchase pursuant to the Series 2020A Bond Indenture;

(b) If any material representation or warranty made by the Corporation in the Series 2020A Loan Agreement or made by the Corporation or any Member of the Obligated Group in any document, instrument or certificate furnished to the Bond Trustee or the Authority in connection with the issuance of the Series 2020A Master Note or the 2020A Bonds shall at any time prove to have been incorrect in any respect as of the time made and shall not be brought into compliance within a period of sixty (60) days after written notice has been given to the Corporation by the Authority or the Bond Trustee;

(c) If the Corporation shall fail to observe or perform any other covenant, condition, agreement or provision in the Series 2020A Loan Agreement on its part to be observed or performed, or shall breach any warranty by the Corporation contained in the Series 2020A Loan Agreement, for a period of sixty (60) days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to the Corporation by the Authority or the Bond Trustee; except that, if such failure or breach can be remedied but not within such sixty (60) day period and if the Corporation has taken all action reasonably possible to remedy such failure or breach within such sixty (60) day period, such failure or breach shall not become an Event of Default for so long as the Corporation shall diligently proceed to remedy such failure or breach in accordance with and subject to any directions or limitations of time established by the Bond Trustee;

(d) Any Event of Default as defined in and under the Series 2020A Bond Indenture; or

(e) Any Event of Default as defined in and under the Master Indenture.

Remedies on Default

If an Event of Default shall occur under the Series 2020A Loan Agreement, then, and in each and every such case during the continuance of such Event of Default, the Bond Trustee on behalf of the Authority, but subject to the limitations in the Series 2020A Bond Indenture as to the enforcement of remedies, may take such action as it deems necessary or appropriate to collect amounts due under the Series 2020A Loan Agreement, to enforce performance and observance of any obligation or agreement of the Corporation under the Series 2020A Loan Agreement or to protect the interests securing the same, and may, without limiting the generality of the foregoing, take one of the following actions:

(a) Exercise any or all rights and remedies given by the Series 2020A Loan Agreement or available under the Series 2020A Loan Agreement or given by or available under any other instrument of any kind securing the Corporation's performance under the Series 2020A Loan Agreement (including, without limitation, the Series 2020A Master Note and the Master Indenture);

(b) By written notice to the Corporation declare all Loan Repayments and Additional Payments to be immediately due and payable under the Series 2020A Loan Agreement, whereupon the same shall become immediately due and payable; and

(c) Take any action at law or in equity to collect the payment required under the Series 2020A Loan Agreement then due, whether on the stated due date or by declaration of acceleration or otherwise, for damages or for specific performance or otherwise to enforce performance and observance of any obligation, agreement or covenant of the Corporation under the Series 2020A Loan Agreement.

Notwithstanding any other provision of the Series 2020A Loan Agreement or any right, power or remedy existing at law or in equity or by statute, the Bond Trustee shall not under any circumstances declare the entire unpaid aggregate amount of the payment due under the Series 2020A Loan Agreement to be immediately due and payable except in accordance with the directions of the Master Trustee if the Master Trustee shall have declared the aggregate principal amount of the Series 2020A Master Note and all interest thereon immediately due and payable in accordance with the Master Indenture.

SUMMARY OF THE SERIES 2020B BOND INDENTURES AND THE SERIES 2020B LOAN AGREEMENTS

DEFINITIONS OF CERTAIN TERMS

In addition to the terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in each Series 2020B Bond Indenture and each Series 2020B Loan Agreement and this Official Statement unless the context clearly otherwise requires. Reference is hereby made to the related Series 2020B Bond Indenture and the related Series 2020B Loan Agreement for complete definitions of all terms.

"Act" means the Municipality Authorities Act, approved June 19, 2001, P.L. 22, of the Commonwealth of Pennsylvania, as now in effect and as it may from time to time hereafter be amended or supplemented.

"Additional Payments" means the payments so designated and required to be made by the Corporation pursuant to the Series 2020B Loan Agreement.

"Administrative Fees and Expenses" means any application, commitment, financing or similar fee charged or reimbursement for administrative or other expenses incurred by the Authority or the Bond Trustee, including Additional Payments.

"Alternate Credit Facility" means an irrevocable direct-pay letter of credit providing for the payment of principal of and interest on Bonds when due issued by a commercial bank, insurance company, pension fund or other institution delivered or made available to the Bond Trustee in accordance with the Series 2020B Loan Agreement.

"Alternate Liquidity Facility" means a line of credit, letter of credit, standby purchase agreement or similar liquidity facility providing for the purchase of Bonds upon their optional or mandatory tender in accordance with the provisions of the Series 2020B Bond Indenture and issued by a commercial bank, insurance company, pension fund or other institution delivered or made available to the Tender Agent in accordance with the Series 2020B Loan Agreement.

"Authorized Representative" means with respect to the Corporation or any Master Indenture Obligor, the Chair or President of its Governing Board, its chief executive officer, or its chief financial officer, or any other person designated as an Authorized Representative by a Certificate signed by one of the above parties and filed with the Bond Trustee.

"Available Moneys" means, (a) if a Credit Facility is in effect, (i) moneys drawn under the Credit Facility which at all times since their receipt by the Bond Trustee or the Tender Agent were held in a separate segregated account or accounts or subaccount or subaccounts in which no moneys (other than those drawn under the Credit Facility) were at any time held, (ii) moneys which have been paid to the Bond Trustee or the Tender Agent by the Corporation and have been on deposit with the Bond Trustee or the Tender Agent for at least 124 days (or, if paid to the Bond Trustee or the Tender Agent by an "affiliate," as defined in Bankruptcy Code §101(2), of the Corporation, 367 days) during and prior to which no Event of Bankruptcy shall have occurred, (iii) any other moneys, if, in the opinion of nationally recognized counsel experienced in bankruptcy matters, the application of such moneys will not constitute a voidable preference in the event of the occurrence of an Event of Bankruptcy, and (iv) investment earnings on any of the moneys described in clauses (i), (ii) and (iii) of this definition; and (b) if a Credit

Facility is not in effect, "Available Moneys" means any moneys deposited with the Bond Trustee or the Tender Agent.

"Bankruptcy Code" means Title 11 of the United States Code, as amended, and any successor statute.

"Beneficial Owner" means any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any of the Bonds (including any Person holding Bonds through nominees, depositories or other intermediaries).

"Bond Counsel" means Stevens & Lee, P.C. or another attorney-at-law, or firm of such attorneys, of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on obligations issued by states and their political subdivisions and acceptable to the Authority.

"Bond Purchase Fund" means the fund by that name established pursuant to the Series 2020B Bond Indenture.

"Book-Entry Form" or "Book-Entry System" means a form or system, as applicable, under which physical bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Bondholder, with the physical bond certificates held by and "immobilized" in the custody of the Depository and the book-entry system maintained by and the responsibility of others than the Authority or the Bond Trustee is the record that identifies and records the transfer of the interests of the owners of book-entry interests in those Bonds.

"Business Day" means any day other than (i) a Saturday or Sunday or (ii) a day on which banks located in (a) the Commonwealth of Pennsylvania or the State of New York, (b) the city or cities in which the Principal Office of the Bond Trustee, or the Tender Agent is located, (c) the city or cities in which the office of the Credit Facility Provider or Liquidity Facility Provider at which drawings under the Credit Facility or Liquidity Facility are to be presented is located, and (d) the city in which the principal office of each Remarketing Agent, the Direct Purchaser or the Calculation Agent is located, are required or authorized to remain closed or (iii) a day on which The New York Stock Exchange or the Federal Reserve Bank is closed.

"Certificate," "Statement," "Request" and "Requisition" of the Authority or the Corporation mean, respectively, a written certificate, statement, request or requisition signed in the name of the Authority by any member of the Board of the Authority or such other person as may be designated and authorized to sign for the Authority and designated by any member of the Board of the Authority in writing to the Bond Trustee, or in the name of the Corporation by an Authorized Representative of the Corporation. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Code" means the Internal Revenue Code of 1986, or any successor statute thereto and any regulations promulgated thereunder.

"Conversion" means a conversion of the Bonds from one Interest Rate Period to another Interest Rate Period, from one Term Rate Period to another Term Rate Period, from one Index Rate Period to another Index Rate Period, from one Direct Purchase Index Rate Period to another Direct Purchase Index Rate Period or from one Direct Purchase Term Rate Period to another Direct Purchase Term Rate Period.

"Corporate Trust Office" means the office of the Bond Trustee located at 213 Market Street, Mail Code: PA1-HM22, Harrisburg, Pennsylvania 17101, Attention: Corporate Trust Department, or such other or additional offices as shall be specified by the Bond Trustee in writing delivered to the Authority and the Corporation.

"Corporation" means Tower Health, a not-for-profit corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania or any corporation that is the surviving, resulting or transferee corporation in any merger, consolidation or transfer of all or substantially all assets permitted under the Master Indenture.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Authority or the Corporation and related to the authorization, issuance, sale and delivery of the Bonds or the adjustment of the Interest Rate Period for the Bonds, as the case may be, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, fees and charges of the Bond Trustee and the Master Trustee, 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 Bonds, and any other cost, charge or fee in connection with the original issuance of the Bonds or the adjustment of the Interest Rate Period for the Bonds, as the case may be.

"Costs of Issuance Fund" means the fund by that name established pursuant to the Series 2020B Bond Indenture.

"Credit Facility" means, in the event of the delivery or availability of any Alternate Credit Facility, such Alternate Credit Facility.

"Credit Facility Fund" means the fund by that name established pursuant to the Series 2020B Bond Indenture.

"Credit Facility Provider" means, upon the effectiveness of any Alternate Credit Facility, the bank or banks or other financial institution or financial institutions or other entity that is then a party to the Alternate Credit Facility.

"Depository" means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry-system to record ownership of book-entry interests in Bonds, and to effect transfers of book-entry interests in Bonds in book-entry form, and includes, and means initially DTC.

"Direct Purchaser" means, during any Direct Purchase Rate Period, the Holder of the Bonds, provided that there is a single Holder of all of the Bonds and provided further that the Bonds are not then held under the book-entry system of a Securities Depository. If there is more than one Holder of the Bonds during any Direct Purchase Rate Period, "Direct Purchaser" means Holders owning a majority of the aggregate principal amount of the Bonds then Outstanding. If the Bonds are then held under the book-entry system of a Securities Depository during any Direct Purchase Rate Period, "Direct Purchaser" means the Beneficial Owner of the Bonds, provided that there is a single Beneficial Owner of all of the Bonds. If there is more than one Beneficial Owner of the Bonds during any Direct Purchase Rate Period, "Direct Purchaser" means Beneficial Owners who are the beneficial owners of a majority of the aggregate principal amount of the Bonds then Outstanding.

"Direct Purchase Rate Period" means any Direct Purchase Index Rate Period and any Direct Purchase Term Rate Period.

"DTC" means The Depository Trust Company, New York, New York, its successors and their assigns or, if DTC or its successor or assign resigns from its functions as Depository for the Bonds, any other Depository which agrees to follow the procedures required to be followed by a Depository in connection with the Bonds and which is selected by the Corporation.

"Electronic Means" means telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

"Eligible Account" means an account that is either (a) maintained with a federal or state-chartered depository institution or trust company that has a Standard & Poor's short-term debt rating of at least 'A-2' (or, if no short-term debt rating, a long-term debt rating of 'BBB+'); or (b) maintained with the corporate trust department of a federal depository institution or state-chartered depository institution subject to regulations regarding fiduciary funds on deposit similar to Title 12 of the U.S. Code of Federal Regulation Section 9.10(b), which, in either case, has corporate trust powers and is acting in its fiduciary capacity. In the event that a fund or account required to be an "Eligible Account" no longer complies with the requirements listed above, the Bond Trustee or the Tender Agent, as the case may be, shall promptly (and, in any case, within not more than 30 calendar days) move such fund or account to another financial institution designated by the Corporation such that the Eligible Account requirements stated above will again be satisfied.

"Eligible Bonds" means any Bonds other than Liquidity Facility Bonds or Bonds owned by, for the account of, or on behalf of, the Authority or the Corporation.

"Event of Bankruptcy" means any of the following events:

(1) the Corporation (or any other Person obligated, as guarantor or otherwise, to make payments on the Bonds or under the Series 2020B Loan Agreement, the Series 2020B Master Note, the Master Indenture, the Continuing Covenant Agreement or a Reimbursement Agreement, or an "affiliate" of the Corporation as defined in Bankruptcy Code § 101(2)) or the Authority shall (a) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of the Corporation (or such other Person) or the Authority or of all or any substantial part of their respective property, (b) commence a voluntary case under the Bankruptcy Code, or (c) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts; or

(2) a proceeding or case shall be commenced, without the application or consent of the Corporation (or any other Person obligated, as guarantor or otherwise, to make payments on the Bonds or under the Series 2020B Loan Agreement, the Series 2020B Master Note, the Master Indenture, the Continuing Covenant Agreement or a Reimbursement Agreement, or an "affiliate" of the Corporation as defined in Bankruptcy Code § 101(2)) or the Authority in any court of competent jurisdiction, seeking (a) the liquidation, reorganization, dissolution, winding up, or composition or adjustment of debts, of the Corporation (or any such other Person) or the Authority, (b) the appointment of a trustee, receiver, custodian, liquidator or the like of the Corporation (or any such other Person) or the Authority or of all or any substantial part of their respective property, or (c) similar relief in respect of the Corporation (or any such other Person) or the Authority under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts that has not been rescinded or stayed for sixty (60) days.

"Event of Default" means any one or more of those events set forth under the caption "SUMMARY OF THE SERIES 2020B BOND INDENTURE--Defaults and Remedies" and "SUMMARY OF THE SERIES 2020B LOAN AGREEMENT—Events of Default" below.

"Favorable Opinion of Bond Counsel" means an opinion of Bond Counsel, addressed to the Authority, the Credit Facility Provider (if any), the Remarketing Agent (if any), the Corporation and the Bond Trustee to the effect that the action proposed to be taken is authorized or permitted by the Series 2020B Bond Indenture and will not, in and of itself, result in the inclusion of interest on the Bonds in gross income for federal income tax purposes.

"Fitch" means Fitch, Inc., doing business as Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Corporation by notice in writing to the Authority and the Bond Trustee.

"501(c)(3) Organization" means an organization described in Section 501(c)(3) of the Code.

"Governmental Unit" means a state or local governmental unit as defined in Treasury Regulations §1.103-1 or any instrumentality thereof, excluding the United States or any agency or instrumentality thereof.

"Holder" or "Bondholder," whenever used in the Series 2020B Bond Indenture with respect to a Bond, means the Person in whose name such Bond is registered.

"Interest Payment Date" means for any Term Rate Period or Direct Purchase Term Rate Period, each February 1 and August 1, or if any February 1 or August 1 is not a Business Day, the next succeeding Business Day (or if specified in a notice from the Corporation to the Bond Trustee before the beginning of any Term Rate Period or Direct Purchase Term Rate Period, the first Business Day of each month).

"Investment Securities" means any of the following:

(A) United States Government Obligations;

(B) Non-callable obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following U.S. Government Agencies: Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Home Loan Bank System, Export-Import Bank of the United States, Federal Financing Bank, Federal Land Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Corporation, Federal Housing Administration or Resolution Trust Corporation;

(C) Perfected repurchase or reverse repurchase agreements (including those of the Bond Trustee or any of its affiliates) fully secured by collateral security described in clause (A) and (B) of this definition, which collateral (a) is held by the Bond Trustee or a third-party custodian for the Bond Trustee during the term of such repurchase or reverse repurchase agreement, (b) is not subject to liens or claims of third parties and (c) has a market value (valued at least quarterly) at least 102% to the amount so invested and whose underlying securities are rated in one of the highest two Rating Categories of each nationally recognized Rating Agency then rating the Bonds;

(D) Certificates of deposit or time deposits in any bank (including the Bond Trustee or any of its affiliates) having a combined capital and surplus of at least $10 billion and whose unsecured securities are rated in one of the highest two Rating Categories of each nationally recognized Rating Agency then rating the Bonds;

(E) Obligations, the interest on which is exempt from federal income taxation pursuant to Section 103 of the Code and the timely payment of the principal of and interest on which is fully provided for by the deposit in trust or escrow of cash or non-callable obligations described in clauses (A), (B) or (F) of this definition and are rated in the highest Rating Category of each Rating Agency then rating the Bonds;

(F) Money market mutual funds invested in United States Government Obligations, or other government-related obligations as described in clauses (A), (B) or (E), including such funds for which the Bond Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Bond Trustee or an affiliate of the Bond Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Bond Trustee or an affiliate of the Bond Trustee receives and retains a fee for services provided to the fund, (ii) the Bond Trustee collects fees for services rendered pursuant to the Series 2020B Bond Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Series 2020B Bond Indenture may at times duplicate those provided to such funds by the Bond Trustee or an affiliate of the Bond Trustee;

(G) Demand deposits, including interest bearing money market accounts, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, and certificates of deposit placed by a third party pursuant to an agreement between the Bond Trustee and the Corporation, or bankers acceptances of depository institutions, including the Bond Trustee or any of its affiliates, rated in the AA long-term Ratings Category or higher by Rating Agency or which are fully FDIC-insured.

(H) Commercial paper which at the time of purchase is of "prime" quality of the two highest rankings or one of the two highest Rating Categories of the nationally recognized Rating Agencies then rating the Bonds and issued by corporations organized and operating within the United States of America; and

(I) Notes or medium term notes of U.S. Corporations rated in one of the highest two Rating Categories of each nationally recognized Rating Agency then rating the Bonds and issued by corporations organized and operating within the United States of America.

"Liquidity Facility" means in the event of the delivery or availability of any Alternate Liquidity Facility, such Alternate Liquidity Facility.

"Loan Default Event" means any of the events specified in the Series 2020B Loan Agreement.

"Loan Repayments" means the payments so designated and required to be made by the Corporation pursuant to the Series 2020B Loan Agreement.

"Maximum Federal Corporate Tax Rate" means the maximum rate of income taxation imposed on corporations pursuant to Section 11(b) of the Code, as in effect from time to time (or, if as a result of a change in the Code, the rate of income taxation imposed on corporations generally shall not be applicable to the Direct Purchaser, the maximum statutory rate of federal income taxation which could apply to the Direct Purchaser).

"Maximum Interest Rate" means (i) with respect to the Bonds other than Liquidity Facility Bonds and Bonds bearing interest at a Direct Purchase Index Rate or Direct Purchase Term Rate, the lesser of 12% per annum and the Maximum Lawful Rate and (ii) with respect to Liquidity Facility Bonds and Bonds bearing interest at a Direct Purchase Index Rate or Direct Purchase Term Rate, the lesser of 25% per annum and the Maximum Lawful Rate.

"Maximum Lawful Rate" means the maximum rate of interest on the relevant obligation permitted by applicable law.

"Minimum Authorized Denominations" means with respect to any Term Rate Period, $5,000 and any integral multiple thereof.

"Opinion of Counsel" means a written opinion of counsel (who may be counsel for the Authority, the Bond Trustee or the Corporation or Bond Counsel), selected by the Corporation, acceptable to the Direct Purchaser (if any) or the Credit Facility Provider (if any) and not objected to by the Authority.

"Optional Redemption Account" means the account by that name in the Redemption Fund established pursuant to the Series 2020B Bond Indenture.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions described below under the caption "SUMMARY OF THE SERIES 2020B BOND INDENTURE – Disqualified Bonds") all Bonds theretofore, or thereupon being, authenticated and delivered by the Bond Trustee under the Series 2020B Bond Indenture except (1) Bonds theretofore canceled by the Bond Trustee or surrendered to the Bond Trustee for cancellation; (2) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Series 2020B Bond Indenture, including Bonds (or portions of Bonds) referred to below under the caption "SUMMARY OF THE SERIES 2020B BOND INDENTURE – Disqualified Bonds"; (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Bond Trustee pursuant to the Series 2020B Bond Indenture; and (4) any Undelivered Bonds.

"Participant" means a member of or participant in the Securities Depository.

"Payment Default" means any failure by the Authority to make timely payment of principal or interest on the Bonds when due.

"Person" means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Principal Account" means the account by that name in the Revenue Fund established pursuant to the Series 2020B Bond Indenture.

"Principal Amount" means the Outstanding principal amount of the Bonds.

"Principal Office" means, with respect to the Bond Trustee or the Master Trustee, the designated corporate trust office of the Bond Trustee or the Master Trustee, which as of the date of issuance of the Bonds, is located at the Corporate Trust Office.

"Rating Agency" means S&P and Fitch, as applicable.

"Rating Category" means a generic securities rating category, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

"Rebate Fund" means the fund by that name established pursuant to the Series 2020B Bond Indenture.

"Record Date" means with respect to any Interest Payment Date in respect to any Term Rate Period, the 15th day preceding such Interest Payment Date or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a Term Rate Period, that first day.

"Redemption Fund" means the fund by that name established pursuant to the Series 2020B Bond Indenture.

"Redemption Price" means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, and accrued and unpaid interest payable upon redemption thereof pursuant to the provisions of such Bond and the Series 2020B Bond Indenture.

"Reimbursement Agreement" means if an Alternate Credit Facility and/or an Alternate Liquidity Facility is issued, any reimbursement agreement, credit agreement, line of credit agreement, standby purchase agreement or other agreement relating to the Alternate Credit Facility and/or the Alternate Liquidity Facility, by and between the Credit Facility Provider and/or the Liquidity Facility Provider and the Corporation.

"Revenue Fund" means the fund by that name established pursuant to the Series 2020B Bond Indenture.

"Revenues" means all amounts received by the Authority or the Bond Trustee for the account of the Authority pursuant or with respect to the Series 2020B Loan Agreement or the Series 2020B Master Note, including, without limiting the generality of the foregoing, Loan Repayments (including both timely and delinquent payments and any late charges, and whether paid from any source), prepayments, insurance proceeds, condemnation proceeds and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Series 2020B Bond Indenture, but not including any Administrative Fees and Expenses or any moneys required to be deposited in the Rebate Fund.

"S&P" means Standard & Poor's, a Standard & Poor's Financial Services LLC business, its successors and their assigns, or, if such 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 Corporation by notice in writing to the Authority and the Bond Trustee.

"Securities Depository" means The Depository Trust Company and its successors and assigns, or any other securities depository selected as set forth in the Series 2020B Bond Indenture.

"Sinking Fund Installment" means the amount required to be paid by the Authority on any single date for the retirement of Bonds.

"Special Record Date" means the date established by the Bond Trustee as the record date for the payment of defaulted interest on the Bonds.

"Special Redemption Account" means the account by that name in the Redemption Fund established pursuant to the Series 2020B Bond Indenture.

"Supplemental Bond Indenture" means any indenture hereafter duly authorized and entered into between the Authority and the Bond Trustee, supplementing, modifying or amending the Series 2020B Bond Indenture; but only if and to the extent that such Supplemental Bond Indenture is specifically authorized under the Series 2020B Bond Indenture.

"Tax Agreement" means, collectively, the Nonarbitrage Certificate and Compliance Agreement delivered by the Authority and the Confirmation Certificate delivered by the Corporation at the date of original issuance of the Bonds, as the same may be amended or supplemented in accordance with its terms.

"United States Government Obligations" means (1) noncallable direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of Treasury of the United States of America) and obligations of any agency or instrumentality of the United States of America the timely payment of the principal of and interest on which are unconditionally guaranteed by the United States of America, and (2) senior debt obligations of other agencies of the United States of America approved in writing by the Direct Purchaser (if any) or the Credit Facility Provider (if any).

"U.S. Government Securities Business Day" means any day except for a Saturday, a Sunday, or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

SUMMARY OF THE SERIES 2020B BOND INDENTURE

The following summarizes certain provisions of the Series 2020B Bond Indenture; however, it is not a comprehensive description, and reference is made to the full text of the Series 2020B Bond Indenture for a complete recital of its terms.

Pledge and Assignment; Revenue Fund

(a) Subject only to the provisions of the Series 2020B Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, there is pledged to secure the payment of the principal and purchase price of and premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Series 2020B Bond Indenture, all of the Revenues and any other amounts held in any fund or account established pursuant to the Series 2020B Bond Indenture (other than the Bond Purchase Fund and the Rebate Fund). Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery by the Bond Trustee of the Bonds, without any physical delivery thereof or further act.

(b) Pursuant to the Series 2020B Bond Indenture, the Authority transfers in trust, grants a security interest in and assigns to the Bond Trustee, for the benefit of the Holders from time to time of the Bonds all of the Revenues and other assets pledged in paragraph (a) above and all of the right, title and interest of the Authority in the Series 2020B Loan Agreement (except for (i) the right to receive any Additional Payments or Administrative Fees and Expenses to the extent payable to the Authority, (ii) any rights of the Authority to receive any amounts paid by the Corporation pursuant to the Series 2020B Loan Agreement and (iii) the rights of the Authority in and to the Series 2020B Master Note. The Bond Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected

or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Bond Trustee and shall forthwith be paid by the Authority to the Bond Trustee. The Bond Trustee also shall be entitled to and shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce all of the rights of the Authority and all of the obligations of the Corporation under the Series 2020B Loan Agreement and under the Series 2020B Master Note.

(c) All Revenues shall be promptly deposited by the Bond Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Bond Trustee is directed to establish, maintain and hold in trust, except as otherwise provided in the Series 2020B Bond Indenture and except that (i) all moneys received by the Bond Trustee and required by the Series 2020B Loan Agreement, or the Series 2020B Master Note to be deposited in the Bond Purchase Fund or the Redemption Fund, shall be promptly deposited in the Bond Purchase Fund and Redemption Fund, respectively and (ii) all moneys received by the Bond Trustee from a Credit Facility shall be promptly deposited in the Credit Facility Fund. All Revenues deposited with the Bond Trustee shall be held, disbursed, allocated and applied by the Bond Trustee only as provided in the Series 2020B Bond Indenture.

Allocation of Revenues

On or before the dates specified below, the Bond Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Bond Trustee is directed to establish and maintain within the Revenue Fund) the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such 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 account subsequent in priority:

First: on or before the second Business Day next preceding each Interest Payment Date, to the Interest Account, the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding, until the balance in said account is equal to said amount of interest;

Second: to the Principal Account, on or before the second Business Day next preceding the Sinking Fund Installment Date, the amount of the Sinking Fund Installment becoming due and payable on such date, until the balance in said account is equal to said amount of such Sinking Fund Installment; and

Third: to the Rebate Fund, such amounts as are required to be deposited therein by the Series 2020B Bond Indenture (including the Tax Agreement).

Any moneys remaining in the Revenue Fund after the foregoing transfers shall be transferred to the Corporation as an overpayment of Loan Repayments.

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 Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity from funds on deposit in the Principal Account or the Redemption Fund pursuant to the Series 2020B Bond Indenture).

Application of Principal Account

All amounts in the Principal Account shall be used and withdrawn by the Bond Trustee solely to purchase or redeem or pay Sinking Fund Installments or pay at maturity the Bonds as provided in the Series 2020B Bond Indenture.

Application of Redemption Fund

Pursuant to the Series 2020B Bond Indenture, the Bond Trustee shall establish, maintain and hold in trust a fund separate from any other fund established and maintained under the Series 2020B Bond Indenture designated as the "Redemption Fund" and within the Redemption Fund a separate Optional Redemption Account and a separate Special Redemption Account. All amounts deposited in the Optional Redemption Account and in the Special Redemption Account shall be used and withdrawn by the Bond Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in the Series 2020B Bond Indenture, at the next succeeding date of redemption for which notice has been given and at the Redemption Prices then applicable to redemptions from the Optional Redemption Account and the Special Redemption Account, respectively; provided that, at any time prior to giving such notice of redemption, the Bond Trustee shall, upon direction of the Corporation, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Corporation may direct, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to such Bonds; and provided further that, in the case of the Optional Redemption Account, in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account as constitute Available Moneys may be transferred to the Revenue Fund and credited against Loan Repayments in order of their due date as set forth in a Request of the Corporation.

Rebate Fund

Pursuant to the Series 2020B Bond Indenture, the Bond Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Series 2020B Bond Indenture designated as the Rebate Fund. Within the Rebate Fund, the Bond Trustee, at the direction of the Corporation, shall maintain such accounts as shall be specified by the Tax Agreement. Subject to the transfer provisions provided in the Series 2020B Bond Indenture, all money at any time deposited in the Rebate Fund shall be held by the Bond Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Agreement), for payment to the federal government of the United States of America. Neither the Authority, the Corporation, nor the Holder of any Bonds shall have any rights in or claim to such money.

Investment of Moneys in Funds and Accounts

All moneys in any of the funds and accounts established pursuant to the Series 2020B Bond Indenture (other than the Bond Purchase Fund and the Credit Facility Fund) shall be invested by the Bond Trustee, upon written direction of the Corporation, solely in Investment Securities. Moneys in the Bond Purchase Fund and the Credit Facility Fund shall remain uninvested. Investment Securities shall be purchased at such prices as the Corporation may direct. Ratings of Investment Securities referred to in the Series 2020B Bond Indenture shall be determined at the time of purchase of such Investment Securities and without regard to rating subcategories. The Bond Trustee shall have no responsibility to monitor the ratings of Investment Securities after the initial purchase of such Investment Securities, or the responsibility to validate the ratings of Investment Securities prior to the initial purchase. All Investment Securities shall be acquired subject to the limitations as to maturities hereinafter in this Section set forth

and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Corporation. No Request of the Corporation shall impose any duty on the Bond Trustee inconsistent with its fiduciary responsibilities. In the absence of directions from the Corporation, the Bond Trustee shall hold such funds uninvested.

Moneys in the Bond Purchase Fund and the Credit Facility Fund shall remain uninvested. Moneys in all other funds and accounts shall be invested in Investment Securities maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Series 2020B Bond Indenture. Investment Securities purchased under a repurchase agreement or investment contract may be deemed to mature on the date or dates on which the Bond Trustee may deliver such Investment Securities for repurchase under such agreement.

All interest, profits and other income received from the investment of moneys in the Rebate Fund shall be deposited when received in such fund. All interest, profits and other income received from the investment of moneys in any other fund or account established pursuant to the Series 2020B Bond Indenture shall be deposited when received in the Revenue Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account for the credit of which such Investment Security was acquired.

Investment Securities acquired as an investment of moneys in any fund or account established under the Series 2020B Bond Indenture shall be credited to such fund or account. For the purpose of determining the amount in any such fund or account all Investment Securities credited to such fund or account shall be valued at market value.

The Bond Trustee may commingle any of the amounts on deposit in the funds or accounts established pursuant to the Series 2020B Bond Indenture (other than the Bond Purchase Fund, the Credit Facility Fund or the Rebate Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Bond Trustee shall be accounted for separately as required by the Series 2020B Bond Indenture. The Bond Trustee may act as principal or agent in the making or disposing of any investment.

Defaults and Remedies

Each of the following events is an "Event of Default" under the Series 2020B Bond Indenture:

(A) default in the due and punctual payment of the principal or Redemption Price of any 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 default in the redemption of any Bonds from Sinking Fund Installments in the amount and at the times provided therefor;

(B) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(C) failure by the Corporation to pay the Purchase Price of any Bond (other than a Floating Rate Non-Remarketed Bond) tendered or subject to mandatory tender pursuant to Article IV;

(D) default in any material respect by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Series 2020B Bond Indenture or in the Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority and the Corporation by the Bond Trustee, or to the Authority, the Corporation and the Bond Trustee by the Credit Facility Provider (if any) or Holders of not less than twenty-five per cent (25%) in aggregate principal amount of the Bonds at the time Outstanding;

(E) a Loan Default Event;

(F) receipt by the Bond Trustee of notice from the Credit Facility Provider (if any) that an Event of Default (as defined in the Reimbursement Agreement) has occurred under the Reimbursement Agreement and which notice directs the Bond Trustee to accelerate the Bonds;

(G) receipt by the Bond Trustee of notice from the Credit Facility Provider (if any) that the amount of an interest drawing under the Credit Facility will not be reinstated as provided in the Credit Facility; or

(H) during a Direct Purchase Rate Period, receipt by the Bond Trustee of a written notice from the Direct Purchaser that an event of default has occurred under the Continuing Covenant Agreement, if any, which notice may in addition instruct the Bond Trustee to accelerate the Bonds pursuant to Section 7.02 or instruct the Bond Trustee to subject the Bonds to mandatory tender pursuant to Section 4.10.

Upon actual knowledge of the existence of any Event of Default, the Bond Trustee shall notify the Corporation, the Authority, the Credit Facility Provider (if any), the Direct Purchaser (if any) and the Master Trustee in writing as soon as practicable; provided, however, that the Bond Trustee need not provide notice of any Loan Default Event if the Corporation has expressly acknowledged the existence of such Loan Default Event in a writing delivered to the Bond Trustee, the Authority, the Credit Facility Provider (if any), the Direct Purchaser (if any) and the Master Trustee. Additionally, the Bond Trustee shall promptly notify the Credit Facility Provider (if any) if at any time there are insufficient moneys to make any payments of principal of and/or interest on the Bonds and promptly upon the occurrence of any Event of Default under the Series 2020B Bond Indenture and shall provide such additional information as the Credit Facility Provider (if any) shall reasonably request.

Acceleration of Maturities

Whenever any Event of Default referred to above shall have happened and be continuing, the Bond Trustee may take the following remedial steps:

(A) In the case of an Event of Default described in subparagraphs (A), (B), (C), (F), (G) or (H) above, the Bond Trustee may, with the written consent of the Credit Facility Provider (if any) (or during a Direct Purchase Rate Period, the Direct Purchaser), and shall (i) at the written direction of the owners of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds, subject to the prior written consent of any Credit Facility Provider (if any), while not in payment default under the Credit Facility, with respect to the acceleration of any Bonds enhanced pursuant to a Credit Facility issued by such Credit Facility Provider, or (ii) at the written direction of the Credit Facility Provider (if any) (or during a Direct Purchase Rate Period, the Direct Purchaser), notify the Authority and the Master Trustee of such Event of Default, make a demand for payment under the Series 2020B Master Note and

request the Master Trustee in writing to give notice pursuant to the Master Indenture to the Master Indenture Obligors declaring the principal of all obligations issued under the Master Indenture then outstanding to be due and immediately payable. Thereupon, the Bond Trustee (with the written consent of the Credit Facility Provider (if any) (or during a Direct Purchase Rate Period, the Direct Purchaser), and (i) at the written direction of the owners of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds, subject to the prior written consent of any Credit Facility Provider (if any), while not in payment default under the Credit Facility, with respect to the acceleration of any Bonds enhanced pursuant to a Credit Facility issued by such Credit Facility Provider, or (ii) at the written direction of the Credit Facility Provider (if any) (or during a Direct Purchase Rate Period, the Direct Purchaser)) shall declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Series 2020B Bond Indenture to the contrary notwithstanding. In addition, the Bond Trustee may take whatever action at law or in equity is necessary or desirable to collect the payments due under the Series 2020B Master Note;

(B) In the case of an Event of Default described in subparagraph (D) above, the Bond Trustee (with the written consent or at the direction of the Credit Facility Provider (if any) (or during a Direct Purchase Rate Period, the Direct Purchaser)) may take whatever action at law or in equity is necessary or desirable to enforce the performance, observance or compliance by the Authority with any covenant, condition or agreement by the Authority under the Series 2020B Bond Indenture; and

(C) In the case of an Event of Default described in subparagraph (E) above, the Bond Trustee (with the written consent or at the direction of the Credit Facility Provider (if any) (or during a Direct Purchase Rate Period, the Direct Purchaser)) may take whatever action the Authority would be entitled to take, and shall take whatever action the Authority would be required to take, pursuant to the Series 2020B Loan Agreement, with respect to such Loan Default Event.

Upon a declaration of acceleration pursuant to the Series 2020B Bond Indenture, interest on Bonds (other than Liquidity Facility Bonds and Bonds bearing interest in a Direct Purchase Rate Period) shall immediately cease to accrue and the Bond Trustee shall promptly draw on the Credit Facility, if any, in accordance with its terms, in an amount sufficient to pay principal and interest on Bonds subject to such Credit Facility, and shall promptly apply the proceeds of such draw to the payment of such Bonds.

Any such declaration, however, 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 Authority or the Corporation shall deposit with the Bond Trustee a sum sufficient to pay all the principal (including any Sinking Fund Installments) or redemption price of and installments of interest on the Bonds, payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds, 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 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 (provided that if a Credit Facility was drawn upon in connection with such Event of Default and the Bond Trustee has received written notice from the Credit Facility Provider that the Credit Facility has been reinstated and in the case of an Event of Default described in Section 7.01(F), the notice provided by the Credit Facility Provider has been rescinded by the Credit Facility Provider), then, and in every such case, the Bond Trustee shall, on behalf of the Holders of all of the Bonds, and in any event during a Direct Purchase Rate Period with the written consent of the Direct Purchaser, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall

extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Nothing contained in the Series 2020B Bond Indenture, however, shall require the Bond Trustee to exercise any remedies in connection with an Event of Default unless the Bond Trustee shall have actual knowledge or shall have received written notice of such Event of Default.

Application of Revenues and Other Funds After Default

If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Bond Trustee under any of the provisions of the Series 2020B Bond Indenture (subject to the provisions described below under the caption "SUMMARY OF THE SERIES 2020B BOND INDENTURE – Disqualified Bonds" and other than moneys required to be deposited in the Rebate Fund, the Bond Purchase Fund or the Credit Facility Fund) shall be applied by the Bond Trustee as follows and in the following order:

(1) To the payment of any expenses necessary in the opinion of the Bond Trustee to protect the interests of the Holders of the Bonds and payment of reasonable fees and expenses of the Bond Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Series 2020B Bond Indenture; and

(2) To the payment of the principal or Redemption Price of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Series 2020B Bond Indenture, as follows:

(i) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal (including Sinking Fund Installments) or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date to the Persons entitled thereto, without any discrimination or preference; and

Third: If a Credit Facility is in effect, to the payment of the Credit Facility Provider (if any), any amounts payable under the Reimbursement Agreement. During a Direct Purchase Rate Period, to the payment of the Direct Purchaser, any amounts payable under the Continuing Covenant Agreement, if any.

(ii) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be

sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference, and then if a Credit Facility is in effect, to the payment of the Credit Facility Provider (if any) of any amounts payable under the Reimbursement Agreement or during a Direct Purchase Rate Period, to the payment of the Direct Purchaser, any amounts payable under the Continuing Covenant Agreement, if any.

Bond Trustee to Represent Bondholders

Pursuant to the Series 2020B Bond Indenture, the Bond Trustee is irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Bond Trustee) as Bond Trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Series 2020B Bond Indenture, the Series 2020B Loan Agreement, the Series 2020B Master Note, the Act and applicable provisions of any other law. Subject to the rights of the Credit Facility Provider (if any) (or during a Direct Purchase Rate Period, the Direct Purchaser) with respect to the enforcement of remedies related to the Bonds as described in the Series 2020B Bond Indenture, upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Bond Trustee to represent the Bondholders, the Bond Trustee in its discretion may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (and in either case subject to the rights of the Credit Facility Provider (if any) with respect to the enforcement of remedies related to the Bonds as described in the Series 2020B Bond Indenture (or during a Direct Purchase Rate Period, the Direct Purchaser)) and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Series 2020B Bond Indenture, or in aid of the execution of any power granted in the Series 2020B Bond Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Bond Trustee or in such Holders under the Series 2020B Bond Indenture, the Series 2020B Loan Agreement, the Series 2020B Master Note, the Act or any other law; and upon instituting such proceeding, the Bond Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other amounts and assets pledged under the Series 2020B Bond Indenture, pending such proceedings. All rights of action under the Series 2020B Bond Indenture or the Bonds or otherwise may be prosecuted and enforced by the Bond Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Bond Trustee shall be brought in the name of the Bond Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Series 2020B Bond Indenture.

Limitation on Bondholders' Right to Sue

No Holder of any Bond (other than the Direct Purchaser (if any)) shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Series 2020B Bond Indenture, the Series 2020B Loan Agreement, the Series 2020B Master Note, the Act or any other applicable law with respect to such Bond, unless (1) such Holder shall have given to the Bond Trustee written notice of the occurrence of an Event of Default; (2) the Direct Purchaser (if any) or the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Bond Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Holder or

said Holders shall have tendered to the Bond Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; (4) the Bond Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Bond Trustee; and (5) the Credit Facility Provider (if any) shall have consented in writing to such action.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Series 2020B Bond Indenture or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by such Holder's or Holders' action to affect, disturb or prejudice the security of the Series 2020B Bond Indenture or the rights of any other Holders of Bonds, or to enforce any right under the Series 2020B Bond Indenture, the Series 2020B Loan Agreement, the Series 2020B Master Note, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Series 2020B Bond Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Series 2020B Bond Indenture and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Series 2020B Bond Indenture.

Amendments Permitted

(A) The Series 2020B Bond Indenture and the rights and obligations of the Authority and of the Holders of the Bonds and of the Bond Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Bond Trustee may enter into with the written consent of the Corporation and (1) the Credit Facility Provider (if any) (or during a Direct Purchase Rate Period, the Direct Purchaser) or (2) if a Credit Facility Provider Failure has occurred and is continuing or if there is no Credit Facility then in effect and all obligations payable to the Credit Facility Provider under the Reimbursement Agreement have been satisfied, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Bond Trustee. No such modification or amendment shall (1) extend the stated maturity of any Bond, or reduce the amount of principal thereof or any Sinking Fund Installment provided therefor, or extend the time of payment or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof or change the Purchase Price to be paid to Holders tendering their Bonds, without the consent of the Holder of each Bond so affected, or (2) reduce the percentage of Bonds, the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Series 2020B Bond Indenture prior to or on a parity with the lien created by the Series 2020B Bond Indenture, or deprive the Holders of the Bonds of the lien created by the Series 2020B Bond Indenture on such Revenues and other assets (except as expressly provided in the Series 2020B Bond Indenture), without the consent of the Holders of all Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Bond Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Authority and the Bond Trustee of any Supplemental Bond Indenture pursuant to this subsection (A), the Bond Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Bond Indenture to the Bondholders at the addresses shown on the registration books maintained by 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 Bond Indenture.

(B) The Series 2020B Bond Indenture and the rights and obligations of the Authority, of the Bond Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Bond Trustee may enter into with the written consent of the Corporation, but without the necessity of obtaining

the consent of any Bondholders, but with the consent of the Credit Facility Provider (if any) (or during a Direct Purchase Rate Period, the Direct Purchaser), only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority contained in the Series 2020B Bond Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Series 2020B Bond Indenture reserved to or conferred upon the Authority, provided, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Bonds;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Series 2020B Bond Indenture, or in regard to matters or questions arising under the Series 2020B Bond Indenture, as the Authority or the Bond Trustee may deem necessary or desirable and not inconsistent with the Series 2020B Bond Indenture, and which shall not materially adversely affect the interests of the Holders of the Bonds;

(3) to modify, amend or supplement the Series 2020B Bond Indenture in such manner as to permit the qualification of the Series 2020B Bond Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Holders of the Bonds;

(4) to evidence or give effect to, or to conform to the terms and provisions of, any Liquidity Facility;

(5) to evidence or give effect to, or to conform to the terms and provisions of, any Credit Facility;

(6) to facilitate and implement any book entry system (or any termination of a book entry system) with respect to the Bonds;

(7) to maintain the exclusion from gross income of interest payable with respect to the Bonds; or

(8) to make any modification or amendment to the Series 2020B Bond Indenture, even if consent of the Holders would otherwise be required, (i) if such amendment will be effective upon the remarketing of the Bonds following the mandatory tender of the Bonds, or (ii) if notice of such proposed modification or amendment is given to Holders (in the same manner as notices of redemption are given) at least fifteen (15) days before the effective date thereof and on or before such effective date the Holders have the right to demand purchase of their Bonds.

The Bond Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Bond Indenture authorized by subsections (A) or (B) above which materially adversely affects the Bond Trustee's own rights, duties or immunities under the Series 2020B Bond Indenture or otherwise.

In executing, or accepting the additional trusts created by, any Supplemental Bond Indenture permitted by this Article or the modification thereby of the trusts created by the Series 2020B

Bond Indenture, the Bond Trustee and the Authority shall receive, and shall be fully protected in relying upon, a Favorable Opinion of Bond Counsel.

Replacement Master Indenture

In the event that a Substitute Obligation (as defined in the Master Indenture) under a Replacement Master Indenture (as defined in the Master Indenture) is delivered to the Bond Trustee pursuant to the provisions of the Master Indenture, references to the Master Indenture and the Series 2020B Master Note in the Series 2020B Bond Indenture shall be deemed to be references to such Replacement Master Indenture and such Substitute Obligation, references to the Obligated Group shall be deemed to be references to the New Group (as defined in the Master Indenture) and references to the Master Trustee shall be deemed to be references to the New Trustee under the Replacement Master Indenture.

Amendment of Series 2020B Loan Agreement and Master Indenture

(A) Except as provided in subparagraph (B) below, the Authority shall not amend, modify or terminate any of the terms of the Series 2020B Loan Agreement, or consent to any such amendment, modification or termination, unless there is filed with the Bond Trustee the written consent to such amendment, modification or termination of the Holders of a majority in principal amount of the Bonds then Outstanding, provided that no such amendment, modification or termination shall reduce the amount of Loan Repayments to be made to the Authority or the Bond Trustee by the Corporation pursuant to the Series 2020B Loan Agreement, or extend the time for making such payments, without the written consent of the Credit Facility Provider (if any) and all of the Holders of the Bonds then Outstanding.

(B) Notwithstanding the provisions of subparagraph (A) above, the terms of the Series 2020B Loan Agreement may also be modified or amended from time to time and at any time by the Authority without the necessity of obtaining the consent of any Bondholders, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority or the Corporation contained in the Series 2020B Loan Agreement other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power therein reserved to or conferred upon the Authority or the Corporation, provided, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Bonds;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Series 2020B Loan Agreement, or in regard to matters or questions arising under the Series 2020B Loan Agreement, as the Authority may deem necessary or desirable and not inconsistent with the Series 2020B Loan Agreement or the Series 2020B Bond Indenture, and which shall not materially adversely affect the interests of the Holders of the Bonds;

(3) to evidence or give effect to, or to conform to the terms and provisions of, any Liquidity Facility;

(4) to evidence or give effect to, or to conform to the terms and provisions of, any Credit Facility;

(5) to maintain the exclusion from gross income of interest payable with respect to the Bonds; and

(6) to make any modification or amendment to the Series 2020B Loan Agreement, even if consent of the Holders would otherwise be required, (i) if such amendment will be effective upon the remarketing the Bonds following the mandatory tender of the Bonds, or (ii) if notice of such proposed modification or amendment is given to Holders (in the same manner as notices of redemption are given) at least fifteen (15) days before the effective date thereof and on or before such effective date the Holders have the right to demand purchase of their Bonds.

(C) In executing or consenting to any amendment to the Series 2020B Loan Agreement permitted by this Section, the Authority, and the Bond Trustee shall receive, and shall be fully protected in relying upon, an opinion of Bond Counsel addressed to the Authority, the Credit Facility Provider (if any) and the Bond Trustee stating that the execution of such amendment is authorized or permitted by the Series 2020B Loan Agreement and the Series 2020B Bond Indenture and the applicable law, will upon the execution and delivery thereof be valid and binding obligations of the parties thereto, and that the execution and delivery thereof will not adversely affect the exclusion from federal gross income of interest on the Bonds.

(D) Except as provided in the section above under the caption "Replacement Master Indenture", The Bond Trustee, as holder of the Series 2020B Master Note, shall not consent to any amendment to the Master Indenture unless there is filed with the Bond Trustee the written consent to such amendment of the Holders of a majority in principal amount of the Bonds then Outstanding.

Defeasance

The Bonds may be paid by the Authority or the Bond Trustee on behalf of the Authority in any of the following ways:

(a) by paying or causing to be paid (with Available Moneys) the principal or Redemption Price of and interest on all Bonds Outstanding, as and when the same become due and payable;

(b) by depositing with the Bond Trustee, in trust, at or before maturity, moneys (which shall be Available Moneys) or securities (purchased with Available Moneys) in the necessary amount to pay when due or redeem all Bonds then Outstanding; or

(c) by delivering to the Bond Trustee, for cancellation by it, all Bonds then Outstanding.

If the Authority shall also pay or cause to be paid all other sums payable under the Series 2020B Bond Indenture by the Authority and the Corporation shall have paid all Administrative Fees and Expenses payable to the Authority pursuant to the Series 2020B Loan Agreement, and if the Credit Facility (if any) shall have terminated and the Corporation shall have paid all amounts payable by the Corporation to the Credit Facility Provider under the applicable Reimbursement Agreement and all amounts payable by the Corporation to the Direct Purchaser, if any, under the Continuing Covenant Agreement, if any, 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 Series 2020B Bond Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Series 2020B Bond Indenture and the pledge of Revenues and other assets made under the Series 2020B Bond Indenture and all covenants, agreements and other obligations

of the Authority under the Series 2020B Bond Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the request of the Authority, the Bond Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary to evidence such discharge and satisfaction, and the Bond Trustee shall pay over, transfer, assign or deliver to the Corporation all moneys or securities or other property held by it pursuant to the Series 2020B Bond Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Discharge of Liability on Bonds

Upon the deposit with the Bond Trustee, in trust, at or before maturity, of money (which shall be Available Moneys) or securities (purchased with Available Moneys), in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bond (including, without limitation, any Liquidity Facility Bonds) (whether upon or prior to its maturity or the redemption date of such Bond) and all Reimbursement Obligations, provided that, if any Bond (including, without limitation, any Liquidity Facility Bonds) is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Series 2020B Bond Indenture 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 Bond shall cease, terminate and be completely discharged, except only that thereafter the Holder thereof shall be entitled to payment of the principal of and interest on such Bond by the Authority, and the Authority shall remain liable for such payments, but only out of such money or securities deposited with the Bond Trustee as aforesaid for their payment, subject, however, to the provisions described below under the caption "Payment of Bonds After Discharge of Series 2020B Bond Indenture".

Deposit of Money or Securities With Bond Trustee

Whenever in the Series 2020B Bond Indenture 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 Bonds, the money or securities to be so deposited or held may include money or securities held by the Bond Trustee in the funds and accounts established pursuant to the Series 2020B Bond Indenture (other than the Rebate Fund) and shall be:

(A) lawful money of the United States of America, (which shall be Available Moneys), in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity (based on an assumed interest rate equal to the Maximum Interest Rate for periods for which the actual interest rate on the Bonds cannot be determined), except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Series 2020B Bond Indenture or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(B) United States Government Obligations (not callable by the issuer thereof prior to maturity) (purchased with Available Moneys, and maturing no later than the earlier of (x) the first day upon which such Bonds may be tendered or (y) the first day upon which such Bonds may be redeemed, at any time at which there is a Credit Facility in effect), the principal of and interest on which when due (without any income from the reinvestment thereof) will provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity (based on an assumed interest rate equal to the Maximum Interest Rate for periods for which the actual interest rate on the Bonds cannot be determined), or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due; provided that, in the case of Bonds which are to be redeemed

prior to the maturity thereof, notice of such redemption shall have been given as provided in the Series 2020B Bond Indenture 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 the terms of the Series 2020B Bond Indenture or by Request of the Authority) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds, and provided further, that with respect to the deposit of United States Government Obligations pursuant to subsection (B) above, the Bond Trustee shall have received (i) a verification report from a firm of independent accountants addressed to the Authority and the Bond Trustee acceptable in form and substance to the Authority to the effect that the amount deposited is sufficient to make the payments specified therein and (ii) an opinion of nationally recognized bond counsel addressed to the Authority and the Bond Trustee to the effect that the Bonds are no longer Outstanding under the Series 2020B Bond Indenture.

Payment of Bonds After Discharge of Series 2020B Bond Indenture

Notwithstanding any provisions of the Series 2020B Bond Indenture, any moneys held by the Bond Trustee in trust for the payment of the principal of or premium, if any, or interest on, any Bonds and remaining unclaimed for two years (or, if shorter, one day before such moneys would escheat to the Commonwealth of Pennsylvania under then applicable Pennsylvania law) after such principal or interest, as the case may be, has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Series 2020B Bond Indenture), if such moneys were so held at such date, or two years (or, if shorter, one day before such moneys would escheat to the Commonwealth of Pennsylvania under then applicable Pennsylvania law) after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Corporation free from the trusts created by the Series 2020B Bond Indenture upon receipt of an indemnification agreement acceptable to the Authority and the Bond Trustee indemnifying the Authority and the Bond Trustee with respect to claims of Holders of Bonds which have not yet been paid and containing the agreement of the Corporation to remain liable for the amount so repaid to the Corporation, and all liability of the Authority and the Bond Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Corporation as aforesaid, the Bond Trustee may (at the cost of the Corporation) first mail to the Holders of Bonds which have not yet been paid, at the addresses shown on the registration books maintained by the Bond Trustee, a notice, in such form as may be deemed appropriate by the Bond Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Corporation of the moneys held for the payment thereof.

No Liability of Authority

The Authority shall not be obligated to pay the principal, Purchase Price, (or Redemption Price) of or interest on the Bonds, except from Revenues and other moneys and assets received by the Bond Trustee pursuant to the Series 2020B Loan Agreement and the Series 2020B Master Note. Neither the faith and credit nor the taxing power of the County of Berks, the Commonwealth of Pennsylvania or any political subdivision thereof, nor the faith and credit of the Authority is pledged to the payment of the principal (or Redemption Price) or interest on the Bonds. The Authority shall be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Series 2020B Loan Agreement, the Series 2020B Master Note, the Bonds or the Series 2020B Bond Indenture, except only to the extent amounts are received for the payment thereof from the Corporation under the Series 2020B Loan Agreement or under the Series 2020B Master Note.

Removal of Bond Trustee

The Authority may, and upon written request of the Corporation shall, upon at least thirty (30) days prior written notice, remove the Bond Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Bond Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Bond Trustee shall cease to be eligible in accordance with the Series 2020B Bond Indenture, or shall become incapable of acting, or shall be adjudged 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 shall appoint, with the written consent of the Corporation, the Credit Facility Provider (if any) and the Direct Purchaser (if any), a successor Bond Trustee by an instrument in writing. The Authority, the Corporation or any Holder may at any time petition any court of competent jurisdiction for the removal for cause of the Bond Trustee.

Resignation of Bond Trustee

The Bond Trustee may at any time resign by giving at least 30 days prior written notice of such resignation to the Authority, the Liquidity Facility Provider (if any), the Corporation and the Credit Facility Provider (if any) 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, the Authority shall promptly appoint, with the written consent of the Corporation, the Credit Facility Provider (if any) and the Direct Purchaser (if any), a successor Bond Trustee by an instrument in writing. The Bond Trustee shall not be relieved of its duties until such successor Bond Trustee has accepted appointment.

Appointment of Successor Bond Trustee

Any removal or resignation of the Bond Trustee and appointment of a successor Bond Trustee shall only become effective upon acceptance of appointment by the successor Bond Trustee. If no successor Bond Trustee shall have been appointed and have accepted appointment within thirty (30) days of giving notice of removal or notice of resignation as aforesaid, the resigning Bond Trustee or any Bondholder (on behalf of such Bondholder and all other Bondholders) may, at the expense of the Corporation, 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 Series 2020B Bond Indenture shall signify its acceptance of such appointment by executing and delivering to 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 therein; but, nevertheless at the request of 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 Series 2020B Bond Indenture 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, 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 and obligations. Upon acceptance of 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 Series 2020B Bond Indenture to the Bondholders at the addresses shown on the registration books maintained by the Bond Trustee.

The Bond Trustee and any successor Bond Trustee shall be a trust company, national banking association, or bank having a combined capital and surplus of at least fifty million dollars ($50,000,000) (or providing a guarantee of the full and prompt performance by the Bond Trustee of its obligations under the Series 2020B Bond Indenture by a guarantor with such combined capital and surplus), and subject to supervision or examination by federal or state authority. If such bank, national banking association, 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, national banking association, 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. In case at any time the Bond Trustee shall cease to be eligible in accordance with the provisions of this subsection, the Bond Trustee shall resign immediately in the manner and with the effect specified in the Series 2020B Bond Indenture.

Disqualified Bonds.

In determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Series 2020B Bond Indenture, Bonds which are owned or held by or for the account of the Authority, the Corporation or any of the other Master Indenture Obligors or by any other obligor on the Bonds, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority, the Corporation or any of the other Master Indenture Obligors or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. In determining whether the Bond Trustee shall be protected in relying upon any such demand, request, direction, consent or waiver, only Bonds which the Bond Trustee knows to be so owned shall be disregarded. Upon request of the Bond Trustee, the Authority and the Corporation shall specify in a certificate to the Bond Trustee those Bonds disqualified pursuant to this Section and the Bond Trustee may conclusively rely on such certificate.

SUMMARY OF THE SERIES 2020B LOAN AGREEMENT

The following summarizes certain provisions of the Series 2020B Loan Agreement; however, it is not a comprehensive description, and reference is made to the full text of the Series 2020B Loan Agreement for a complete recital of its terms.

General

The Series 2020B Loan Agreement provides the terms of the loan of all of proceeds of the Bonds by the Authority to the Corporation and the repayment of such loan by the Corporation.

Loan of Proceeds; Payments of Principal, Premium and Interest

Pursuant to the Series 2020B Loan Agreement, the Authority agrees to lend and advance to the Corporation, and the Corporation agrees to borrow and accept from the Authority a loan in a principal amount equal to the aggregate principal amount of the Bonds, the net proceeds of which loan shall be equal to the net proceeds received from the sale of the Bonds, such proceeds to be applied under the terms and conditions of the Series 2020B Loan Agreement and the Series 2020B Bond Indenture. In

consideration of the loan of such proceeds to the Corporation, the Corporation agrees to pay, or cause to be paid, "Loan Repayments" in an amount sufficient to enable the Bond Trustee to make the transfers and deposits required at the times and in the amounts pursuant to the Series 2020B Bond Indenture. Each Loan Repayment shall be made in immediately available funds. Notwithstanding the foregoing, the Corporation agrees to make payments, or cause payments to be made, at the times and in the amounts required to be paid as principal or Redemption Price of and interest on the Bonds from time to time Outstanding under the Series 2020B Bond Indenture and other amounts required to be paid under the Series 2020B Bond Indenture, as the same shall become due whether at maturity, upon redemption, by declaration of acceleration or otherwise.

Except as otherwise expressly provided in the Series 2020B Loan Agreement, all amounts payable with respect to the Series 2020B Master Note or under the Series 2020B Loan Agreement by the Corporation to the Authority shall be paid to the Bond Trustee or other parties entitled thereto as assignee of the Authority and the Series 2020B Loan Agreement and all right, title and interest of the Authority in any such payments are assigned and pledged to the Bond Trustee pursuant to the Series 2020B Bond Indenture so long as any Bonds remain Outstanding.

Additional Payments

In addition to Loan Repayments, the Corporation shall also pay to the Authority or to the Bond Trustee, or the designated agent of either of them, as the case may be, "Additional Payments," as follows:

(a) all taxes and assessments of any type or character charged to the Authority or to the Bond Trustee affecting the amount available to the Authority or the Bond Trustee from payments to be received under the Series 2020B Loan Agreement or in any way arising due to the transactions contemplated by the Series 2020B Loan Agreement (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Bond Trustee and taxes based upon or measured by the net income of the Bond Trustee; provided, however, that the Corporation shall have the right to protest any such taxes or assessments and to require the Authority or the Bond Trustee, as the case may be, at the Corporation's expense, to protest and contest any such taxes or assessments assessed or levied upon them and that the Corporation shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Authority or the Bond Trustee;

(b) all reasonable fees, charges, expenses and indemnities of the Bond Trustee for services rendered under the Series 2020B Loan Agreement and under the Series 2020B Bond Indenture, as and when the same become due and payable;

(c) the reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Bond Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Series 2020B Loan Agreement, Series 2020B Master Indenture Supplement, the Series 2020B Master Note, the Tax Agreement or the Series 2020B Bond Indenture; and

(d) the reasonable fees and expenses of the Authority or any agent or attorney selected by the Authority to act on its behalf in connection with the Series 2020B Loan Agreement, the Series 2020B Master Note, Series 2020B Master Indenture Supplement, the Master Indenture, the Tax Agreement, the Bonds or the Series 2020B Bond Indenture, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of any such

Bonds or in connection with any litigation, investigation, inquiry or other proceeding which may at any time be instituted involving the Series 2020B Loan Agreement, the Series 2020B Master Note, Series 2020B Master Indenture Supplement, the Master Indenture, the Tax Agreement, the Bonds or the Series 2020B Bond Indenture or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the Corporation, its properties, assets or operations or otherwise in connection with the administration of the Series 2020B Loan Agreement, Series 2020B Master Indenture Supplement, the Master Indenture, the Series 2020B Master Note or the Tax Agreement.

Prepayment

The Corporation shall have the right, so long as all amounts which have become due under the Series 2020B Loan Agreement have been paid, at any time or from time to time to prepay all or any part of the Loan Repayments and the Authority agrees that the Bond Trustee shall accept such prepayments when the same are tendered. Prepayments may be made by payments of cash, deposit of United States Government Obligations or surrender of Bonds, as contemplated by the Series 2020B Loan Agreement. All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of Bonds) shall be deposited upon receipt at the Corporation's direction in (i) the Principal Account and/or Interest Account, as applicable, (ii) the Optional Redemption Account of the Redemption Fund, (iii) the Special Redemption Account of the Redemption Fund, or (iv) such other Bond Trustee escrow account as may be specified by the Corporation and, at the request of and as determined by the Corporation, credited against payments due under the Series 2020B Loan Agreement or used for the redemption or purchase of Outstanding Bonds in the manner and subject to the terms and conditions set forth in the Series 2020B Bond Indenture. Notwithstanding any such prepayment or surrender of Bonds, as long as any Bonds remain Outstanding or any Additional Payments required to be made under the Series 2020B Loan Agreement remain unpaid, the Corporation shall not be relieved of its obligations under the Series 2020B Loan Agreement.

Obligations Unconditional

The obligations of the Corporation under the Series 2020B Loan Agreement and pursuant to the Series 2020B Master Note are absolute and unconditional, notwithstanding any other provision of the Series 2020B Loan Agreement, Series 2020B Master Indenture Supplement, the Series 2020B Master Note, the Master Indenture or the Series 2020B Bond Indenture. Until the Series 2020B Loan Agreement is terminated and all payments under the Series 2020B Loan Agreement are made, the Corporation:

(b) will pay all amounts required under the Series 2020B Loan Agreement and under the Series 2020B Master Note without abatement, deduction or setoff except as otherwise expressly provided in the Series 2020B Loan Agreement;

(c) will not suspend or discontinue any payments due under the Series 2020B Loan Agreement or under the Series 2020B Master Note for any reason whatsoever, including, without limitation, any right of setoff or counterclaim;

(d) will perform and observe all its other agreements contained in the Series 2020B Loan Agreement; and

(e) except as provided in the Series 2020B Loan Agreement, will not terminate the Series 2020B Loan Agreement for any cause, including, without limiting the generality of the foregoing, damage, destruction or condemnation of the facilities financed or refinanced with the proceeds of the Bonds or any part thereof, commercial frustration of purpose,

any change in the tax or other laws of the United States of America, the Commonwealth of Pennsylvania or any political subdivision of either, or any failure of the Authority to perform and observe any agreement, whether express or implied, duty, liability or obligation arising out of or connected with the Series 2020B Loan Agreement. Nothing contained in the Series 2020B Loan Agreement shall be construed to release the Authority from the performance of any of the agreements on its part contained in the Series 2020B Loan Agreement, and in the event the Authority should fail to perform any such agreement on its part, the Corporation may institute such action against the Authority as the Corporation may deem necessary to compel performance.

The rights of the Bond Trustee or any party or parties on behalf of whom the Bond Trustee is acting shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever, whether arising out of any breach of any duty or obligation of the Authority, the Master Trustee or the Bond Trustee owing to the Corporation, or by reason of any other indebtedness or liability at any time owing by the Authority, the Master Trustee or the Bond Trustee to the Corporation.

Prohibited Uses

No portion of the proceeds of the Bonds shall be used to finance or refinance any facility, place or building used or to be used (1) primarily for sectarian instruction or study or as a place for devotional activities or religious worship or (2) by a Person that is not a 501(c)(3) Organization or a Governmental Unit or by a 501(c)(3) Organization (including the Corporation) in an "unrelated trade or business" (as set forth in Section 513(a) of the Code), in such a manner or to such extent as would result in any of the Bonds being treated as an obligation not described in Section 103(a) of the Code. The covenant of clause (1) of this Section shall survive payment in full or defeasance of the Bonds.

Events of Default

Each of the following events shall constitute and be referred to as an "Event of Default" with respect to the Series 2020B Loan Agreement:

(a) failure by the Corporation to pay in full any payment required under the Series 2020B Loan Agreement or of the Master Indenture Obligors to pay in full any payment required under the Series 2020B Master Note when due, whether on an Interest Payment Date, at maturity, upon a date fixed for prepayment, by declaration, upon tender of the Bonds for purchase pursuant to the Series 2020B Bond Indenture, or otherwise pursuant to the terms of the Series 2020B Loan Agreement or thereof;

(b) if any material representation or warranty made by the Corporation in the Series 2020B Loan Agreement or made by the Corporation or any Master Indenture Obligor in any document, instrument or certificate furnished to the Bond Trustee or the Authority in connection with the issuance of the Series 2020B Master Note or the Bonds shall at any time prove to have been incorrect in any respect as of the time made;

(c) if the Corporation shall fail to observe or perform any other covenant, condition, agreement or provision in the Series 2020B Loan Agreement on its part to be observed or performed, other than as referred to in subsection (a) or (b) above, or shall breach any warranty by the Corporation contained in the Series 2020B Loan Agreement, for a period of sixty (60) days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to the Corporation by the Authority, or the Bond Trustee; except that, if such failure or breach can be remedied but not within such sixty-day period and if the Corporation has taken all action reasonably possible to remedy such failure or breach within such sixty-day period, such

failure or breach shall not become a Loan Default Event for so long as the Corporation shall diligently proceed to remedy such failure or breach in accordance with and subject to any directions or limitations of time established by the Bond Trustee;

(d) If the Corporation files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the Corporation's facilities;

(e) If a court of competent jurisdiction shall enter an order, judgment or decree declaring the Corporation an insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Corporation or of the whole or any substantial part of the Corporation's facilities, or approving a petition filed against the Corporation seeking reorganization of the Corporation under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof;

(f) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Corporation's facilities, and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control;

(g) any Event of Default as defined in and under the Series 2020B Bond Indenture;

(h) any Event of Default as defined in and under the Master Indenture; or

(i) any Event of Default under and as defined in the Continuing Covenant Agreement, if any.

Remedies on Default

If a Loan Default Event shall occur, then, and in each and every such case during the continuance of such Loan Default Event, the Bond Trustee on behalf of the Authority, but subject to the limitations in the Series 2020B Bond Indenture as to the enforcement of remedies and the Bond Trustee's rights and protections thereunder, may take such action as it deems necessary or appropriate to collect amounts due under the Series 2020B Loan Agreement, to enforce performance and observance of any obligation or agreement of the Corporation under the Series 2020B Loan Agreement or to protect the interests securing the same, and may, without limiting the generality of the foregoing:

(a) Exercise any or all rights and remedies given by the Series 2020B Loan Agreement or available under the Series 2020B Loan Agreement or given by or available under any other instrument of any kind securing the Corporation's performance under the Series 2020B Loan Agreement (including, without limitation, the Series 2020B Master Note and the Master Indenture);

(b) By written notice to the Corporation declare all Loan Repayments and Additional Payments to be immediately due and payable under the Series 2020B Loan Agreement, whereupon the same shall become immediately due and payable; and

(c) Take any action at law or in equity to collect the payment required under the Series 2020B Loan Agreement then due, whether on the stated due date or by declaration of acceleration or otherwise, for damages or for specific performance or otherwise to enforce performance and observance of any obligation, agreement or covenant of the Corporation under the Series 2020B Loan Agreement.

Notwithstanding any other provision of the Series 2020B Loan Agreement or any right, power or remedy existing at law or in equity or by statute, the Bond Trustee shall not under any circumstances declare the entire unpaid aggregate amount of the payment due under the Series 2020B Loan Agreement to be immediately due and payable except in accordance with the directions of the Master Trustee if the Master Trustee shall have declared the aggregate principal amount of the Series 2020B Master Note and all interest thereon immediately due and payable in accordance with Section 7.02(a) of the Master Indenture.

To the extent that the Series 2020B Loan Agreement confers upon or gives or grants the Bond Trustee any right, remedy or claim under or by reason of the Series 2020B Loan Agreement, the Bond Trustee is explicitly recognized as being a third-party beneficiary under the Series 2020B Loan Agreement and may enforce any such right, remedy or claim conferred, given or granted under the Series 2020B Loan Agreement.

Remedies Cumulative.

No remedy conferred upon or reserved to the Authority or the Bond Trustee by the Series 2020B Loan Agreement or now or hereafter existing at law or in equity or by statute, shall be exclusive but shall be cumulative with all others. Such remedies are not mutually exclusive and no election need be made among them, but any such remedy or any combination of such remedies may be pursued at the same time or from time to time so long as all amounts realized are properly applied and credited as provided in the Series 2020B Loan Agreement. No delay or omission to exercise any right or power accruing upon any Loan Default Event shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient by the Authority or the Bond Trustee. In the event of any waiver of a Loan Default Event under the Series 2020B Loan Agreement, the parties shall be restored to their former positions and rights under the Series 2020B Loan Agreement, but no such waiver shall extend to any other or subsequent Loan Default Event or impair any right arising as a result thereof. In order to entitle the Bond Trustee to exercise any remedy reserved to it, it shall not be necessary to give notice other than as expressly required in the Series 2020B Loan Agreement.

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APPENDIX D

SUMMARY OF THE MASTER INDENTURE

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SUMMARY OF THE MASTER INDENTURE

The following is a summary of certain provisions of the Master Indenture. It is not a comprehensive description, however, and is qualified in its entirety by reference to the Master Indenture.

Definition of Certain Terms

In addition to the terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in the Master Indenture and this Official Statement unless the context clearly otherwise requires. Reference is hereby made to the Master Indenture for complete definitions of all terms.

"Accounts Receivable Indebtedness" shall mean Indebtedness incurred or deemed incurred in connection with any sale or assignment of accounts receivable with recourse, consisting of an obligation to repurchase or accept the reassignment of all or a portion of such accounts receivable upon certain conditions.

"Additional Indebtedness" shall mean any Indebtedness incurred subsequent to the issuance of the Master Indenture Obligations which were issued under the Master Indenture as supplemented by the First Supplemental Indenture.

"Affiliate" shall mean a Person organized under the laws of the United States of America or a state thereof which is directly or indirectly controlled by the Initial Obligated Issuer or any other Affiliate. For purposes of this definition, "control" means the power to direct the management and policies of a Person through the ownership of at least a majority of its voting securities or the right to designate or elect at least a majority of the members of its Governing Body, whether by contract or otherwise.

"Balloon Long-Term Indebtedness" means (1) means 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 Long-Term Indebtedness in an Officer's Certificate stating that such portion shall be deemed to constitute a separate issue of Balloon Long-Term Indebtedness.

"Bond Index" means, at the option of Tower Health 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 Tower Health.

"Bond Insurer" shall mean the provider of a policy of municipal bond insurance with respect to any Related Bonds if any such policy is provided.

"Book Value," when used in connection with Property of any Master Indenture Obligor, shall mean the cost of such property, net of accumulated depreciation, as it is carried on the books of the Obligated Group, RH or any Master Indenture Obligor in conformity with generally accepted accounting principles, determined in such a manner that no portion of such value of such property is included more than once.

"Capitalization Ratio" shall mean the aggregate principal amount of Long-Term Indebtedness divided by Total Capitalization; provided, however, that in calculating the Capitalization Ratio, to the extent Long-Term Indebtedness matures or is subject to prepayment at par at the option of a member of the Obligated Group within one year, both Long-Term Indebtedness and Total Capitalization shall be reduced by the amount specified in an Excess Liquidity Certificate.

"Commercial Paper Indebtedness" shall mean Indebtedness with a stated maturity of 270 days or less which is incurred as part of a program which provides for continuously selling such securities with new maturity dates of 270 days or less as such securities mature.

"Completion Indebtedness" shall mean any Indebtedness incurred for the purpose of financing the completion of the constructing or equipping of facilities for which Indebtedness has heretofore 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 that such prior Indebtedness was originally incurred, and in accordance with the general plans and specifications for such facility as originally prepared with only such changes as have been made in conformance with the documents pursuant to which such prior Indebtedness was originally incurred.

"Consultant" shall mean a Person having the skill and experience necessary to render the particular report required by the provision of the Master Indenture in which such requirement appears. In rendering a particular report under the Master Indenture, a Consultant shall be entitled to rely on a report prepared by another Consultant qualified to render such report in accordance with the provisions of the Master Indenture.

"Corporate Trust Office" shall mean an office of the Master Trustee or its agent at which its corporate trust business with respect to the transactions contemplated by the Master Indenture is conducted.

"Derivative Agreement" means, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, (ii) any contract providing for payments based on levels of, or charges or differences in, interest rates, currency exchange rates, or stock or other indices, (iii) any contract to exchange cash flows or payments or series of payments, (iv) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk, and (v) any other type of contract or arrangement that the Member of the Obligated Group entering into such contract or arrangement determines is to be used, or is intended to be used, to manage or reduce the cost of Indebtedness, to convert any element of Indebtedness from one form to another, to maximize or

increase investment return, to minimize investment return risk or to protect against any type of financial risk or uncertainty.

"Discount Indebtedness" shall mean any Indebtedness issued at an original price which is less than 90% of the principal amount thereof at maturity.

"Event of Default" shall mean any one or more of those events set forth under the caption "Event of Default" below.

"Excess Liquidity Certificate" shall mean an Officer's Certificate specifying the amount by which unrestricted plus board restricted assets held in cash or liquid securities by all members of the Obligated Group exceed accumulated depreciation and amortization plus 30 days of operating expenses for all members of the Obligated Group.

"Financial Statements" shall mean the consolidated or combined financial statements of the Obligated Group or the consolidated or combined financial statements of RH and its consolidated or combined Affiliates, including the members of the Obligated Group, which contain certain summarized consolidated or combined financial information concerning the Obligated Group or, if RH is the only Master Indenture Obligor, the financial statements of RH.

"First Supplemental Indenture" shall mean the First Supplemental Master Trust Indenture, dated as of June 1, 1993, between RH and the Master Trustee.

"GAAP" means generally accepted accounting principles as applied in the United States of America, consistently applied.

"Governing Body" shall mean, when used with respect to RH or any other Master Indenture Obligor, its board of directors, or other board or group of individuals in which the powers of such Master Indenture Obligor are vested, either generally or solely with respect to the specific matter under consideration.

"Governmental Restrictions" shall mean federal, state or other applicable governmental laws or regulations affecting any Master Indenture Obligor and its health care or other facilities placing restrictions and limitations on the fees and charges to be fixed, charged and collected by such Master Indenture Obligor.

"Gross Revenues" means all revenue, income, receipts and money received in any period by the Obligated Group (other than the proceeds of borrowing), including, but without limiting the generality of the foregoing, (a) gross revenues derived from operations, (b) gifts, grants, bequests, donations and contributions, exclusive of any gifts, grants, bequests, donations and contributions and income therefrom, to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of principal of, redemption premium, if any, and interest on Master Indenture Obligations and (c) proceeds derived from (i) insurance, except to the extent otherwise required by the Indenture, (ii) accounts receivable, (iii) securities and other investments, unless such securities or investments are excluded under clause (b) above, in this definition, (iv) inventory and other tangible and intangible property, (v) medical or hospital insurance or indemnity programs or agreements and (vi) contract rights and other rights and assets now or hereafter owned, held or possessed by or on behalf of the

Obligated Group; provided, that no determination of Gross Revenues shall take into account any revenues of an Affiliate which is not a member of the Obligated Group or any gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business.

"Guaranty" shall mean all obligations of any Master Indenture Obligor guaranteeing in any manner whether directly or indirectly any obligation of any other person not a member of the Obligated Group which obligation of such other person would, if such obligation were the obligation of such Master Indenture Obligor, constitute Indebtedness. The term Guaranty shall also include any Pass-Through Indebtedness.

"Holder" shall mean the holder or the registered owner of any Master Indenture Obligation.

"Income Available for Debt Service" means the excess of (i) revenues (after adjustments, discounts or contractual allowances) and gains over (ii) expenses and losses other than depreciation, amortization and interest; provided, however, that the following items shall be excluded from the computation of "Income Available for Debt Service": (a) extraordinary items of income or loss; (b) gain or loss from the extinguishment of Indebtedness; (c) unrealized gains and losses on investments or Derivative Agreements; (d) any gain or loss from the disposition of assets not in the ordinary course of business: (e) any loss from impairment of the value of assets; (f) financing costs that are treated as a current expense, rather than amortized; (g) gain or loss from the termination of any retirement or pension plan; and (h) any other item that is non-recurring and also a non-cash item.

"Indebtedness" shall mean all outstanding obligations for borrowed money, installment sale obligations and capitalized lease obligations incurred or assumed by any member of the Obligated Group including, without limitation, Guaranties, except obligations of a member of the Obligated Group to another member of the Obligated Group.

"Indenture" shall mean the Master Indenture including all Supplemental Indentures.

"Independent Certified Public Accountant" shall mean a Person (but not an individual) which is independent in accordance with the rules of the American Institute of Certified Public Accountants.

"Initial Obligated Issuer" shall mean RH.

"Interim Indebtedness" shall mean Indebtedness having a term of 60 months or less, other than Commercial Paper Indebtedness, which is incurred in anticipation of the financing of capital improvements for a member of the Obligated Group and which is expected to be refinanced using the proceeds of Long-Term Indebtedness.

"Investment Securities" shall mean:

(a) direct obligations of, or obligations the principal and interest on which are unconditionally guaranteed by, the United States of America (hereinafter referred to as "Government Obligations");

(b) rights to receive the principal of or the interest on Government Obligations through (i) direct ownership, as evidenced by physical possession of such Government Obligations or unmatured interest coupons or by registration as to ownership on the books of the issuer or its duly authorized paying agent or transfer agent, or (ii) purchase of certificates or other instruments evidencing an undivided ownership interest in payments of the principal of or interest on Government Obligations; and

(c) debt obligations of any state or political subdivision thereof or any agency or instrumentality of such a state or political subdivision, provided that the principal or redemption price of and interest on such obligations are secured by and payable from amounts received (without reinvestment) in respect of the principal of and interest on non-callable Government Obligations, and provided further that, at the time of purchase, such obligations are rated by S&P and by Moody's in the highest rating category assigned by each such rating service (or, upon the discontinuance of either such rating service, by another nationally recognized rating service or services).

"Lien" shall mean any mortgage or pledge of, security interest in or encumbrance on any Property which secures any indebtedness to any Person other than a member of the Obligated Group.

"Long-Term Debt Service Coverage Ratio" shall mean for any period of time the ratio determined by dividing Income Available for Debt Service by Maximum Annual Debt Service.

"Long-Term Debt Service Requirement" shall mean, for any period of time for which such determination is made, the aggregate of the payments to be made in respect of principal and interest on Long-Term Indebtedness of each member of the Obligated Group during such period, as adjusted (i) with respect to Interim Indebtedness, the amount of the principal and interest determined under subparagraph (a) under the caption "Assumptions with Respect to Computations of Maximum Annual Debt Service" below, (ii) with respect to Balloon Long-Term Indebtedness, the amount of principal and interest during such period determined under subparagraph (a) under the caption "Assumptions with Respect to Computations of Maximum Annual Debt Service" below, (iii) with respect to Variable Rate Long-Term Indebtedness, the amount of principal and interest determined under subparagraph (b) under the caption "Assumptions with Respect to Computations of Maximum Annual Debt Service" below, (iv) with respect to Put Indebtedness, the amount of principal and interest determined under subparagraph (b) under the caption "Assumptions with Respect to Computations of Maximum Annual Debt Service" below, and (v) with respect to any Guaranty, the amount of debt service determined under subparagraph (c) under the caption "Assumptions with Respect to Computations of Maximum Annual Debt Service" below, provided, however, that debt service on Long-Term Indebtedness incurred to finance capital improvements shall be excluded from the determination of the Long-Term Debt Service Requirement for the period of construction of such capital improvements. Notwithstanding the foregoing, in calculating the Long-Term Debt Service Requirement for any particular period there shall be excluded any and all amounts payable from funds available in a Qualified Escrow.

"Long-Term Indebtedness" shall mean Indebtedness with an original stated maturity of more than one year and Commercial Paper Indebtedness. In determining the amount of

Long-Term Indebtedness outstanding at any time, Discount Indebtedness shall be valued at its then current compounded (semi-annual) accreted value.

"Master Indenture Obligation" shall mean (i) any Note issued, authenticated and delivered under the Master Indenture and (ii) any other contract, agreement or instrument authenticated and delivered under the Master Indenture (including, without limitation, Guaranties) evidencing the obligation of a Master Indenture Obligor to repay amounts or otherwise satisfy and discharge obligations and liabilities set forth in such contract, agreement or instrument.

"Master Indenture Obligor" shall mean the Initial Obligated Issuer and any Affiliate or other Person that has become a Master Indenture Obligor under the Master Indenture in accordance with the provisions thereof or any successor thereto.

"Master Trustee" shall mean The Bank of New York Mellon Trust Company, N.A., a banking association organized under the laws of the United States of America, and its successors.

"Maximum Annual Debt Service" shall mean the highest Long-Term Debt Service Requirement for any succeeding calendar year over the remaining term of Outstanding Master Indenture Obligations using the assumptions provided in the Master Indenture.

"Moody's" shall mean Moody's Investors Service and any successor thereto.

"Non-Recourse Indebtedness" shall mean any Indebtedness secured by a Lien, liability for which is effectively limited to the Property subject to such Lien and any revenues derived therefrom, with no recourse, directly or indirectly, to any other Property of any member of the Obligated Group.

"Note" shall mean any Note issued, authenticated and delivered under the Master Indenture in connection with the issuance of a Related Bond. References to a series of Notes or to Notes of a series shall mean the Notes or series of Notes issued pursuant to a single Supplemental Indenture.

"Obligated Group" shall mean the Initial Obligated Issuer and all other Master Indenture Obligors.

"Officer's Certificate" shall mean a certificate signed by the chief executive officer, chief financial officer or some other individual designated pursuant to a resolution adopted by the Governing Body of RH and of each Master Indenture Obligor whose financial statements are not combined or consolidated with those of RH in accordance with generally accepted accounting principles.

"Opinion of Bond Counsel" shall mean an opinion in writing signed by an attorney or firm of attorneys experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.

"Opinion of Counsel" shall mean an opinion in writing signed by an attorney or firm of attorneys, who may be counsel (including inside counsel) for RH.

"Outstanding", when used with reference to Master Indenture Obligations, shall mean, as of any date of determination, all Master Indenture Obligations theretofore issued or incurred and not paid and discharged other than (i) Master Indenture Obligations theretofore canceled by the Master Trustee or delivered to the Master Trustee for cancellation, (ii) Master Indenture Obligations deemed paid and no longer Outstanding and Master Indenture Obligations which are defeased pursuant to the Master Indenture, (iii) Master Indenture Obligations paid or in lieu of which other Master Indenture Obligations have been authenticated and delivered pursuant to the Master Indenture and (iv) Master Indenture Obligations held by members of the Obligated Group. For the purposes of making any calculation of Long-Term Debt Service Requirement under the Master Indenture, the term "Outstanding" shall not include any Master Indenture Obligations, or other Indebtedness, issued to refund other obligations during the period when any such Master Indenture Obligations or other Indebtedness is payable solely from its proceeds, the interest earnings thereon, escrowed monies provided from any other source or any letter of credit. In addition, if two or more obligations which constitute Indebtedness represent the same underlying obligation (as when a Master Indenture Obligation secures an issue of Related Bonds and another Master Indenture Obligation secures repayment obligations to a bank incurred in connection with such issue of Related Bonds) for purposes of the various financial covenants contained in the Master Indenture, but only for such purposes, only one of such obligations shall be deemed Outstanding.

"Pass Through Indebtedness" shall mean any Indebtedness the proceeds of which are to be utilized by a Person outside the Obligated Group if an Officer's Certificate is presented to the Master Trustee stating that the Person utilizing the proceeds has executed a note in favor of a member of the Obligated Group in at least the amount of the Pass Through Indebtedness.

"Permitted Liens" shall have the meaning given under the caption "Limitations on Creation of Liens" below.

"Person" shall include an individual, association, unincorporated organization, corporation, partnership, joint venture, business trust or a government or an agency or a political subdivision thereof, or any other entity.

"Property" shall mean any and all rights, titles and interests in and to any and all tangible property of the Obligated Group, whether real or personal, and wherever situated.

"Property, Plant and Equipment" shall mean all Property which is property, plant and equipment under generally accepted accounting principles.

"Put Indebtedness" shall mean Indebtedness a feature of which is an option on the part of the holders of such Indebtedness to tender such Indebtedness to a member of the Obligated Group or a trustee or other fiduciary for the Obligated Group, prior to its stated maturity date.

"Qualified Escrow" shall mean a segregated escrow fund or other similar fund or account which (a) is established as security for Long Term Indebtedness previously incurred and then outstanding (herein referred to as "Prior Indebtedness") or for Refunding Indebtedness and is held by the holder of the Prior Indebtedness or Refunding Indebtedness secured thereby or by a trustee or agent acting on behalf of such holder and is subject to a perfected security interest in favor of such holder, trustee or agent, (b) is held in cash or invested in Investment Securities, and

(c) is to be applied toward a Master Indenture Obligor's payment obligations in respect of the Prior Indebtedness or Refunding Indebtedness, provided that, if the fund or account is funded in whole or in part with the proceeds of Refunding Indebtedness, the documents establishing the same may require specified payments of principal or interest (or both) in respect of the Refunding Indebtedness to be made from the fund or account prior to the date on which the Prior Indebtedness is repaid in full.

"Refunding Indebtedness" shall mean Indebtedness incurred for the purpose of refunding any Outstanding Long-Term Indebtedness if the Governing Body of RH shall have adopted a resolution finding that such refunding is in the best interest of the Obligated Group and stating the reasons for such finding.

"Related Bonds" shall mean the revenue bonds or other obligations issued by any state, territory or possession of the United States or any municipal corporation or political subdivision formed under the laws thereof or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof ("governmental issuer"), pursuant to a single Related Bond Indenture, the proceeds of which are loaned or otherwise made available to any Master Indenture Obligor in consideration of the execution, authentication and delivery of one or more Master Indenture Obligations to or for the order of such governmental issuer.

"Related Bond Indenture" shall mean any indenture, bond resolution or other comparable instrument pursuant to which a series of Related Bonds are issued.

"Related Bond Issuer" shall mean the issuer of any issue of Related Bonds.

"Related Bond Master Trustee" shall mean the master trustee and its successors in the trusts created under any Related Bond Indenture, and if there is no such trustee, shall mean the Related Bond Issuer.

"RH" shall mean Reading Hospital, a not-for-profit corporation organized and existing under the laws of the Commonwealth of Pennsylvania, and its successors and assigns, including, without limitation, any other member of the Obligated Group which shall have been designated to assume certain responsibilities of RH pursuant to the Master Indenture.

"S&P" shall mean Standard & Poor's, a division of The McGraw-Hill Companies, Inc., and any successor thereto.

"Short-Term Indebtedness" shall mean Indebtedness having an original stated maturity of one year or less, other than Commercial Paper Indebtedness, Interim Indebtedness, Put Indebtedness and Non-Recourse Indebtedness.

"SIFMA" means the Securities Industry and Financial Markets Association, any successor thereto, or any person acting in cooperation with or under the sponsorship of SIFMA and acceptable to Tower Health.

"SIFMA Index" means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations (the SIFMA Municipal Swap

Index), as produced by Municipal Market Data and published or made available by SIFMA, or any person acting in cooperation with or under the sponsorship of SIFMA and acceptable to Tower Health, and effective from such date.

"Subordinated Indebtedness" shall mean any Long-Term Indebtedness or Short-Term Indebtedness which: (a) is incurred pursuant to the provisions described in paragraph (e) under the caption "Limitations on Incurrence of Additional Indebtedness" below; (b) is unsecured; (c) is payable as to principal, redemption price or interest only if, at the time in question, the principal or redemption price of and interest on all Master Indenture Obligations (except for Non-Recourse Indebtedness or other Subordinated Indebtedness) then due or overdue (by acceleration or otherwise) has first been paid; and (d) is not subject to acceleration upon a default unless all Master Indenture Obligations (except for Non-Recourse Indebtedness or other Subordinated Indebtedness) have also been accelerated.

"Supplemental Indenture" shall mean an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Indenture for the purpose, among others, of creating a particular series of Master Indenture Obligations thereunder.

"Total Capitalization" shall mean the sum of the aggregate Long-Term Indebtedness Outstanding of the members of the Obligated Group, plus the aggregate unrestricted fund balance of the non-profit members of the Obligated Group, plus the aggregate excess of assets over liabilities of the proprietary members of the Obligated Group, all as calculated in accordance with generally accepted accounting principles, less any Indebtedness not deemed to be Outstanding under the provisions of the Master Indenture; provided that in determining Total Capitalization, Discount Indebtedness shall be valued at its semi-annual compounded accreted value.

"Total Operating Expenses" shall mean the aggregate of operating expenses of each Master Indenture Obligor, determined in accordance with generally accepted accounting principles consistently applied.

"Total Revenues" shall mean, for the period under consideration, the sum of the following for any one or more of the Master Indenture Obligors or, as the context requires, of the entire Obligated Group:

(a) all amounts constituting operating revenues under generally accepted accounting principles, before deduction of operating expenses, but after deduction of (i) contractual allowances and discounts, and (ii) provision for free care and doubtful accounts; and

(b) all amounts constituting nonoperating revenues under generally accepted accounting principles.

"Unsecured Indebtedness" shall mean any Indebtedness not secured by any Lien.

"Value" shall mean Book Value or fair market value, as RH may elect.

"Variable Rate Indebtedness" shall mean any Indebtedness with respect to which the interest rate is not established, at the time in question, at a fixed or constant rate to maturity.

Accounting Principles and Financial Reporting.

All accounting terms not specifically defined in the Master Indenture shall be construed in accordance with GAAP consistently applied, except as otherwise stated in the Master Indenture. If any change in accounting principles from those used in the preparation of the financial statements of Tower Health or the Obligated Group as of June 30, 2017 results from the promulgation of rules, regulations, pronouncements and opinions by or required by the Financial Accounting Standards Board, American Institute of Certified Public Accountants or other authoritative bodies that determine GAAP (or successors thereto or agencies with similar functions) and such change results in a change in the accounting terms used in the Master Indenture, at the option of Tower Health, the accounting terms used in the Master Indenture shall be modified to reflect such change in accounting principles so that the criteria for evaluating the compliance of the Obligated Group or Tower Health with all financial covenants and tests contained in the Master 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 Tower Health or the Obligated Group as of June 30, 2017 had been made. If any such modification of the accounting terms used in the Master Indenture shall occur and Tower Health elects to have the accounting terms used in the Master Indenture modified as provided in the preceding sentence, Tower Health 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 Holders or result in materially different criteria for evaluating the compliance of the Obligated Group or Tower Health with all financial covenants and tests contained in the Master Indenture.

General Obligation; Pledge of Gross Revenues; Security Interest

Each Master Indenture Obligation issued pursuant to the Master Indenture will entitle each holder thereof to the protection of the covenants, restrictions and other obligations imposed upon each Master Indenture Obligation by the Master Indenture. Such Master Indenture Obligations will be the joint and several, general obligations of each Master Indenture Obligor. To secure the prompt payment of the principal of, redemption premium, if any, and interest on Master Indenture Obligations and the performance by the members of the Obligated Group of their other obligations under the Master Indenture, each member of the Obligated Group shall pledge and assign to the Master Trustee, for the equal and ratable benefit to the Holders, from time to time, of Master Indenture Obligations, all Gross Revenues.

On or before the date of issuance of a series of Master Indenture Obligations under the Master Indenture, each member of the Obligated Group shall file one or more financing statements evidencing the security interests granted to the Master Trustee in the Master Indenture in such form as is required by applicable law, with copies thereof to be delivered to the Master Trustee.

The pledge, assignment and grant of security interest made by the Master Indenture shall not inhibit, and the Master Indenture allows, the sale or other transfer of Gross Revenues for

expenditures of the Obligated Group, provided the Obligated Group is in compliance with the terms of the Master Indenture.

Conditions to Issue of Master Indenture Obligations

The following conditions, among others, must be satisfied simultaneously with or prior to the execution, authentication and delivery of any Master Indenture Obligations:

(a) The issuer of such Master Indenture Obligations shall have delivered to the Master Trustee an Opinion or Opinions of Counsel to the effect that (1) registration of such Master Indenture Obligations under the Securities Act of 1933, as amended, and qualification of the Master Indenture or any supplement thereto under the Trust Indenture Act of 1939, as amended, is not required, or, if such registration or qualification is required, that all applicable registration and qualification provisions of said Acts have been complied with (at the request of the Master Trustee, any other opinions delivered in connection with the issuance of each series of Master Indenture Obligations shall also be addressed to the Master Trustee) and (2) the Master Indenture Obligations are valid, binding and enforceable obligations of the respective Master Indenture Obligors in accordance with their terms, except as limited by bankruptcy laws, insolvency laws and other laws affecting creditors' rights generally and usual equity principles and (3) all applicable corporate policies of members of the Obligated Group respecting issuance of Master Indenture Obligations have been complied with; and

(b) RH shall have delivered to the Master Trustee an Officer's Certificate stating that (1) RH consents to and approves the issuance of the Master Indenture Obligations and (2) no Event of Default has occurred and is continuing.

Insurance

Each member of the Obligated Group agrees that it will maintain insurance, which may include self-insurance programs, covering such risks and in such amounts as, in its judgment, are adequate to protect it and its Properties and operations; provided, however, there shall be no self-insurance on Property, Plant and Equipment. The insurance or self-insurance required to be maintained shall be subject to the periodic review of an insurance Consultant. RH agrees that it will follow and cause each member of the Obligated Group to follow any reasonable recommendations of the insurance Consultant and will, annually (for any self-insurance programs) and every third year (with respect to insurance provided by third parties), deliver or cause to be delivered to the Master Trustee as soon as practicable, but in no event later than three months after the end of each such year or third year, as applicable, a report of the insurance Consultant setting forth a description of the insurance or self-insurance maintained, or caused to be maintained, by members of the Obligated Group then in effect and stating whether, in the opinion of the insurance Consultant, such insurance or self-insurance and any reductions or eliminations of the amount of any insurance or self-insurance coverage (including amounts on deposit or to be deposited to self-insurance funds or trusts) during the period covered by such report adequately protect the members of the Obligated Group and their respective Properties and operations. If such Consultant's opinion is that such Properties and operations are not adequately protected, the insurance Consultant's report shall contain recommendations as to what additional types and amounts of insurance are necessary to provide such adequate protection.

Amounts received by any Master Indenture Obligor as insurance proceeds with respect to any casualty loss or as condemnation awards may be used in such manner as the recipient may determine, including, without limitation, applying such moneys to the payment or repayment of any Master Indenture Obligations in accordance with the terms thereof and of any Supplemental Indenture, subject to compliance with the provisions of the Master Indenture respecting the disposition of cash, investments and other liquid assets.

Limitations on Creation of Liens

(a) Each member of the Obligated Group agrees that it will not create or suffer to be created or permit the existence of any Lien upon Property now owned or hereafter acquired by it other than Permitted Liens.

(b) Permitted Liens shall consist of the following:

(i) Liens arising by reason of good faith deposits by any member of the Obligated Group in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any member of the Obligated Group to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(ii) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any member of the Obligated Group to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(iii) Any judgment lien against any member of the Obligated Group so long as such judgment is being contested in good faith and execution thereon is stayed;

(iv) (A) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law; (B) any liens on any property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, if execution with respect to the same has not been stayed, neither the lien of the Master Indenture nor the use of the property in question will be materially impaired or which, with respect to liens of mechanics, materialman, laborers, suppliers or vendors, have been due for less than 4 months; (C) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservation and other minor defects, encumbrances, and irregularities in the title to any property which do not materially

impair the use of such property or materially and adversely affect the value thereof; (D) to the extent that it affects title to any property, the Master Indenture; and (E) landlord's liens;

(v) Any Lien which is existing on the date of authentication and delivery of the initial Notes issued under the Master Indenture and of which the Master Trustee has received written notice at the time of such initial issuance;

(vi) Any Lien on Property acquired by a member of the Obligated Group securing Indebtedness permitted by the provisions described under the caption "Limitation on Incurrence of Additional Indebtedness" below that was assumed in connection with the acquisition of such Property;

(vii) Purchase money Liens securing Indebtedness permitted as set forth under the caption "Limitation on Incurrence of Additional Indebtedness" below. Notwithstanding anything contained in the Master Indenture to the contrary, the Book Value of the Property pledged under any Lien permitted by this subsection (vii), subsection (viii) and subsection (xvii) shall not exceed in the aggregate 15% of the Value of all Property, Plant and Equipment of the Obligated Group;

(viii) Liens securing Indebtedness permitted as set forth under the caption "Limitation on Incurrence of Additional Indebtedness" below so long as (A) the Book Value of the Property pledged in aggregate under all such Liens allowed pursuant to this provision is less than the greater of (1) 20% of Total Revenue of the Obligated Group, as shown on the most recent audited Financial Statements, or (2) 10% of the Value of all Property, Plant and Equipment of the Obligated Group, or (B) immediately after the incurrence of such Indebtedness the aggregate principal amount of all Long-Term Indebtedness does not exceed 65% of Total Capitalization, without, in the case of Non-Recourse Indebtedness, including the aggregate Value of the Property so pledged under all Liens allowed pursuant to this provision in Total Capitalization or the Non-Recourse Indebtedness incurred to purchase such Property in Long-Term Indebtedness or Total Capitalization. Notwithstanding anything contained in the Master Indenture to the contrary, the Book Value of the Property pledged under any Lien permitted by subsection (vii), this subsection (viii) and subsection (xvii) shall not exceed in the aggregate 15% of the Value of all Property, Plant and Equipment of the Obligated Group;

(ix) Any Lien in favor of a creditor or a trustee on the proceeds of Indebtedness and any earnings thereon prior to the application of such proceeds and such earnings;

(x) Any Lien securing all Master Indenture Obligations on a parity basis;

(xi) Liens on property received by any member of the Obligated Group through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of property or the income thereon;

(xii) Liens on property due to rights of third party payors for recoupment of amounts paid to any member of the Obligated Group;

(xiii) Rights of the United States of America under Title 42 United States Code Section 291;

(xiv) Any Lien arising by reason of any escrow established to pay debt service with respect to Indebtedness;

(xv) Liens on property of Affiliates or other entities that become members of the Obligated Group pursuant to the provisions described under the caption "Parties Becoming Master Indenture Obligors" below that were incurred in the ordinary course of business prior to becoming Members of the Obligated Group;

(xvi) Any Lien arising by virtue of a lease, sub-lease or loan agreement entered into by a Master Indenture Obligor and that is reasonably necessary to the business operations and affairs of such Master Indenture Obligor;

(xvii) Any Lien on Gross Revenues now or hereafter granted by any member of the Obligated Group to secure Indebtedness permitted as described under the caption "Limitation on Incurrence of Additional Indebtedness" below or granted in connection with the incurrence of such Indebtedness. Notwithstanding anything contained in the Master Indenture to the contrary, the Book Value of the Property pledged under any Lien permitted by subsection (vii), subsection (viii) and this subsection (xvii) shall not exceed in the aggregate 15% of the Value of all Property, Plant and Equipment of the Obligated Group; and

(xviii) Any Lien on assets securing a Derivative Agreement or for the purpose of meeting collateral posting requirements under a Derivative Agreement.

Limitations on Incurrence of Additional Indebtedness

Each member of the Obligated Group covenants and agrees that it will not incur any Additional Indebtedness except in the manner and pursuant to the terms set forth below and as described under the caption "Assumptions with Respect to Computation of Maximum Annual Debt Services" below.

(a) Long-Term Indebtedness may be incurred if prior to the incurrence of such Long-Term Indebtedness there is delivered to the Master Trustee:

(i) An Officer's Certificate certifying that:

(A) Immediately after the incurrence of the proposed Long-Term Indebtedness the Capitalization Ratio does not exceed 60%; or

(B) The Long-Term Debt Service Coverage Ratio for any period of twelve (12) full consecutive calendar months during the most recent period of eighteen (18) full consecutive calendar months preceding the date of delivery of the Officer's Certificate for which there are Financial Statements

available or the most recent fiscal year, taking all Outstanding Long-Term Indebtedness and the proposed Long-Term Indebtedness into account, is not less than 1.20; or

(ii) A written report of a Consultant demonstrating and stating that (A) the Long-Term Debt Service Coverage Ratio for the period mentioned in paragraph (a)(i)(B) above, excluding the proposed Long-Term Indebtedness, is at least 1.10 and (B) the expected Long-Term Debt Service Coverage Ratio for each of the two full fiscal years succeeding the date of completion of use of the proceeds of such proposed Long-Term Indebtedness is not less than 1.20, as shown by pro forma Financial Statements for each such period, accompanied by a statement of the relevant assumptions upon which such pro forma Financial Statements are based; provided, however, that compliance with the tests set forth in this paragraph (a)(ii) may be evidenced by an Officer's Certificate in lieu of a Consultant's report where (i) the aggregate proceeds of such Long-Term Indebtedness incurred during the time period described in paragraph (a)(i)(B) above is less than 20% of the Total Revenues of the Obligated Group or (ii) the ratios set forth in this paragraph (a)(ii) are equal to or greater than 1.50; provided further, however, that if the report of a Consultant states that Governmental Restrictions have been imposed which make it impossible for the coverage requirements of this paragraph to be met, then such coverage requirements shall be reduced to the maximum coverage permitted by such Governmental Restrictions but in no event less than 1.00.

(b) Refunding Indebtedness may be incurred without limitation if the Master Trustee receives an Officer's Certificate stating and demonstrating that the Maximum Annual Debt Service for any succeeding fiscal year on all Long-Term Indebtedness to be Outstanding will not exceed 110% of the Maximum Annual Debt Service on all Long-Term Indebtedness Outstanding immediately prior to the incurring of the proposed Refunding Indebtedness.

(c) Completion Indebtedness may be incurred without limitation.

(d) Short-Term Indebtedness may be incurred if immediately after the incurrence of such Indebtedness, the unpaid principal balance of all such Indebtedness to be incurred together with the unpaid principal balance of all Short-Term Indebtedness Outstanding does not exceed 20% of the Total Revenues of the Obligated Group for the most recent period of twelve (12) full consecutive calendar months for which Financial Statements are available; provided, however, that the unpaid principal balance of such Short-Term Indebtedness shall not exceed 5% of the Total Revenues of the Obligated Group for a period of at least 15 consecutive calendar days during each fiscal year of RH, and provided further, however, that any failure to comply with the covenant to reduce the aggregate principal amount of outstanding Short Term Indebtedness in accordance with this paragraph (d) shall not constitute an Event of Default under the Master Indenture. However, the principal amount of all Short Term Indebtedness outstanding as of the end of the fiscal year in which such failure occurs shall be treated as Long Term Indebtedness for the purposes of any calculation of Long Term Debt Service Requirements made during the next succeeding fiscal year.

(e) Subordinated Indebtedness may be incurred without limitation.

(f) Long-Term Indebtedness may be incurred without complying with the provisions of paragraph (a) above if the Master Trustee receives an Officer's Certificate stating and demonstrating that the principal amount of the Long-Term Indebtedness to be incurred, together with the principal amount of all other Long-Term Indebtedness incurred during the current fiscal year of RH pursuant to the provisions of this paragraph (f), does not exceed 5% of the Total Revenues of the Obligated Group for the fiscal year of RH immediately preceding the incurrence in question. For the purpose of any Officer's Certificate delivered pursuant to this paragraph (f), the principal amount of all Non-Recourse Indebtedness and Subordinated Indebtedness shall be excluded.

(g) Non-Recourse Indebtedness may be incurred without limitation.

(h) Accounts Receivable Indebtedness may be incurred without limitation, provided that the amount of such Indebtedness shall not exceed the monetary consideration actually received from any such sale or assignment; and provided further that, the Master Trustee receives an Officer's Certificate stating and demonstrating that the aggregate amount of Accounts Receivable Indebtedness incurred pursuant to this subparagraph (h) shall not exceed 35% of the outstanding accounts receivable of the Obligated Group.

Notwithstanding the foregoing provisions, nothing shall preclude a member of the Obligated Group from incurring any obligation under a line of credit, letter of credit, standby bond purchase agreement or similar credit enhancement or liquidity facility established in connection with any Related Bonds incurred in accordance with this section which are required to be purchased at the option of the holders thereof.

Assumptions with Respect to Computations of Maximum Annual Debt Service

For purposes of the computation of Maximum Annual Debt Service for the purposes of the provisions described under "Limitations on Incurrence of Additional Indebtedness" above, and generally for any covenants or computations required by the Master Indenture, the following rules shall apply:

(a) (i) For any Commercial Paper Indebtedness or Interim Indebtedness it shall be assumed that the principal balance of such Indebtedness shall, at the election of Tower Health, be amortized (i) pursuant to an amortization schedule determined by Tower Health or (ii) over a thirty (30) year period or such shorter period which is the useful life of the assets being financed, beginning on the date of incurrence of such Indebtedness, assuming level annual debt service, as determined by an Officer's Certificate, and a rate of interest equal to (i) ninety percent (90%) of the interest rate borne by United States Treasury obligations having a comparable maturity; or (ii) that derived from the Bond Index, as determined by an Officer's Certificate; provided, however, that in the case of Interim Indebtedness which is expected to be refinanced using a taxable borrowing, the assumed rate of interest shall be equal to one hundred and ten percent (110%) of the interest rate borne by United States Treasury obligations having a comparable maturity.

(ii) For purposes of the calculation of the Long-Term Debt Service Requirements, whether historic or projected, Balloon Long-Term Indebtedness shall, at the election of Tower Health, be deemed to be Indebtedness which is payable over (a) thirty (30)

years from the date of such calculation with level annual debt service on 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, or (b) the remaining term to maturity of such Indebtedness with level annual debt service on 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, or (c) a principal amortization schedule provided by Tower Health 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. 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 Long-Term 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 Long-Term Indebtedness, then the principal of and premium, if any, and interest and other debt service charges on the amount of such Balloon Long-Term Indebtedness so certified to be refundable or refinanceable shall be excluded from the calculation of the Long-Term 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 Long-Term Debt Service Requirements are being calculated, shall be added to the calculation of such Long-Term Debt Service Requirements; or (b) the written consent of the obligor of such Balloon Long-Term Indebtedness agreeing to retire (and such Balloon Long-Term Indebtedness shall permit the retirement of), or to fund a sinking fund for, the principal of such Balloon 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 Balloon 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 Balloon 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 Balloon 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.

(b) The interest on Variable Rate Indebtedness or Put Indebtedness shall be assumed to be the higher of (i) the interest rate in effect on similar securities as of the date of calculation; or (ii) the average interest rate on similar securities in effect for the twelve (12) month period preceding the date of such calculation; or (iii) the equivalent of the 25-year Revenue Bond Index published by The Bond Buyer, or its successors, for the most recent week preceding the date of calculation. For purposes of this paragraph, the interest rate on similar securities shall be the rates on such Indebtedness or, if such Indebtedness has been Outstanding for less than one year, the rates on securities identified as comparable in a certificate of (i) a nationally known investment banking firm or (ii) a commercial bank.

(c) Guaranties (including Pass-Through Indebtedness) shall be treated as Indebtedness for all purposes under the Master Indenture, except there shall be excluded from the Indebtedness of any member of the Obligated Group an amount equal to 80% of the obligation incurred under such Guaranty during each fiscal year of such member of the Obligated Group in which no payment is made pursuant to such Guaranty. In the event that any such

payment is made, such Guaranty shall be treated as Indebtedness for all purposes under the Master Indenture during the remaining term of the Guaranty.

For the purposes of the calculations described in paragraph (c) above, the amount of hypothetical Long-Term Indebtedness referred to above shall be reduced to the extent that a Guaranty is a joint and several obligation of any Person not a member of the Obligated Group that has Outstanding Long-Term Indebtedness rated at least investment grade by S&P and Moody's.

(d) (i) For any Indebtedness for which a binding commitment, letter of credit or other credit arrangement providing for the extension of such Indebtedness beyond its original maturity date exists, the computation of Maximum Annual Debt Service shall, at the option of the member of the Obligated Group, be made on the assumption that such Indebtedness will be amortized in accordance with such credit arrangement.

(ii) For any Indebtedness which converts to a different form, the conversion shall not be deemed to be an incurrence of Indebtedness but for purposes of all subsequent calculations of Maximum Annual Debt Service such debt shall be considered in its converted form; provided, however, if the conversion is not at the election of the Obligated Group and can be reversed (as in the conversion of Put Indebtedness to Short-Term Indebtedness because of a failed remarketing of the Put Indebtedness and a corresponding draw on a credit facility), the provisions of this paragraph shall not apply until the conversion has remained in effect for 30 days.

(e) In the event that any member of the Obligated Group incurs a form of Long-Term Indebtedness which is neither fixed rate Long-Term Indebtedness nor any of the other types of Indebtedness referred to in this section, upon the prior written consent of a Bond Insurer, the Maximum Annual Debt Service on such Indebtedness shall be that stated in a certificate of a nationally known investment banking firm or Consultant which determines such Maximum Annual Debt Service using principles consistent with the provisions of the Master Indenture.

(f) Notwithstanding anything contained in this section to the contrary, the maximum term of any Balloon Long-Term Indebtedness or Variable Rate Indebtedness incurred by any member of the Obligated Group shall be twenty-five years.

Debt Service Coverage Ratio

(a) Each member of the Obligated Group covenants to set rates and charges for its facilities such that the Long-Term Debt Service Coverage Ratio, calculated at the end of each fiscal year of the Obligated Group, will not be less than 1.10.

(b) If the Long-Term Debt Service Coverage Ratio required by paragraph (a) above is not met, the Obligated Group covenants to retain a Consultant to make recommendations to increase such Long-Term Debt Service Coverage Ratio for subsequent fiscal years of the Obligated Group to the level required or, if in the opinion of the Consultant the attainment of such level is impracticable, to the most practicable level. Each member of the

Obligated Group agrees that it will, to the extent permitted by law, follow the recommendations of the Consultant. In the event the recommendations of the Consultant are implemented by each member of the Obligated Group affected thereby and the Long-Term Debt Service Coverage Ratio does not meet the requirements of the foregoing rate covenant, there shall be no Event of Default under the Master Indenture, so long as the Long-Term Debt Service Coverage Ratio is not less than 1.00, but the Obligated Group shall be under a continuing obligation to engage a Consultant for the purposes set forth above.

(c) If a report of a Consultant is delivered to the Master Trustee stating that Governmental Restrictions have been imposed which make it impossible for the ratios in paragraph (a) above to be met, then such ratio requirement shall be reduced to the maximum coverage permitted by such Governmental Restrictions, but in no event less than 1.00.

Sale or Other Disposition of Certain Property; Disposition of Cash and Investments

Nothing hereinafter contained in this section shall be construed as limiting the ability of any member of the Obligated Group to purchase or sell Property in the ordinary course of business or to transfer cash, securities and other investment properties in connection with ordinary investment transactions where such purchases, sales and transfers are for substantially equivalent value. To the extent that any such transaction is for partially equivalent value, only that part of the transaction for which no value is received shall be subject to the provisions of this section (e.g., if a piece of equipment with a fair market value of $100,000 is sold for $50,000 to any Person not a member of the Obligated Group, such transaction shall be subject to the provisions of this section to the extent of $50,000).

Each member of the Obligated Group agrees that it will not sell, transfer (including, without limitation, any transaction which is deemed to be a sale or transfer of the assets in question under generally accepted accounting principles) or otherwise dispose of (all of the foregoing activities being collectively referred to as "Dispositions") (i) Property or (ii) cash and other liquid assets except (A) in the case of any member other than RH, with the prior consent of RH, and (B) in accordance with one or more of the following:

(a) Dispositions of Property may be made to any Person not a member of the Obligated Group if prior to such Disposition there is delivered to the Master Trustee an Officer's Certificate stating that, in the judgment of the signer, such Property has become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary, and the sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or economic value of any remaining Property;

(b) Dispositions of cash and other liquid assets in any fiscal year of such member may be made to any Person not a member of the Obligated Group if the aggregate value of such cash and other liquid assets is less than 2% of the Total Revenues of the Obligated Group;

(c) Dispositions of Property in any fiscal year of such member may be made to any Person not a member of the Obligated Group if the aggregate Value of such Property is less than 10% of the Value of the Property, Plant and Equipment of the Obligated Group;

(d) Dispositions may be made to any Person not a member of the Obligated Group if prior to such Disposition there is delivered to the Master Trustee an Officer's Certificate stating and demonstrating that any condition described in paragraph (a) under the caption "Limitations on Incurrence of Additional Indebtedness" above has been satisfied for the incurrence of an additional one dollar ($1.00) of Additional Indebtedness, assuming such Disposition occurred at the beginning of the period of twelve (12) full consecutive calendar months for which Financial Statements were available; provided, however, that neither cash nor other liquid assets with an aggregate value greater than 5% of Total Revenues of the Obligated Group, nor Property with an aggregate Value greater than 15% of the Value of Property, Plant and Equipment of the Obligated Group, may be transferred in any fiscal year unless the Master Trustee receives an Officer's Certificate stating and demonstrating that immediately after such transfer:

(i) The Long-Term Debt Service Coverage Ratio for the most recent period of twelve (12) full consecutive calendar months preceding the proposed date of such transaction for which Financial Statements have been examined by Independent Certified Public Accountants, assuming such transaction actually occurred at the beginning of such period, would not have been reduced or, if reduced, would not have been reduced to less than 1.50; or

(ii) The average of the Long-Term Debt Service Coverage Ratios for the two periods of 12 full consecutive calendar months immediately succeeding the proposed date of such transaction is expected to be greater than the Long-Term Debt Service Coverage Ratio for the most recent period of twelve (12) full consecutive calendar months preceding the proposed date of such transaction for which Financial Statements have been examined by Independent Certified Public Accountants; or

(iii) The Long-Term Debt Service Coverage Ratio for the period of 12 full consecutive calendar months immediately succeeding the proposed date of such transaction is expected to be greater than it would have been had the transaction not occurred;

(e) Dispositions may be made to another member of the Obligated Group;

(f) Dispositions may be made to an Affiliate that is not a Master Indenture Obligor if such Affiliate immediately thereafter becomes a Master Indenture Obligor;

(g) Dispositions may be made to a successor corporation pursuant to a merger or consolidation permitted by the Master Indenture;

(h) Dispositions may be made if such disposition will increase the projected Long-Term Debt Service Coverage Ratio of the Person making such Disposition in the fiscal year of such Person immediately following such Disposition over what such Long-Term Debt Service Coverage Ratio would have been in such fiscal year had such Disposition not occurred; or

(i) Dispositions of accounts receivable may be made to any Person not a member of the Obligated Group if such Disposition is made pursuant to an arms-length transaction or upon terms at least as favorable as an arms-length transaction.

Any loan to, guaranty for the benefit of, or any other financial arrangement for or with, any referring physician, staff physician or other professional staff person, in connection with the establishment of any professional staff or referral physician recruitment or similar program established by or for any member of the Obligated Group, shall not be deemed a transfer of assets or otherwise be prohibited by this section; provided, however, that such program shall be reviewed by nationally recognized bond counsel acceptable to the issuer of any federally tax-exempt obligations secured by a Master Indenture Obligation, and such counsel's opinion, to the effect that such program and any financial transaction undertaken thereunder shall not adversely affect the validity or tax exemption of any such obligations, shall be delivered to such issuer.

Consolidation, Merger, Sale or Conveyance

(a) Each member of the Obligated Group covenants that it will not merge or consolidate with, or sell or convey all or substantially all of its assets to, or acquire all or substantially all of the assets from, any Person which is not a member of the Obligated Group without the prior consent of RH, and unless:

(i) Either a member of the Obligated Group will be the successor corporation, or if the successor corporation is not a member of the Obligated Group such successor corporation shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such successor corporation to become a Master Indenture Obligor pursuant to the applicable provisions of the Master Indenture; and

(ii) No member of the Obligated Group immediately after such merger or consolidation, or such sale or conveyance, would be in default in the performance or observance of any covenant or condition of the Master Indenture; and

(iii) If all amounts due or to become due on any Related Bond have not been fully paid to the holder thereof, there shall have been delivered to the Master Trustee an Opinion of Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on any date of the delivery of such Related Bond, would not adversely affect the exemption from Federal income taxation of interest payable on such Related Bond; and

(iv) There is delivered to the Master Trustee an Officer's Certificate stating and demonstrating that (1) any condition described in paragraph (a) under the caption "Limitations on Incurrence of Additional Indebtedness" above has been satisfied for the issuance of an additional one dollar ($1.00) of Additional Indebtedness, assuming such merger, consolidation or sale of assets had occurred at the beginning of the most recent period of twelve (12) full consecutive calendar months for which Financial Statements are available; or (2) the Long Term Debt Service Coverage Ratio for the

period of twelve (12) full consecutive calendar months immediately succeeding the proposed date of the applicable transaction is expected to be greater than it would have been had the transaction not occurred; or (3) the unrestricted net assets of all of the members of the Obligated 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 Obligated Group immediately prior to the proposed transaction, based on the financial statements of the Obligated Group for the most recent Fiscal Year.

(b) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for its predecessor, with the same effect as if it had been named as a Master Indenture Obligor or had become a Master Indenture Obligor pursuant to the applicable provisions of the Master Indenture, as the case may be. Any successor corporation may cause to be signed, and may issue in its own name, Master Indenture Obligations; and upon the order of such successor corporation and subject to all the terms, conditions and limitations in the Master Indenture prescribed, the Master Trustee shall authenticate and shall deliver Master Indenture Obligations that such successor corporation shall have caused to be signed and delivered to the Master Trustee. All Outstanding Master Indenture Obligations so issued by such successor corporation under the Master Indenture shall in all respects have the same legal rank and benefit under the Master Indenture as Outstanding Master Indenture Obligations theretofore or thereafter issued in accordance with the terms of the Master Indenture as though all such Master Indenture Obligations had been issued under the Master Indenture without any such consolidation, merger, sale or conveyance having occurred.

(c) In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in Master Indenture Obligations thereafter to be issued as may be appropriate.

(d) The Master Trustee may accept an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of this section and that it is proper for the Master Trustee under the Master Indenture to join in the execution of any instrument required to be executed and delivered.

Filing of Financial Statements, Certificate of No Default, Other Information

Each member of the Obligated Group covenants that it will:

(a) As soon as practicable but in no event later than six (6) months after the end of each fiscal year, file with the Master Trustee a copy of its audited Financial Statements as of the end of such fiscal year accompanied by the opinion of Independent Certified Public Accountants. Such audited Financial Statements shall be prepared in accordance with generally accepted accounting principles and shall include such statements as are necessary for a fair presentation of unrestricted fund financial position, results of operations and changes in unrestricted fund balance and financial position as of the end of such fiscal year.

(b) As soon as practicable but in no event later than six (6) months after the end of each fiscal year, file with the Master Trustee, and with each Holder who may have so

requested in writing or on whose behalf the Master Trustee may have so requested, an Officer's Certificate and a report of Independent Certified Public Accountants stating the Long-Term Debt Service Coverage Ratio for such fiscal year and stating that nothing has come to their attention which would lead them to believe that any Master Indenture Obligor is in default in the performance of any covenant contained in the Master Indenture or specifying each default of which the signers have knowledge.

(c) If an Event of Default shall have occurred and be continuing, (i) file with the Master Trustee such other financial statements and information concerning its operations and financial affairs (or of any consolidated or combined group of companies, including RH and its consolidated or combined Affiliates, including any other Master Indenture Obligor) as the Master Trustee may from time to time reasonably request, excluding specifically donor records, patient records and personnel records and (ii) provide access to its facilities for the purpose of inspection by the Master Trustee during regular business hours or at such other times as the Master Trustee may reasonably request.

(d) Within ten (10) days after its receipt thereof, file with the Master Trustee a copy of each report which any provision of the Master Indenture required to be prepared by a Consultant or an Insurance Consultant.

Parties Becoming Master Indenture Obligors

Any Affiliate which is not a Master Indenture Obligor may become a Master Indenture Obligor, if:

(a) The Affiliate which is becoming a Master Indenture Obligor shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such Affiliate (i) to become a Master Indenture Obligor under the Master Indenture and thereby become subject to compliance with all provisions of the Master Indenture pertaining to a Master Indenture Obligor, including the performance and observance of all covenants and obligations of a Master Indenture Obligor thereunder, and (ii) guaranteeing to the Master Trustee and each other member of the Obligated Group that all Master Indenture Obligations Outstanding will be paid in accordance with the terms thereof and of the Master Indenture, when due.

(b) Each instrument executed and delivered to the Master Trustee in accordance with subsection (a) of this Section shall be accompanied by (i) an Opinion of Counsel, addressed to and satisfactory to the Master Trustee, to the effect that such instrument has been duly authorized, executed and delivered by such Affiliate, and constitutes a valid and binding obligation enforceable in accordance with its terms, except as limited by bankruptcy laws, insolvency laws and other laws affecting creditors' rights generally; and (ii) if all amounts due or to become due on any Related Bond have not been paid to the Holder thereof, an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law the consummation of such transaction will not adversely affect the exemption from federal income taxation of interest payable on any such Related Bond.

(c) The Master Trustee shall also have received an Officer's Certificate stating and demonstrating that (1) any condition described in paragraph (a) under the caption

"Limitations on Incurrence of Additional Indebtedness" above has been satisfied for the issuance of an additional one dollar ($1.00) of Additional Indebtedness, assuming such Affiliate had become a Master Indenture Obligor at the beginning of the most recent period of twelve (12) full consecutive calendar months for which Financial Statements are available; or (2) the Long Term Debt Service Coverage Ratio for the period of twelve (12) full consecutive calendar months immediately succeeding the proposed date of such Affiliate becoming a Master Indenture Obligor is expected to be greater than it would have been had the Affiliate not become a Master Indenture Obligor; or (3) the unrestricted net assets of all of the members of the Obligated 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 Obligated Group immediately prior to the proposed transaction, based on the financial statements of the Obligated Group for the most recent Fiscal Year.

(d) RH shall have approved in writing any such Affiliate becoming a Master Indenture Obligor.

Persons that are not Affiliates and that are not Master Indenture Obligors may become Master Indenture Obligors upon compliance with the provisions of subparagraphs (a), (b), (c) and (d) above.

Cessation of Status as Master Indenture Obligor

(a) Each member of the Obligated Group covenants that it will not take any action which would cause it to cease to be a Master Indenture Obligor unless prior to taking any such action there is delivered to the Master Trustee an Officer's Certificate stating and demonstrating that immediately after such action either:

(i) Any condition described in paragraph (a) under the caption "Limitations on Incurrence of Additional Indebtedness" above has been satisfied for the issuance of an additional one dollar ($1.00) of Additional Indebtedness, assuming such transaction had occurred at the beginning of the most recent period of twelve (12) full consecutive calendar months for which Financial Statements were available; or

(ii) The Long-Term Debt Service Coverage Ratio for the most recent period of twelve (12) full consecutive calendar months preceding the proposed date of such transaction for which Financial Statements have been examined by Independent Certified Public Accountants, assuming such transaction actually occurred at the beginning of such period, would not have been reduced or, if reduced, would not have been reduced to less than 1.50; or

(iii) The average of the Long-Term Debt Service Coverage Ratios for the two periods of twelve (12) full consecutive calendar months immediately succeeding the proposed date of such transaction is expected to be greater than the Long-Term Debt Service Coverage Ratio for the most recent period of twelve (12) full consecutive calendar months preceding the proposed date of such transaction for which Financial Statements have been examined by Independent Certified Public Accountants; or

(iv) The Long-Term Debt Service Coverage Ratio for the period of 12 full consecutive calendar months immediately succeeding the proposed date of such transaction is expected to be greater than it would have been had the transaction not occurred.

(b) In the event that Reading Hospital ceases to be a member of the Obligated Group, the remaining members of the Obligated Group shall designate one or more members to assume the various reporting and decision-making responsibilities, on behalf of the Obligated Group, previously assigned to Reading Hospital under the Master Indenture and shall send written notice of such designation to the Master Trustee.

Substitution of Master Indenture Obligations upon Replacement of Master Indenture.

All Master Indenture Obligations issued pursuant to the Master Indenture shall, upon request of Tower Health, be surrendered to the Master Trustee upon delivery to the Master Trustee of:

(a) one or more original replacement master indenture obligations (the "Substitute Obligations") issued by or on behalf of the members of a new credit group (collectively, the "New Group") under and pursuant to and secured by a master trust indenture (the "Replacement Master Indenture") executed by or on behalf of the New Group and an independent corporate trustee (the "New Trustee") meeting the eligibility requirements of the Master Trustee as set forth in Article VII of the Master Indenture, which Substitute Obligations have been duly authenticated by the New Trustee under the terms of the Replacement Master Indenture;

(b) an Opinion of Bond Counsel that the surrender of the Master Indenture Obligations and the delivery to the Master Trustee of the Substitute Obligations will not adversely affect the validity of the Related Bonds or any exemption for the purpose of federal income taxation to which interest on any Master Indenture Obligations or any Related Bonds would otherwise be entitled;

(c) an executed counterpart of the Replacement Master Indenture;

(d) an Opinion of Counsel to the Obligated Group addressed to the Master Trustee, the trustee for each series of Related Bonds, the Related Bond Issuer and any credit enhancer for the Related Bonds to the effect that:

(i) the Replacement Master Indenture has been duly authorized, executed and delivered by each member of the New Group; each Substitute Obligation has been duly authorized, executed and delivered by or on behalf of a member of the New Group; and the Replacement Master Indenture and each Substitute Obligation is a legal, valid and binding obligation of each member of the New Group, subject in each case to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors' rights and application of general principles of equity;

(ii) all requirements and conditions to the issuance of the Substitute Obligations in the Replacement Master Indenture have been complied with and satisfied;

(iii) registration of the Substitute Obligations under the Securities Act of 1933, as amended, is not required or, if such registration is required, the New Group has complied with all applicable provisions of said Act; and

(iv) qualification of the Replacement Master Indenture under the Trust Indenture Act of 1939, as amended, is not required, or if such qualification is required, the New Group has complied with all applicable provisions of such Act;

(e) either evidence that (i)(A) written notice of such substitution of Master Indenture Obligations shall have been given by the New Group to each Rating Agency then maintaining a rating on any Master Indenture Obligation or Related Bond and (B) the then current rating shall not be withdrawn if such withdrawal will result in less than two Rating Agencies remaining or, if the then current rating is below A3 or its equivalent, the then current rating shall not be lowered by any Rating Agency as a result of such substitution of Master Indenture Obligations and delivery of the Replacement Master Indenture; or (ii)(A) any condition described in paragraph (a) under the caption "Limitations on Incurrence of Additional Indebtedness" above has been satisfied for the issuance of an additional one dollar ($1.00) of Additional Indebtedness assuming such substitution of the Master Indenture Obligations and delivery of the Replacement Master Indenture had occurred at the beginning of the most recent period of twelve (12) full consecutive calendar months for which Financial Statements were available or (B) the unrestricted net assets of the New Group will be not less than 70% of the unrestricted net assets of the Obligated Group for the most recent Fiscal Year of the Obligated Group for which audited financial statements are available;

(f) any prior written consents required by any credit enhancer of any Outstanding Related Bonds; and

(g) such other opinions and certificates as the Master Trustee may reasonably require, together with payment of all outstanding fees and expenses of the Master Trustee and with such reasonable indemnities as are satisfactory to it.

Notification to Holders of Master Indenture Obligations.

The Master Trustee shall, within five (5) Business Days after receipt of the items required for issuance of Substitute Obligations and the execution of a Replacement Master Indenture as described under the caption "Substitution of Master Indenture Obligations upon Replacement of Master Indenture" above, mail to all Holders of Master Indenture Obligations, as the names and addresses of such Holders appear upon the register or registers maintained by the Master Trustee, notice that such requirements have been satisfied and that all Master Indenture Obligations issued under the Master Indenture are required to be replaced with the Substitute Obligations, and directing such Holders to surrender all Master Indenture Obligations to the Master Trustee for cancellation. Each Holder of a Master Indenture Obligation shall surrender its Master Indenture Obligations to the Master Trustee, at the designated operations office of the Master Trustee, within ten (10) Business Days of receipt from the Master Trustee of the notice required by this section, against receipt of a Substitute Obligation. Upon delivery of the Substitute Obligations, the Master Trustee shall cancel the surrendered Master Indenture Obligations. Thereupon the Master Trustee shall be discharged.

Events of Default

Event of Default, as used in the Master Indenture, shall mean any of the following events:

(a) Any Master Indenture Obligor shall fail to make any payment required by any Master Indenture Obligation when and as the same shall become due and payable, in accordance with the terms thereof and of the Master Indenture and any supplement thereto and any grace period with respect thereto shall have expired.

(b) Any Master Indenture Obligor shall fail duly to observe or perform any covenant or agreement on its part to be observed or performed under the Master Indenture for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to RH by the Master Trustee, or to RH and the Master Trustee by the Holders of at least 20% in aggregate principal amount of Master Indenture Obligations then Outstanding; provided, however, if said failure be such that it cannot be corrected within the applicable period, it shall not constitute a Default if corrective action is instituted by RH or any other Master Indenture Obligor within the applicable period and diligently pursued until the failure is corrected and provided further, however, that there shall be no Event of Default by reason of the breach of the covenant set forth in paragraph (a) under the caption "Debt Service Coverage Ratio" above if a Consultant has been hired in accordance with the provisions of paragraph (b) under such caption.

(c) An event of default shall occur under a Related Bond Indenture or upon a Related Bond.

(d) Any Master Indenture Obligor shall fail to make any required payment with respect to any Indebtedness the principal amount of which is greater than 5% of the Total Revenues of the Obligated Group (other than Non-Recourse Indebtedness), whether such Indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or an event of default as defined in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any Indebtedness, whether such Indebtedness now exists or shall hereafter be created, shall occur, provided, however, that such failure shall not constitute an Event of Default if within 30 days, or within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Indebtedness is commenced (i) RH or such other Master Indenture Obligor, or both, in good faith commence proceedings to contest the existence or payment of such Indebtedness, and (ii) sufficient moneys are escrowed with a bank or trust company for the payment of such Indebtedness.

(e) The entry of a decree or order by a court having jurisdiction in the premises adjudging any Master Indenture Obligor a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of any Master Indenture Obligor under the Federal Bankruptcy Code or any other applicable federal or state law, or appointing a receiver, liquidator, assignee, or sequestrator (or other similar official) of any Master Indenture Obligor or of any substantial part of its Property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of ninety (90) consecutive days.

(f) The institution by any Master Indenture Obligor of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under the Federal Bankruptcy Code or any other similar applicable federal or state law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of any Master Indenture Obligor or of any substantial part of its Property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due.

(g) An Event of Default as defined in any agreement or instrument delivered by an Affiliate pursuant to Section 5.11(a) of the Master Indenture (Parties Becoming Master Indenture Obligors) shall occur and such event shall be continuing from and after the expiration of any grace period permitted with respect thereto.

Acceleration; Annulment of Acceleration

(a) Upon the occurrence and during the continuation of an Event of Default, the Master Trustee may and, upon the written request of the Holders of not less than 51% in aggregate principal amount of Master Indenture Obligations Outstanding, shall, by notice to the members of the Obligated Group, declare all Master Indenture Obligations Outstanding immediately due and payable, anything in the Master Indenture Obligations or in the Master Indenture to the contrary notwithstanding. In such event, there shall be due and payable on the Master Indenture Obligations an amount equal to the total principal amount of all such Master Indenture Obligations, plus all interest accrued thereon and, to the extent permitted by applicable law, interest on such interest which accrues to the date of payment.

(b) At any time after the principal of the Master Indenture Obligations shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, if (i) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee moneys sufficient to pay all matured installments of interest and interest on installments of principal and interest and principal or redemption prices then due (other than the principal then due only because of such declaration) of all Master Indenture Obligations Outstanding; (ii) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee moneys sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Master Trustee and any paying agents; (iii) all other amounts then payable by the Obligated Group under the Master Indenture shall have been paid or a sum sufficient to pay the same shall have been deposited with the Master Trustee; and (iv) every Event of Default (other than a default in the payment of the principal of such Master Indenture Obligations then due only because of such declaration) shall have been remedied, then the Master Trustee may annul such declaration and its consequences with respect to any Master Indenture Obligations or portions thereof not then due by their terms. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Additional Remedies and Enforcement of Remedies

Upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than 51% in aggregate principal amount of the Master Indenture Obligations Outstanding, together with indemnification of the Master Trustee to its satisfaction therefor, shall proceed forthwith to protect and enforce its rights and the rights of the Holders of Master Indenture Obligations by such suits, actions or proceedings as the Master Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(i) enforcement of the right of the Holders of Master Indenture Obligations to collect and enforce the payment of amounts due or becoming due under the Master Indenture Obligations;

(ii) suit upon all or any part of the Master Indenture Obligations;

(iii) civil action to require any person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Master Indenture Obligations to account as if it were the trustee of an express trust for the Holders of Master Indenture Obligations;

(iv) civil action to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of Master Indenture Obligations; and

(v) enforcement of any other right of the Holders of Master Indenture Obligations conferred by law or by the Master Indenture.

Establishment of Default Revenue Fund; Application of Revenues and Other Moneys after Default

Upon the occurrence and during the continuance of an Event of Default, the Master Trustee shall maintain a separate fund established under the Master Indenture known as the "Default Revenue Fund."

During the continuance of an Event of Default all money received by the Master Trustee pursuant to any Master Indenture Obligation or pursuant to any right given or action taken under the provisions of Article VI of the Master Indenture (entitled "Default and Remedies"), after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses and advances incurred or made by the Master Trustee with respect thereto and all other fees and expenses of the Master Trustee under the Master Indenture, shall be deposited in the Default Revenue Fund and applied as follows:

(a) Unless the principal of all Outstanding Master Indenture Obligations shall have become or have been declared due and payable:

First: To the payment to the persons entitled thereto of all installments of interest then due on the Master Indenture Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably according to the

amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal installments of any Master Indenture Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Master Indenture Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all Outstanding Master Indenture Obligations shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Master Indenture Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Master Indenture Obligation over any other Master Indenture Obligation, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

(c) If the principal of all Outstanding Master Indenture Obligations shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled, then, subject to the provisions of paragraph (b) of this section in the event that the principal of all Outstanding Master Indenture 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 of principal to be paid on such dates shall cease to accrue. The Master Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Master Indenture Obligation until such Master Indenture Obligation shall be presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Master Indenture Obligations and interest thereon have been paid in accordance with these provisions and all expenses and charges of the Master Trustee have been paid, any balance remaining shall be paid to the person entitled to receive the same; if no other person shall be entitled thereto then the balance shall be paid to the members of the Obligated Group, their successors, or as a court of competent jurisdiction may direct.

Control of Proceedings

If an Event of Default shall have occurred and be continuing, notwithstanding anything in the Master Indenture to the contrary, the Holders of at least a majority in aggregate principal amount of Master Indenture Obligations then Outstanding shall have the right, at any time, by

any instrument in writing executed and delivered to the Master Trustee and accompanied by indemnity satisfactory to the Master Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of the Master Indenture or for the appointment of a receiver or any other proceedings under the Master Indenture, provided that such direction is not in conflict with any applicable law or the provisions thereof and provided further, that the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability, and, in the sole judgment of the Master Trustee, is not unduly prejudicial to the interest of Holders of Master Indenture Obligations not joining in such direction and provided further that nothing in this section shall impair the right of the Master Trustee in its discretion to take any other action under the Master Indenture which it may deem proper and which is not inconsistent with such direction by Holders of Master Indenture Obligations.

Supplemental Indentures Not Requiring Consent of Holders

RH, and every other Master Indenture Obligor, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee may, without the consent of or notice to any of the Holders, enter into one or more Supplemental Indentures for one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission in the Master Indenture.

(b) To correct or supplement any provision in the Master Indenture which may be inconsistent with any other provision in the Master Indenture, or to make any other provisions with respect to matters or questions arising under the Master Indenture and which shall not, in the opinion of the Master Trustee, materially and adversely affect the interests of the Holders.

(c) To grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them.

(d) To qualify the Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect.

(e) To create and provide for the issuance of a series of Master Indenture Obligations as permitted under the Master Indenture.

(f) To obligate a successor to any Master Indenture Obligor, or an Affiliate or other Person becoming a Master Indenture Obligor, as permitted under the Master Indenture.

Supplemental Indentures Requiring Consent of Holders

(a) Other than Supplemental Indentures referred to in Section 8.01 (Supplemental Indentures Not Requiring Consent of Holders) and subject to the terms and provisions and limitations contained in the Master Indenture and not otherwise, the Holders of not less than a majority in aggregate principal amount of the Master Indenture Obligations then

Outstanding shall have the right, from time to time, anything contained in the Master Indenture to the contrary notwithstanding, to consent to and approve the execution by RH and each other Master Indenture Obligor, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee of such Supplemental Indentures as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Master Indenture, including, but not limited to the provisions contained in Article V thereof (Covenants of Reading Hospital and Each Master Indenture Obligor); provided, however, nothing in this section shall permit or be construed as permitting a Supplemental Indenture which would:

(i) extend the stated maturity of or time for paying interest on any Note or reduce the principal amount of or the redemption premium or rate of interest payable on any Note, or in comparable fashion change the payment terms of other Master Indenture Obligations, without the consent of the Holder of such Note or other Master Indenture Obligation; or

(ii) reduce the aggregate principal amount of Master Indenture Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplemental Indentures without the consent of the Holders of all Master Indenture Obligations then Outstanding.

(b) If at any time the Master Indenture Obligors, or RH on their behalf, shall request the Master Trustee to enter into a Supplemental Indenture, which request is accompanied by a copy of the resolution or other action of the Governing Body of each Master Indenture Obligor certified by its secretary or if it has no secretary, its comparable officer, and the proposed Supplemental Indenture and if within such period, not exceeding three years, as shall be prescribed by the Master Indenture Obligors, or RH on their behalf, following the request, the Master Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Master Indenture Obligations specified in paragraph (a) above for the Supplemental Indenture in question which instrument or instruments shall refer to the proposed Supplemental Indentures and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof as on file with the Master Trustee, thereupon, but not otherwise, the Master Trustee may execute such Supplemental Indenture in substantially such form, without liability or responsibility to any Holder of any Master Indenture Obligation, whether or not such Holder shall have consented thereto.

(c) Any such consent shall be binding upon the Holder of the Master Indenture Obligation giving such consent and upon any subsequent Holder of such Master Indenture Obligation and of any Master Indenture Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Master Indenture Obligation giving such consent or by a subsequent Holder thereof by filing with the Master Trustee, prior to the execution by the Master Trustee of such Supplemental Indenture, such revocation. At any time after the Holders of the required principal amount or number of Master Indenture Obligations shall have filed their consents to the Supplemental Indenture, the Master Trustee shall make and file with RH a

written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

Satisfaction and Discharge of Indenture

If (i) RH or any other Master Indenture Obligor shall deliver to the Master Trustee for cancellation all Master Indenture Obligations theretofore authenticated (other than any Master Indenture Obligations which shall have been mutilated, destroyed, lost or stolen and which shall have been replaced or paid as provided therein) and not theretofore canceled, or (ii) all Master Indenture Obligations not theretofore canceled or delivered to the Master Trustee for cancellation shall have become due and payable and have been paid, or (iii) the members of the Obligated Group shall deposit with the Master Trustee (or with a bank or trust company acceptable to the Master Trustee) as trust funds the entire amount of money or direct general obligations of, or obligations the payment of principal and interest on which are unconditionally guaranteed by, the United States of America, or both, the principal of and the interest on which, when due, will be sufficient to pay at maturity or upon redemption all Master Indenture Obligations not theretofore canceled or delivered to the Master Trustee for cancellation, including principal and interest due or to become due to such date of maturity or redemption date, as the case may be, and if in either case the members of the Obligated Group shall also pay or cause to be paid all other sums payable under the Master Indenture by the members of the Obligated Group, then the Master Indenture shall cease to be of further effect, and the Master Trustee, on demand of the members of the Obligated Group, and at the cost and expense of the members of the Obligated Group, shall execute proper instruments acknowledging satisfaction of and discharging the Master Indenture.

Payment of Master Indenture Obligations

Notwithstanding the discharge of the Master Indenture, the Master Trustee shall nevertheless retain such rights, powers and duties under the Master Indenture as may be necessary and convenient for the payment of amounts due or to become due on the Master Indenture Obligations and the registration, transfer, exchange and replacement of Master Indenture Obligations as provided therein. Nevertheless, any moneys held by the Master Trustee or any paying agent for the payment of amounts due on the Master Indenture Obligations remaining unclaimed for five years after all such amounts have become due and payable, whether at maturity or upon proceedings for redemption or by declaration as provided therein or otherwise, shall then be paid to the members of the Obligated Group and the Holders of any Master Indenture Obligations not theretofore presented for payment shall thereafter be entitled to look only to the members of the Obligated Group for payment thereof as unsecured creditors and all liability of the Master Trustee or any paying agent with respect to such moneys shall thereupon cease.

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APPENDIX E-1 AND E-2

FORMS OF APPROVING OPINIONS OF BOND COUNSEL

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February 11, 2020

RE: $44,660,000 The Berks County Municipal Authority
Revenue Bonds (Tower Health Project) Series 2020A
(the "2020A Bonds")

TO: THE REGISTERED OWNERS OF THE ABOVE-CAPTIONED 2020A BONDS

We have acted as Bond Counsel in connection with the issuance by The Berks County Municipal Authority (the "Authority") of the above-captioned 2020A Bonds under the Municipality Authorities Act of the Commonwealth of Pennsylvania (Act of June 19, 2001, P.L. 22, as amended) (the "Act"). The 2020A Bonds are being issued pursuant to the provisions of a Trust Indenture, dated as of February 1, 2020 (the "Trust Indenture"), by and between the Authority and Manufacturers and Traders Trust Company, Harrisburg, Pennsylvania, as bond trustee (the "Bond Trustee"). The proceeds of the 2020A Bonds, together with other available funds, will be used by the Authority to finance a project (the "2020 Project") for the benefit of Tower Health, a Pennsylvania non-profit corporation ("Tower"), consisting of, among other things: (a) the current refunding of (i) Fixed Rate Revenue Bonds (The Reading Hospital and Medical Center Project), Series 2009A-3; (ii) Variable Rate Revenue Bonds (The Reading Hospital and Medical Center Project), Series B of 2012; (iii) Revenue Bond (The Reading Hospital and Medical Center Project), Series C of 2012; (iv) Revenue Notes (Reading Hospital Project) Series A of 2016; (v) Amended and Restated Revenue Note (Reading Hospital Project) Series C of 2016; (vi) Revenue Bonds (Reading Hospital Project), Series D of 2016; and (vii) Revenue Bonds (Tower Health Project), Series A of 2017 (collectively referred to herein as the "Prior Bonds"); and (b) the payment of a portion of the costs and expenses incident to the issuance of the 2020A Bonds. All capitalized terms used in this opinion and not defined herein shall have the meanings assigned to them in the Trust Indenture unless the context clearly requires otherwise.

The Authority and Tower have entered into a Loan Agreement, dated as of February 1, 2020 (the "Loan Agreement"), pursuant to which the Authority has agreed to loan the proceeds of the 2020A Bonds to Tower to finance the 2020 Project and Tower has agreed, among other things, to make certain loan payments to the Authority in such amounts and at such times as to permit the Authority to pay, among other things, the principal of, premium, if any, and interest on the 2020A Bonds when due.

Pursuant to the provisions of the Trust Indenture, the Authority has, among other things, pledged, assigned and granted to the Bond Trustee all of its right, title and interest in and to the Loan Agreement (except for certain indemnification rights, rights to be reimbursed for certain costs and expenses that it may incur as provided in the Loan Agreement).

The 2020A Bonds will be secured by, among other things, a Series A of 2020 Master Note (The Berks County Municipal Authority), dated February 11, 2020 (the "Master Note"), issued by Tower pursuant to the provisions of a Master Trust Indenture, dated as of June 1, 1993, as previously amended and supplemented (the "Master Trust Indenture"), and as further amended and supplemented by a Thirty-Eighth Supplemental Master Trust Indenture, dated as of February 1, 2020 (the "Supplemental Master Indenture" and together with the Master Trust Indenture, the "Master Indenture"), by and among Tower, Reading Hospital ("RH"), Brandywine Hospital, LLC ("BH"), Chestnut Hill Hospital, LLC ("CHH"), Jennersville Hospital, LLC ("JH"), Phoenixville Hospital, LLC ("PHH") and Pottstown Hospital, LLC ("POH" and together with Tower, RH, BH, CHH, JH and PHH, the "Obligated Group") and The Bank of New York Mellon Trust Company, N.A., as successor master trustee thereunder (the "Master Trustee").

The 2020A Bonds issued this date are dated, mature and bear interest and are subject to redemption and purchase prior to maturity upon the terms and conditions stated therein and in the Trust Indenture. The 2020A Bonds are issuable as registered bonds in denominations of $5,000 or any integral multiple of $5,000 in excess thereof.

In our capacity as Bond Counsel, we have reviewed the following:

1. The Act;

2. A certified copy of the Articles of Incorporation of the Authority;

3. Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations and rulings promulgated thereunder;

4. The General Certificate of the Authority and all exhibits thereto;

5. The General Certificate of each member of the Obligated Group and all exhibits thereto;

6. The opinion of Masano Bradley LLP, Wyomissing, Pennsylvania, in its capacity as counsel to the Authority;

7. The Bond Purchase Agreement among the Authority, Tower and Citigroup Global Markets Inc., acting on its own behalf and on behalf of PNC Capital Markets LLC and J.P. Morgan Securities LLC, dated February 4, 2020;

8. A specimen copy of one of the 2020A Bonds;

9. An executed Nonarbitrage Certificate and Compliance Agreement of the Authority delivered this day;

10. An executed Confirmation Certificate of Tower delivered this day;

11. An executed Certificate Regarding Information Contained in Form 8038 delivered this day;

12. The information return of the Authority on Form 8038 delivered this day; and

13. Original counterparts or certified copies of the Loan Agreement, the Trust Indenture, the Supplemental Master Indenture, the Master Note and the other documents, agreements, certificates and opinions delivered at the closing held this day.

Based and in reliance upon the foregoing, our attendance at the closing held this day and subject to the caveats, qualifications, exceptions and assumptions set forth herein, it is our opinion that, as of the date hereof, under existing law:

1. The Authority is a body corporate and politic, validly existing under the laws of the Commonwealth of Pennsylvania (the "Commonwealth"), with full power and authority to execute and deliver the Trust Indenture and the Loan Agreement and to issue and sell the 2020A Bonds.

2. The Trust Indenture and the Loan Agreement have each been duly authorized, executed and delivered by the Authority and each such document constitutes the valid and binding obligation of the Authority.

3. The issuance of the 2020A Bonds has been duly authorized by the Authority. The 2020A Bonds have been duly and validly authorized, executed and delivered by the Authority and, when duly authenticated by the Bond Trustee, will constitute valid and binding obligations of the Authority.

4. Under the laws of the Commonwealth, the 2020A Bonds and interest on the 2020A Bonds shall be free from taxation for State and local purposes within the Commonwealth, but this exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied directly on the 2020A Bonds or the interest thereon. Under the laws of the Commonwealth, profits, gains or income derived from the sale, exchange or other disposition of the 2020A Bonds are subject to State and local taxation within the Commonwealth.

5. Interest on the 2020A Bonds is not includable in gross income under Section 103(a) of the Code.

6. Under the Code, interest on the 2020A Bonds does not constitute an item of tax preference under Section 57 of the Code and thus is not subject to alternative minimum tax on individuals for federal income tax purposes.

In connection with providing the foregoing opinions, we call to your attention the following:

A. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement as Bond Counsel has concluded with the issuance of the 2020A Bonds and we disclaim any obligation to update this letter.

B. As to questions of fact material to our opinion, we have relied upon the representations, statements, expectations and certifications contained in the documents and other certified proceedings reviewed by us (including, without limitation, certificates, agreements and representations by the Authority and the Obligated Group as to the expected use of the proceeds of the 2020A Bonds and as to continuing compliance with Section 148 of the Code to assure that the 2020A Bonds do not become "arbitrage bonds" and continue to be "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code), without undertaking to verify the same by independent investigation. We have also relied upon the genuineness, authenticity, truthfulness and completeness of all facts, information, representations, and certifications contained in the agreements, certificates, documents, records and other instruments executed and delivered at or in connection with the closing held this day and have assumed compliance with the state and federal securities laws. We have also assumed the genuineness of the signatures

appearing upon all the certificates, documents and instruments executed and delivered at the closing held this day.

C. In connection with the opinions set forth in paragraphs 2 and 3 above, we call to your attention that the legality, validity, binding nature and enforceability of the documents referred to therein may be limited by: (a) the availability or unavailability of equitable remedies including, but not limited to, specific performance and injunctive relief; (b) the effect of bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws or equitable principles generally affecting creditors' rights or remedies; and (c) the effect of certain laws and judicial decisions limiting on constitutional or public policy grounds any provisions set forth in such documents purporting to waive rights of due process and legal procedure.

D. In providing the opinion set forth in paragraph 5 above, we have assumed continuing compliance by the Authority and the Obligated Group with requirements of the Code and the applicable regulations thereunder which must be met subsequent to the issuance of the 2020A Bonds in order that the interest thereon be and remain excluded from gross income for federal income tax purposes. The Authority and the Obligated Group have covenanted to comply with such requirements. Failure to comply with such requirements could cause the interest on the 2020A Bonds to be included in gross income retroactive to the date of issuance of such 2020A Bonds. We further advise you that we have not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2020A Bonds may affect the tax status of interest on the 2020A Bonds.

E. In providing the opinions set forth in paragraph 6 above, we have assumed continuing compliance by the Authority and the Obligated Group with requirements of the Code and applicable regulations thereunder which must be met subsequent to the issuance of the 2020A Bonds in order that the interest thereon not constitute an item of tax preference under Section 57 of the Code. Failure to comply with such requirements could cause the interest on the 2020A Bonds to constitute an item of tax preference under Section 57 of the Code retroactive to the date of issuance of the 2020A Bonds.

F. Except as specifically set forth above, we express no opinion regarding other federal income tax consequences arising with respect to the 2020A Bonds, including, without limitation, the treatment for federal income tax purposes of gain or loss, if any, upon the sale, redemption or other disposition of the 2020A Bonds prior to the maturity of the 2020A Bonds subject to original issue discount and the effect, if any, of certain other provisions of the Code which could result in collateral federal income tax consequences to certain investors as a result of adjustments in the computation of tax liability dependent on tax-exempt interest.

G. The 2020A Bonds are special limited obligations of the Authority, payable only out of amounts that may be held by or available to the Bond Trustee under the Trust Indenture, the Loan Agreement and the Master Indenture, including amounts payable pursuant to the Master Note. The 2020A Bonds do not pledge the credit or taxing power of the Commonwealth or any political subdivision thereof. The Authority has no taxing power.

H. We have not been engaged to verify, nor have we independently verified, nor do we herein express any opinion to the registered owners of the 2020A Bonds with respect to, the accuracy, completeness or truthfulness of any statements, certifications, information or financial statements set forth in the Preliminary Official Statement dated January 23, 2020, as amended (the "Preliminary Official Statement"), or in the Official Statement dated February 4, 2020 (the "Official Statement"), or with respect to any other materials used in connection with the offer and sale of the 2020A Bonds.

I. We express no opinion with respect to whether the Authority or the Obligated Group, in connection with the sale of the 2020A Bonds or the preparation of the Preliminary Official Statement or the Official Statement has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made therein, not misleading. Further, we have not verified, and express no opinion as to the accuracy of, any "CUSIP" identification number which may be printed on any 2020A Bond.

Very truly yours,

STEVENS & LEE, P.C.

STEVENS & LEE
LAWYERS & CONSULTANTS

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February 11, 2020

RE: $219,935,000 The Berks County Municipal Authority
Revenue Bonds (Tower Health Project)
Series 2020B-1, Series 2020B-2 and Series 2020B-3
(collectively, the "2020B Bonds")

TO: THE REGISTERED OWNERS OF THE ABOVE-CAPTIONED 2020B BONDS

We have acted as Bond Counsel in connection with the issuance by The Berks County Municipal Authority (the "Authority") of the above-captioned 2020B Bonds under the Municipality Authorities Act of the Commonwealth of Pennsylvania (Act of June 19, 2001, P.L. 22, as amended) (the "Act"). Each series of 2020B Bonds are being issued pursuant to the provisions of a separate Bond Indenture, dated as of February 1, 2020 (each a "Bond Indenture" and collectively, the "Bond Indentures"), by and between the Authority and Manufacturers and Traders Trust Company, Harrisburg, Pennsylvania, as bond trustee (the "Bond Trustee"). The proceeds of the 2020B Bonds, together with other available funds, will be used by the Authority to finance a project (the "2020 Project") for the benefit of Tower Health, a Pennsylvania non-profit corporation ("Tower"), consisting of, among other things: (a) the current refunding of (i) Fixed Rate Revenue Bonds (The Reading Hospital and Medical Center Project), Series 2009A-3; (ii) Variable Rate Revenue Bonds (The Reading Hospital and Medical Center Project), Series B of 2012; (iii) Revenue Bond (The Reading Hospital and Medical Center Project), Series C of 2012; (iv) Revenue Notes (Reading Hospital Project) Series A of 2016; (v) Amended and Restated Revenue Note (Reading Hospital Project) Series C of 2016; (vi) Revenue Bonds (Reading Hospital Project), Series D of 2016; and (vii) Revenue Bonds (Tower Health Project), Series A of 2017 (collectively referred to herein as the "Prior Bonds"); and (b) the payment of a portion of the costs and expenses incident to the issuance of the 2020B Bonds. All capitalized terms used in this opinion and not defined herein shall have the meanings assigned to them in the Bond Indentures unless the context clearly requires otherwise.

The Authority and Tower have entered into separate Loan Agreements, each dated as of February 1, 2020 (each a "Loan Agreement" and collectively, the "Loan Agreements"), pursuant to which the Authority has agreed to loan the proceeds of the 2020B Bonds to Tower to finance the 2020 Project and Tower has agreed, among other things, to make certain loan payments to the Authority in such amounts and at such times as to permit the Authority to pay, among other things, the principal of, premium, if any, and interest on the 2020B Bonds when due.

Pursuant to the provisions of the related Bond Indenture, the Authority has, among other things, pledged, assigned and granted to the Bond Trustee all of its right, title and interest in and to the related Loan Agreement (except for certain indemnification rights, rights to be reimbursed for certain costs and expenses that it may incur as provided in the related Loan Agreement).

Each series of 2020B Bonds will be secured by, among other things, a separate Series B of 2020 Master Note (The Berks County Municipal Authority), each dated February 11, 2020 (each a "Master Note" and collectively, the "Master Notes"), issued by Tower pursuant to the provisions of a Master Trust Indenture, dated as of June 1, 1993, as previously amended and supplemented (the "Master Trust Indenture"), and as further amended and supplemented by a separate supplement to the Master Trust Indenture, each dated as of February 1, 2020 (the "Supplemental Master Indentures" and together with the Master Trust Indenture, the "Master Indenture"), by and among Tower, Reading Hospital ("RH"), Brandywine Hospital, LLC ("BH"), Chestnut Hill Hospital, LLC ("CHH"), Jennersville Hospital, LLC ("JH"), Phoenixville Hospital, LLC ("PHH") and Pottstown Hospital, LLC ("POH" and together with Tower, RH, BH, CHH, JH and PHH, the "Obligated Group") and The Bank of New York Mellon Trust Company, N.A., as successor master trustee thereunder (the "Master Trustee").

The 2020B Bonds issued this date are dated, mature and bear interest and are subject to redemption and purchase prior to maturity upon the terms and conditions stated therein and in the related Bond Indenture. The 2020B Bonds are issuable as registered bonds initially in denominations of $5,000 or any integral multiple of $5,000 in excess thereof.

In our capacity as Bond Counsel, we have reviewed the following:

1. The Act;

2. A certified copy of the Articles of Incorporation of the Authority;

3. Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations and rulings promulgated thereunder;

4. The General Certificate of the Authority and all exhibits thereto;

5. The General Certificate of each member of the Obligated Group and all exhibits thereto;

6. The opinion of Masano Bradley LLP, Wyomissing, Pennsylvania, in its capacity as counsel to the Authority;

7. The Bond Purchase Agreement among the Authority, Tower and Citigroup Global Markets Inc., acting on its own behalf and on behalf of PNC Capital Markets LLC and J.P. Morgan Securities LLC, dated February 4, 2020;

8. A specimen copy of one of each series of the 2020B Bonds;

9. An executed Nonarbitrage Certificate and Compliance Agreement of the Authority delivered this day;

10. An executed Confirmation Certificate of Tower delivered this day;

11. An executed Certificate Regarding Information Contained in Form 8038 delivered this day;

12. The information return of the Authority on Form 8038 delivered this day; and

13. Original counterparts or certified copies of the Loan Agreements, the Bond Indentures, the Supplemental Master Indentures, the Master Notes and the other documents, agreements, certificates and opinions delivered at the closing held this day.

Based and in reliance upon the foregoing, our attendance at the closing held this day and subject to the caveats, qualifications, exceptions and assumptions set forth herein, it is our opinion that, as of the date hereof, under existing law:

1. The Authority is a body corporate and politic, validly existing under the laws of the Commonwealth of Pennsylvania (the "Commonwealth"), with full power and authority to execute and deliver the Bond Indentures and the Loan Agreements and to issue and sell the 2020B Bonds.

2. The Bond Indentures and the Loan Agreements have each been duly authorized, executed and delivered by the Authority and each such document constitutes the valid and binding obligation of the Authority.

3. The issuance of the 2020B Bonds has been duly authorized by the Authority. The 2020B Bonds have been duly and validly authorized, executed and delivered by the Authority and, when duly authenticated by the Bond Trustee, will constitute valid and binding obligations of the Authority.

4. Under the laws of the Commonwealth, the 2020B Bonds and interest on the 2020B Bonds shall be free from taxation for State and local purposes within the Commonwealth, but this exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied directly on the 2020B Bonds or the interest thereon. Under the laws of the Commonwealth, profits, gains or income derived from the sale, exchange or other disposition of the 2020B Bonds are subject to State and local taxation within the Commonwealth.

5. Interest on the 2020B Bonds is not includable in gross income under Section 103(a) of the Code.

6. Under the Code, interest on the 2020B Bonds does not constitute an item of tax preference under Section 57 of the Code and thus is not subject to alternative minimum tax on individuals for federal income tax purposes.

In connection with providing the foregoing opinions, we call to your attention the following:

A. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement as Bond Counsel has concluded with the issuance of the 2020B Bonds and we disclaim any obligation to update this letter.

B. As to questions of fact material to our opinion, we have relied upon the representations, statements, expectations and certifications contained in the documents and other certified proceedings reviewed by us (including, without limitation, certificates, agreements and representations by the Authority and the Obligated Group as to the expected use of the proceeds of the 2020B Bonds and as to continuing compliance with Section 148 of the Code to assure that the 2020B Bonds do not become "arbitrage bonds" and continue to be "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code), without undertaking to verify the same by independent investigation. We have also relied upon the genuineness, authenticity, truthfulness and completeness of all facts, information, representations, and certifications contained in the agreements, certificates, documents, records and other instruments executed and delivered at or in connection with the closing held this day and have assumed compliance with the state and federal securities laws. We have also assumed the genuineness of the signatures

appearing upon all the certificates, documents and instruments executed and delivered at the closing held this day.

C. In connection with the opinions set forth in paragraphs 2 and 3 above, we call to your attention that the legality, validity, binding nature and enforceability of the documents referred to therein may be limited by: (a) the availability or unavailability of equitable remedies including, but not limited to, specific performance and injunctive relief; (b) the effect of bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws or equitable principles generally affecting creditors' rights or remedies; and (c) the effect of certain laws and judicial decisions limiting on constitutional or public policy grounds any provisions set forth in such documents purporting to waive rights of due process and legal procedure.

D. In providing the opinion set forth in paragraph 5 above, we have assumed continuing compliance by the Authority and the Obligated Group with requirements of the Code and the applicable regulations thereunder which must be met subsequent to the issuance of the 2020B Bonds in order that the interest thereon be and remain excluded from gross income for federal income tax purposes. The Authority and the Obligated Group have covenanted to comply with such requirements. Failure to comply with such requirements could cause the interest on the 2020B Bonds to be included in gross income retroactive to the date of issuance of such 2020B Bonds. We further advise you that we have not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2020B Bonds may affect the tax status of interest on the 2020B Bonds.

E. In providing the opinions set forth in paragraph 6 above, we have assumed continuing compliance by the Authority and the Obligated Group with requirements of the Code and applicable regulations thereunder which must be met subsequent to the issuance of the 2020B Bonds in order that the interest thereon not constitute an item of tax preference under Section 57 of the Code. Failure to comply with such requirements could cause the interest on the 2020B Bonds to constitute an item of tax preference under Section 57 of the Code retroactive to the date of issuance of the 2020B Bonds.

F. Except as specifically set forth above, we express no opinion regarding other federal income tax consequences arising with respect to the 2020B Bonds, including, without limitation, the treatment for federal income tax purposes of gain or loss, if any, upon the sale, redemption or other disposition of the 2020B Bonds prior to the maturity of the 2020B Bonds subject to original issue discount and the effect, if any, of certain other provisions of the Code which could result in collateral federal income tax consequences to certain investors as a result of adjustments in the computation of tax liability dependent on tax-exempt interest.

G. The 2020B Bonds are special limited obligations of the Authority, payable only out of amounts that may be held by or available to the Bond Trustee under the Bond Indentures, the Loan Agreements and the Master Indenture, including amounts payable pursuant to the Master Notes. The 2020B Bonds do not pledge the credit or taxing power of the Commonwealth or any political subdivision thereof. The Authority has no taxing power.

H. We have not been engaged to verify, nor have we independently verified, nor do we herein express any opinion to the registered owners of the 2020B Bonds with respect to, the accuracy, completeness or truthfulness of any statements, certifications, information or financial statements set forth in the Preliminary Official Statement dated January 23, 2020, as amended (the "Preliminary Official Statement"), or in the Official Statement dated February 4, 2020 (the "Official Statement"), or with respect to any other materials used in connection with the offer and sale of the 2020B Bonds.

I. We express no opinion with respect to whether the Authority or the Obligated Group, in connection with the sale of the 2020B Bonds or the preparation of the Preliminary Official Statement or the Official Statement has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made therein, not misleading. Further, we have not verified, and express no opinion as to the accuracy of, any "CUSIP" identification number which may be printed on any 2020B Bond.

Very truly yours,

STEVENS & LEE, P.C.

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") dated February 11, 2020 is executed and delivered by Tower Health (the "Borrower"), on behalf of itself and the other Members of the Obligated Group (the "Obligated Group") and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the "Dissemination Agent" or "DAC"), in connection with the issuance of The Berks County Municipal Authority Revenue Bonds (Tower Health Project) Series 2020A (the "Series 2020A Bonds") and The Berks County Municipal Authority Revenue Bonds (Tower Health Project), Series 2020B-1, Series 2020B-2 and Series 2020B-3 (collectively, the "Series 2020B Bonds" and, together with the Series 2020A Bonds, the "Bonds").

The Series 2020A Bonds and each series of Series 2020B Bonds are being issued pursuant to a separate Trust Indenture dated as of February 1, 2020 (collectively, the "Indentures"), each between The Berks County Municipal Authority (the "Authority") and Manufacturers and Traders Trust Company, as trustee (collectively, the "Trustee"). The Authority is lending the proceeds of the Bonds to the Borrower pursuant to a separate Loan Agreement for the Series 2020A Bonds and for each series of Series 2020B Bonds, dated as of February 1, 2020 (collectively, the "Loan Agreements"), each between the Authority and the Borrower. The payment obligations of the Borrower under the Loan Agreements initially will be evidenced by a separate promissory note for the Series 2020A Bonds and for each series of Series 2020B Bonds, each issued pursuant to a Master Trust Indenture dated as of June 1, 1993, as amended and supplemented to the date hereof, between the Obligated Group and The Bank of New York Mellon Trust Company, N.A., as master trustee (collectively, the "Notes"). The parties hereto agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by, the Borrower, the Obligated Group and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Underwriters in complying with the Rule. The Borrower, the Obligated Group and the Dissemination Agent acknowledge that the Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Holder or Beneficial Owner of the Bonds, with respect to the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the related Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined herein, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report provided by the Borrower, including schedules detailing Obligated Group information, pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" means the Chief Financial Officer of the Borrower, or his or her designee, or such other person as such member shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" means initially, DAC, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Borrower.

"EMMA" means Electronic Municipal Market Access system of the MSRB as provided at http://www.emma.msrb.org, or any similar system that is acceptable to or as may be prescribed by the MSRB for purposes of the Rule and approved by the Securities and Exchange Commission from time to time. A current list of such systems may be obtained from the Securities and Exchange Commission at http://www.sec.gov/info/municipal/nrmsir.htm.

"Financial Obligation" has the meaning set forth in the Rule and includes a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as a security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Listed Events" means any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board.

"System" means Tower Health and its consolidated subsidiaries and affiliates.

"Underwriters" means Citigroup Global Markets Inc., as representative on behalf of itself and J.P. Morgan Securities LLC and PNC Capital Markets LLC, the underwriters for the Bonds.

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the Commonwealth of Pennsylvania.

SECTION 3. Provision of Annual Reports and Quarterly Reports.

(a) The Borrower shall, or shall cause the Dissemination Agent to, not later than 150 days after the end of the Borrower's fiscal year (presently June 30), commencing with the report for the 2020 Fiscal Year, provide to EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. In addition, the Borrower shall, or shall cause the Dissemination Agent to, not later than 60 days after the end of each fiscal quarter, commencing with the report for the fiscal quarter ending March 31, 2020 provide to EMMA quarterly unaudited consolidated financial statements for the System ("Quarterly Reports") which are consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Report and Quarterly Reports may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement. If the fiscal year of any member of the Obligated Group changes, such member of the Obligated Group, shall give notice of such change in the same manner as for a Listed Event under Section 5(f) herein.

(b) Not later than 15 Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Borrower shall provide its Annual Report to the Dissemination Agent.

(c) If DAC is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), DAC shall send a notice to the MSRB in substantially the form attached as Exhibit 1 hereto.

SECTION 4. Content of Annual Reports.

(a) Each Annual Report shall contain or include by reference the following:

(i) The audited consolidated financial statements of the System with unaudited consolidating financial information for the fiscal year ending immediately preceding the due date of the Annual Report. The consolidated financial statements shall be audited and prepared pursuant to accounting and reporting policies conforming in all material respects to generally accepted accounting principles.

(ii) For the prior fiscal year just ended, an update of the material financial information and material operating data of the same general nature as that contained in the tables under the following headings in Appendix A to the Official Statement: "FACILITIES AND SERVICES – Utilization Statistics" and "– Sources of Patient Service Revenue; Managed Care" and in the tables under the headings "Liquidity" (historical information only) and "Debt Service Coverage" (historical information only) under the heading "SUMMARY OF FINANCIAL INFORMATION."

(b) Each Quarterly Report shall contain the unaudited financial statements of the System for the applicable fiscal quarter, prepared in accordance with generally accepted accounting principles (except for the exclusion of footnotes required under generally accepted accounting principles), including all adjustments necessary to present fairly the financial position and operating results of the System for such fiscal quarter.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements or offering documents of debt issues with respect to which the Borrower or the Obligated Group is an "obligated person" (as defined by the Rule), which have been filed with the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Borrower or the Obligated Group, as applicable, shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) In a timely manner not in excess of ten business days after the occurrence of the event, the Borrower shall file, or deliver to the Dissemination Agent for filing, with the MSRB notice of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701–TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

7. Modifications to rights of the Holders of the Bonds, if material;

8. (A) Bond calls, if material, and (B) tender offers;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Borrower or a member of the Obligated Group;

13. The consummation of a merger, consolidation, or acquisition involving the Borrower or a member of the Obligated Group or the sale of all or substantially all of the assets of the Borrower or of a member of the Obligated Group, 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;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. Incurrence of a Financial Obligation of an obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) Concurrently with the delivery to the MSRB of any information required pursuant to Section 3(a), Section 3(b), or Section 5(a) above, the Dissemination Agent shall file a certificate with the Borrower, the Obligated Group and the Authority certifying that such information has been provided to the MSRB pursuant to this Disclosure Agreement and stating the date it was provided.

(c) The Dissemination Agent shall, within three Business Days of obtaining actual knowledge of the occurrence of any of the Listed Events from a source other than the Obligated Group, notify the Obligated Group of the occurrence thereof in writing. "Actual knowledge," for purposes of this subsection, shall mean actual knowledge of a responsible corporate trust officer of the Dissemination Agent's corporate trust department.

(d) If in response to a request under subsection (c), the Borrower determines (solely with respect to the Listed Events in Section 5(a)(2), (7), (8(A)), (10), (13), (14) and (15)) that the Listed Event would not be material under applicable federal securities laws, the Borrower shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(e) The Borrower shall promptly notify the Dissemination Agent in writing of the occurrence of any of the Listed Events (with respect to the Listed Events in Section 5(a)(2), (7), (8(A)), (10), (13), (14) and (15) above, only if such Listed Event is determined by the Borrower to be material), and instruct the Dissemination Agent to report the occurrence of such Listed Event pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Borrower to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB with a copy to the Obligated Group. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (8)(A) (if such Listed Event is determined by the Obligated Group to be material) of this Section 5 need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the related Indenture.

SECTION 6. Termination of Reporting Obligation.

The obligations of the Borrower under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If any member of the Obligated Group's obligations under the related Note are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were a member of the Obligated Group, and such original Obligated Group member shall have no further responsibility hereunder. If the termination or substitution occurs prior to the final maturity of the Bonds, the Borrower, on behalf of the Obligated Group, shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 5(f).

SECTION 7. Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Borrower shall be the Dissemination Agent. The initial Dissemination Agent shall be DAC.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Borrower, the Obligated Group and the Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the related Indenture for amendments to the related Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Borrower shall describe such amendment in its next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the System or the Obligated Group, as applicable. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent any member of the Obligated Group from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If any member of the Obligated Group chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, such member, as the case may be, shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Borrower to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of the Underwriters or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any Holder or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to the Borrower or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the related Indenture or the related Loan Agreement and the sole remedy under this Disclosure Agreement in the event of any failure of the Borrower or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel specific performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have no responsibility or liability for the Borrower's compliance with this Disclosure Agreement or in connection with the Borrower's obligations under this Disclosure Agreement, or for the compliance of this Disclosure Agreement or the contents of the Annual Report or Quarterly Report or notices provided hereunder with the requirements of the Rule. The Dissemination Agent shall have only those duties specifically set forth in this Disclosure Agreement and no further duties or responsibilities shall be implied. The Dissemination Agent shall not have any liability under, nor duty to inquire into the terms and provisions of any agreement or instructions, other than as outlined in the Disclosure Agreement. The Dissemination Agent shall have no duty or obligation to review or verify any information, disclosures or notices provided to it by the Borrower and shall not be deemed to be acting in any fiduciary capacity for the Borrower, the Holders of the Bonds or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. The Dissemination Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document. The Dissemination Agent shall not be liable for any action taken or omitted by it in good faith unless a court of competent jurisdiction determines that the Dissemination Agent's own negligence or willful misconduct was the primary cause of any loss to the Borrower. The Dissemination Agent shall not incur any liability for following the instructions herein contained or expressly provided for, or written instructions given by the parties hereto. In the administration of this Disclosure Agreement, the Dissemination Agent may execute any of its powers and perform its duties hereunder directly or through agents or attorneys and may consult with counsel, accountants and other skilled persons to be selected and retained by it. The Dissemination Agent shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons. The Dissemination Agent may resign and be discharged of its duties and obligations hereunder by giving notice in writing of such resignation specifying a date when such resignation shall take effect. The Borrower agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents (the "Indemnitees") harmless against any claim, loss, expense or liability (including reasonable attorneys' fees and expenses and the allocated costs and expenses of in-house counsel and legal staff) ("Losses") that may be imposed on, incurred by, or asserted against the Indemnitees or any of them for following any instruction or other direction upon which the Dissemination Agent is authorized to rely pursuant to the terms of this Disclosure Agreement. In addition to and not in limitation of the immediately preceding sentence, the Borrower also covenants and agrees to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred

by, or asserted against the Indemnitees or any of them in connection with or arising out of the Dissemination Agent's performance under this Disclosure Agreement, except to the extent such Losses resulted from the Dissemination Agent's own negligence or willful misconduct. The provisions of this Section 11 shall survive the termination of this Disclosure Agreement and the resignation or removal of the Dissemination Agent for any reason. Anything in this Disclosure Agreement to the contrary notwithstanding, in no event shall the Dissemination Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Dissemination Agent has been advised of such loss or damage and regardless of the form of action. Any corporation or association into which the Dissemination Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Dissemination Agent in its individual capacity shall be a party, or any corporation or association to which all or substantially all the corporate trust business of the Dissemination Agent in its individual capacity may be sold or otherwise transferred, shall be the Dissemination Agent under this Disclosure Agreement without further act.

This Section 11 shall survive termination of this Disclosure Agreement and the resignation or removal of DAC for any reason.

SECTION 12. Indemnification of Authority and Trustee. The Authority and the Trustee shall have no responsibility or liability for the Borrower's compliance with this Disclosure Agreement or in connection with the Borrower's obligations under this Disclosure Agreement, or for the compliance of this Disclosure Agreement or the contents of the Annual Report or Quarterly Report or notices provided hereunder with the requirements of the Rule. The Borrower agrees to indemnify and save the Authority, the Trustee and each of their members, officers, employees, solicitors and agents, harmless against any claim, loss, expense (including reasonable attorneys' fees and expenses) or liability arising from or based upon (i) any breach by the Borrower of this Disclosure Agreement or (2) any Annual Report or Quarterly Report or notices provided under this Disclosure Agreement or any omission therefrom.

SECTION 13. Transmission of Information and Notices. Unless otherwise required by law, all documents provided to the MSRB in compliance with Sections 3 and 4 hereof shall be provided to the MSRB in an electronic format and shall be accompanied by identifying information, in each case as prescribed by the MSRB. As of the date of this Disclosure Agreement, the MSRB has established EMMA as its continuing disclosure service for purposes of the Rule, and unless and until otherwise prescribed by the MSRB, all documents provided to the MSRB in compliance with Sections 3 and 4 hereof shall be submitted through EMMA in the format prescribed by the MSRB. The filings required to be made pursuant to Sections 3 and 4 hereof shall be made by, or at the direction of, the Borrower, or such members of the financial staff as may be designated by its Chief Financial Officer.

SECTION 14. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Obligated Group:

Tower Health
420 South 5th Avenue
West Reading, Pennsylvania 19611
Attention: Executive Vice President and Chief Financial Officer
Telephone: (610) 988-8181
Fax: (610) 988-5193

To the Borrower:

Tower Health
420 South 5th Avenue
West Reading, Pennsylvania 19611
Attention: Executive Vice President and Chief Financial Officer
Telephone: (610) 988-8181
Fax: (610) 988-5193

To the Dissemination Agent:

Digital Assurance Certification, L.L.C.
315 East Robinson Street, Suite 300
Orlando, Florida 32801
Attention: Client Services Department
Telephone: (407) 515-1100
Fax: (407) 515-6513

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 15. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Borrower, the Obligated Group, the Dissemination Agent, the Underwriters, and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 16. Severability. In case any one or more of the provisions of this Agreement shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Agreement, but this Agreement shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

SECTION 17. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State.

SECTION 18. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Continuing Disclosure Agreement to be executed and delivered as of the date first indicated above.

TOWER HEALTH, on its own behalf and on behalf of the Obligated Group

By: _____
Title:

DIGITAL ASSURANCE CERTIFICATION, L.L.C.

By: _____
Name:
Title:

EXHIBIT 1

NOTICE TO MSRB OF
FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	The Berks County Municipal Authority
Name of Bond Issue:	The Berks County Municipal Authority Revenue Bonds (Tower Health Project), Series 2020A and The Berks County Municipal Authority Revenue Bonds (Tower Health Project), Series 2020B-1, Series 2020B-2 and Series 2020B-3
Name of Borrower:	Tower Health
Date of Issuance:	February 11, 2020

NOTICE IS HEREBY GIVEN that the Borrower has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Agreement dated February 11, 2020 between the Borrower and Digital Assurance Certification, L.L.C. The Borrower anticipates that the Annual Report will be filed by _____.

Dated _____, 20___

Digital Assurance Certification, L.L.C.,
on behalf of the Borrower

cc: Tower Health

APPENDIX G

SERIES 2020B OPTIONAL REDEMPTION PRICES

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OPTIONAL REDEMPTION PRICES OF THE SERIES 2020B BONDS

Series 2020B-1 Bonds

REDEMPTION DATE	REDEMPTION PRICE
08/01/2024	101.726
08/02/2024	101.717
08/05/2024	101.688
08/06/2024	101.678
08/07/2024	101.669
08/08/2024	101.659
08/09/2024	101.649
08/12/2024	101.621
08/13/2024	101.611
08/14/2024	101.601
08/15/2024	101.592
08/16/2024	101.582
08/19/2024	101.553
08/20/2024	101.544
08/21/2024	101.534
08/22/2024	101.524
08/23/2024	101.515
08/26/2024	101.486
08/27/2024	101.476
08/28/2024	101.467
08/29/2024	101.457
08/30/2024	101.447
09/02/2024	101.428
09/03/2024	101.419
09/04/2024	101.409
09/05/2024	101.399
09/06/2024	101.390
09/09/2024	101.361
09/10/2024	101.351
09/11/2024	101.342
09/12/2024	101.332
09/13/2024	101.322
09/16/2024	101.294
09/17/2024	101.284
09/18/2024	101.274
09/19/2024	101.265
09/20/2024	101.255
09/23/2024	101.226
09/24/2024	101.217
09/25/2024	101.207
09/26/2024	101.197
09/27/2024	101.188
09/30/2024	101.159
10/01/2024	101.149
10/02/2024	101.140
10/03/2024	101.130

REDEMPTION DATE	REDEMPTION PRICE
10/04/2024	101.121
10/07/2024	101.092
10/08/2024	101.082
10/09/2024	101.073
10/10/2024	101.063
10/11/2024	101.053
10/14/2024	101.025
10/15/2024	101.015
10/16/2024	101.005
10/17/2024	100.996
10/18/2024	100.986
10/21/2024	100.957
10/22/2024	100.948
10/23/2024	100.938
10/24/2024	100.929
10/25/2024	100.919
10/28/2024	100.890
10/29/2024	100.881
10/30/2024	100.871
10/31/2024	100.861
11/01/2024	100.861
11/04/2024	100.833
11/05/2024	100.823
11/06/2024	100.814
11/07/2024	100.804
11/08/2024	100.794
11/11/2024	100.766
11/12/2024	100.756
11/13/2024	100.746
11/14/2024	100.737
11/15/2024	100.727
11/18/2024	100.698
11/19/2024	100.689
11/20/2024	100.679
11/21/2024	100.670
11/22/2024	100.660
11/25/2024	100.631
11/26/2024	100.622
11/27/2024	100.612
11/28/2024	100.603
11/29/2024	100.593
12/02/2024	100.564
12/03/2024	100.555
12/04/2024	100.545
12/05/2024	100.535
12/06/2024	100.526
12/09/2024	100.497
12/10/2024	100.488
12/11/2024	100.478

REDEMPTION DATE	REDEMPTION PRICE
12/12/2024	100.468
12/13/2024	100.459
12/16/2024	100.430
12/17/2024	100.421
12/18/2024	100.411
12/19/2024	100.401
12/20/2024	100.392
12/23/2024	100.363
12/24/2024	100.354
12/25/2024	100.344
12/26/2024	100.334
12/27/2024	100.325
12/30/2024	100.296
12/31/2024	100.286
01/01/2025	100.286
01/02/2025	100.277
01/03/2025	100.267
01/06/2025	100.239
01/07/2025	100.229
01/08/2025	100.220
01/09/2025	100.210
01/10/2025	100.200
01/13/2025	100.172
01/14/2025	100.162
01/15/2025	100.153
01/16/2025	100.143
01/17/2025	100.133
01/20/2025	100.105
01/21/2025	100.095
01/22/2025	100.086
01/23/2025	100.076
01/24/2025	100.066
01/27/2025	100.038
01/28/2025	100.028
01/29/2025	100.019
01/30/2025	100.009
01/31/2025	100.000
02/01/2025	100.000

Series 2020B-2 Bonds

REDEMPTION DATE	REDEMPTION PRICE
08/01/2026	101.626
08/03/2026	101.607
08/04/2026	101.598
08/05/2026	101.589
08/06/2026	101.580
08/07/2026	101.571

REDEMPTION DATE	REDEMPTION PRICE
08/10/2026	101.544
08/11/2026	101.535
08/12/2026	101.526
08/13/2026	101.517
08/14/2026	101.508
08/17/2026	101.480
08/18/2026	101.471
08/19/2026	101.462
08/20/2026	101.453
08/21/2026	101.444
08/24/2026	101.417
08/25/2026	101.408
08/26/2026	101.399
08/27/2026	101.390
08/28/2026	101.381
08/31/2026	101.353
09/01/2026	101.353
09/02/2026	101.344
09/03/2026	101.335
09/04/2026	101.326
09/07/2026	101.299
09/08/2026	101.290
09/09/2026	101.281
09/10/2026	101.272
09/11/2026	101.263
09/14/2026	101.236
09/15/2026	101.227
09/16/2026	101.218
09/17/2026	101.209
09/18/2026	101.200
09/21/2026	101.172
09/22/2026	101.163
09/23/2026	101.154
09/24/2026	101.145
09/25/2026	101.136
09/28/2026	101.109
09/29/2026	101.100
09/30/2026	101.091
10/01/2026	101.082
10/02/2026	101.073
10/05/2026	101.046
10/06/2026	101.037
10/07/2026	101.028
10/08/2026	101.019
10/09/2026	101.009
10/12/2026	100.982
10/13/2026	100.973
10/14/2026	100.964
10/15/2026	100.955

REDEMPTION DATE	REDEMPTION PRICE
10/16/2026	100.946
10/19/2026	100.919
10/20/2026	100.910
10/21/2026	100.901
10/22/2026	100.892
10/23/2026	100.883
10/26/2026	100.856
10/27/2026	100.847
10/28/2026	100.838
10/29/2026	100.829
10/30/2026	100.820
11/02/2026	100.802
11/03/2026	100.793
11/04/2026	100.784
11/05/2026	100.775
11/06/2026	100.765
11/09/2026	100.738
11/10/2026	100.729
11/11/2026	100.720
11/12/2026	100.711
11/13/2026	100.702
11/16/2026	100.675
11/17/2026	100.666
11/18/2026	100.657
11/19/2026	100.648
11/20/2026	100.639
11/23/2026	100.612
11/24/2026	100.603
11/25/2026	100.594
11/26/2026	100.585
11/27/2026	100.576
11/30/2026	100.549
12/01/2026	100.540
12/02/2026	100.531
12/03/2026	100.522
12/04/2026	100.513
12/07/2026	100.486
12/08/2026	100.477
12/09/2026	100.468
12/10/2026	100.459
12/11/2026	100.450
12/14/2026	100.423
12/15/2026	100.414
12/16/2026	100.405
12/17/2026	100.396
12/18/2026	100.387
12/21/2026	100.360
12/22/2026	100.351
12/23/2026	100.342

REDEMPTION DATE	REDEMPTION PRICE
12/24/2026	100.333
12/25/2026	100.324
12/28/2026	100.296
12/29/2026	100.287
12/30/2026	100.278
12/31/2026	100.269
01/01/2027	100.269
01/04/2027	100.242
01/05/2027	100.233
01/06/2027	100.224
01/07/2027	100.215
01/08/2027	100.206
01/11/2027	100.179
01/12/2027	100.170
01/13/2027	100.161
01/14/2027	100.152
01/15/2027	100.143
01/18/2027	100.116
01/19/2027	100.107
01/20/2027	100.098
01/21/2027	100.089
01/22/2027	100.080
01/25/2027	100.053
01/26/2027	100.044
01/27/2027	100.035
01/28/2027	100.026
01/29/2027	100.017
02/01/2027	100.000

Series 2020B-3 Bonds

REDEMPTION DATE	REDEMPTION PRICE
08/01/2029	101.495
08/02/2029	101.486
08/03/2029	101.478
08/06/2029	101.453
08/07/2029	101.445
08/08/2029	101.436
08/09/2029	101.428
08/10/2029	101.419
08/13/2029	101.394
08/14/2029	101.386
08/15/2029	101.378
08/16/2029	101.369
08/17/2029	101.361
08/20/2029	101.336
08/21/2029	101.328
08/22/2029	101.319

REDEMPTION DATE	REDEMPTION PRICE
08/23/2029	101.311
08/24/2029	101.303
08/27/2029	101.278
08/28/2029	101.269
08/29/2029	101.261
08/30/2029	101.252
08/31/2029	101.244
09/03/2029	101.227
09/04/2029	101.219
09/05/2029	101.211
09/06/2029	101.202
09/07/2029	101.194
09/10/2029	101.169
09/11/2029	101.161
09/12/2029	101.152
09/13/2029	101.144
09/14/2029	101.136
09/17/2029	101.111
09/18/2029	101.102
09/19/2029	101.094
09/20/2029	101.086
09/21/2029	101.077
09/24/2029	101.052
09/25/2029	101.044
09/26/2029	101.036
09/27/2029	101.027
09/28/2029	101.019
10/01/2029	100.994
10/02/2029	100.986
10/03/2029	100.977
10/04/2029	100.969
10/05/2029	100.961
10/08/2029	100.936
10/09/2029	100.928
10/10/2029	100.919
10/11/2029	100.911
10/12/2029	100.903
10/15/2029	100.878
10/16/2029	100.869
10/17/2029	100.861
10/18/2029	100.853
10/19/2029	100.844
10/22/2029	100.819
10/23/2029	100.811
10/24/2029	100.803
10/25/2029	100.794
10/26/2029	100.786
10/29/2029	100.761
10/30/2029	100.753

REDEMPTION DATE	REDEMPTION PRICE
10/31/2029	100.745
11/01/2029	100.745
11/02/2029	100.736
11/05/2029	100.711
11/06/2029	100.703
11/07/2029	100.695
11/08/2029	100.686
11/09/2029	100.678
11/12/2029	100.653
11/13/2029	100.645
11/14/2029	100.637
11/15/2029	100.628
11/16/2029	100.620
11/19/2029	100.595
11/20/2029	100.587
11/21/2029	100.579
11/22/2029	100.570
11/23/2029	100.562
11/26/2029	100.537
11/27/2029	100.529
11/28/2029	100.521
11/29/2029	100.512
11/30/2029	100.504
12/03/2029	100.479
12/04/2029	100.471
12/05/2029	100.463
12/06/2029	100.454
12/07/2029	100.446
12/10/2029	100.421
12/11/2029	100.413
12/12/2029	100.405
12/13/2029	100.396
12/14/2029	100.388
12/17/2029	100.363
12/18/2029	100.355
12/19/2029	100.347
12/20/2029	100.338
12/21/2029	100.330
12/24/2029	100.305
12/25/2029	100.297
12/26/2029	100.289
12/27/2029	100.280
12/28/2029	100.272
12/31/2029	100.247
01/01/2030	100.247
01/02/2030	100.239
01/03/2030	100.231
01/04/2030	100.223
01/07/2030	100.198

REDEMPTION DATE	REDEMPTION PRICE
01/08/2030	100.189
01/09/2030	100.181
01/10/2030	100.173
01/11/2030	100.165
01/14/2030	100.140
01/15/2030	100.132
01/16/2030	100.123
01/17/2030	100.115
01/18/2030	100.107
01/21/2030	100.082
01/22/2030	100.074
01/23/2030	100.066
01/24/2030	100.057
01/25/2030	100.049
01/28/2030	100.024
01/29/2030	100.016
01/30/2030	100.008
01/31/2030	100.000
02/01/2030	100.000

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THE BERKS COUNTY MUNICIPAL AUTHORITY • REVENUE BONDS (TOWER HEALTH PROJECT), SERIES 2020A, SERIES 2020B-1, SERIES 2020B-2 AND SERIES 2020B-3

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