PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 5, 2021

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS†: Fitch: AA-
Moody's: Aa3
S&P: AA-

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (defined herein) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

$1,050,000,000*
CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
Revenue Bonds
(Cedars-Sinai Health System)
Series 2021A

Dated: Date of Delivery

Due: August 15, as shown on inside cover page

The California Health Facilities Financing Authority Revenue Bonds (Cedars-Sinai Health System), Series 2021A (the "Bonds") will be issued in fully registered form only and, when issued, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Beneficial owners of the Bonds will not receive physical certificates representing the Bonds purchased, but will receive a credit balance on the books of the nominee of such owners. Principal, Redemption Price, Purchase Price of, and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as bond trustee with respect to the Bonds (the "Bond Trustee"), to DTC, which, in turn, will remit such principal, Redemption Price, Purchase Price, and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See APPENDIX F – "BOOK-ENTRY SYSTEM" herein. Interest on the Bonds is payable semiannually on February 15 and August 15 of each year, commencing February 15, 2022. The Bonds are available in denominations of $5,000 and any integral multiple thereof. **The Bonds are subject to optional, mandatory and extraordinary optional redemption and purchase in lieu of optional redemption prior to their respective maturities as described herein.**

The Bonds are limited obligations of the California Health Facilities Financing Authority (the "Authority"). The Bonds are secured under the provisions of a Bond Indenture between the Authority and the Bond Trustee, dated as of December 1, 2021 (the "Bond Indenture") and a Loan Agreement between the Authority and Cedars-Sinai Health System (the "System"), dated as of December 1, 2021 (the "Loan Agreement") all as described herein, and will be payable from Loan Repayments made by the System under the Loan Agreement and from certain funds held under the Bond Indenture. The obligation of the System to make such payments on the Bonds is evidenced and secured by the issuance of Obligation No. 17 ("Obligation No. 17"), under the Master Indenture, described herein, whereunder the System and the other Members of the Obligated Group (collectively, the "Obligated Group"), jointly and severally, are obligated to make payments on Obligation No. 17 in an amount sufficient to pay principal, Redemption Price, Purchase Price (when required) of and interest on the Bonds when due. Upon the issuance of the Bonds and the effectiveness of the Amended and Restated Master Indenture (as described herein), the System, Cedars-Sinai Medical Center, CFHS Holdings, Inc. (d/b/a Cedars-Sinai Marina del Rey Hospital), Torrance Memorial Medical Center and Pasadena Hospital Association, Ltd. (d/b/a Huntington Hospital) will be the Members of the Obligated Group.

The Bonds are being issued in the Fixed Mode for the Initial Fixed Period, bearing interest at the Fixed Rates set forth on the inside cover page hereof. During the period in which the Bonds are subject to optional redemption, the System may elect to convert the Bonds to a different Interest Rate Mode or to a new Fixed Period. Capitalized terms used on this cover page and not defined are defined elsewhere in this Official Statement.

This Official Statement summarizes certain terms of the Bonds only while the Bonds bear interest at Fixed Rates for the Initial Fixed Period, Bonds to be converted would be subject to mandatory tender for purchase, and it is expected that a reoffering circular or a supplement to this Official Statement or other disclosure document would be prepared at that time for remarketing such Bonds.

By purchasing the Bonds, each Holder and each Beneficial Owner of the Bonds will be deemed to have irrevocably consented to the Amended and Restated Master Indenture (as described herein), and to have approved, on behalf of themselves and all subsequent Holders and Beneficial Owners of the Bonds, the Amended and Restated Master Indenture. See APPENDIX G – "FORMS OF AMENDED AND RESTATED MASTER INDENTURE AND SUPPLEMENT NO. 17." The Amended and Restated Master Indenture is expected to become effective on the date of issuance of the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—The Master Indenture—Proposed Amendment and Restatement of the Master Indenture."

THE BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS THEREFOR PROVIDED. NEITHER THE STATE OF CALIFORNIA NOR THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR PURCHASE PRICE OF THE BONDS OR THE PREMIUM, IF ANY, OR THE INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED UNDER THE LOAN AGREEMENT AND OBLIGATION NO. 17 AND THE OTHER ASSETS PLEDGED UNDER THE BOND INDENTURE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR PURCHASE PRICE OF OR THE PREMIUM, IF ANY, OR THE INTEREST ON THE BONDS. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER.

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

The Bonds are offered when, as and if received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of the validity of the Bonds and certain other legal matters by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, the approval of certain matters for the Authority by its counsel, the Honorable Rob Bonta, Attorney General of the State of California, and the approval of certain matters for the Obligated Group by its counsel, McDermott Will & Emery LLP, Los Angeles, California. Certain legal matters will be passed upon for the Underwriters by Norton Rose Fulbright US LLP, San Francisco, California. It is expected that the Bonds in book-entry form will be available for delivery through the facilities of DTC, on or about _____, 2021.

HONORABLE FIONA MA
Treasurer of the State of California
As Agent for Sale

Barclays

BofA Securities **Citigroup**

Dated: _____, 2021

† See "RATINGS" herein.

* Preliminary, subject to change.

MATURITY SCHEDULE

**$1,050,000,000*
California Health Facilities Financing Authority
Revenue Bonds
(Cedars-Sinai Health System)
Series 2021A**

$_____ Serial Bonds

Maturity (August 15)	Principal Amount	Interest Rate	Price or Yield	CUSIP† No.
	$	%	%	

$_____ _____% Term Bonds due August 15, 20__; Priced to Yield ____% CUSIP† No. _____

$_____ _____% Term Bonds due August 15, 20__; Priced to Yield ____% CUSIP† No. _____

* Preliminary, subject to change.

† A registered trademark of The American Bankers Association. CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a Standard & Poor's Financial Services LLC business. CUSIP numbers are provided for convenience of reference only. None of the Authority, the Obligated Group Members or the Underwriters assume any responsibility for the accuracy of such numbers.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized by the Authority, the System, the other Obligated Group Members or the Underwriters to give any information or to make any representation other than as contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing.

The information relating to the Authority set forth herein under the captions "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION—The Authority" has been furnished by the Authority. The Authority does not warrant the accuracy of the statements contained herein relating to the System or the other Members of the Obligated Group nor does it directly or indirectly guarantee, endorse or warrant (1) the creditworthiness or credit standing of the System or the other Members of the Obligated Group, (2) the sufficiency of the security for the Bonds or (3) the value or investment quality of the Bonds. The Authority makes no representations or warranties whatsoever with respect to any information contained herein except for the information under the sections entitled "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION—The Authority." The information set forth herein under APPENDIX F – "BOOK-ENTRY SYSTEM" has been furnished by DTC. All other information set forth herein has been obtained from the Members of the Obligated Group and other sources (other than the Authority) that are believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and is not to be construed as a representation by, the Authority or the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of the 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 DTC, the Authority or the Members of the Obligated Group since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of this information.

References to web site addresses herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not a part of, this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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 contained in the information under the captions "BONDHOLDERS' RISKS," and APPENDIX A – "INFORMATION REGARDING CEDARS-SINAI HEALTH SYSTEM AND ITS AFFILIATES—SUMMARY OF FINANCIAL INFORMATION—Management Discussion and Analysis of Pro Forma and Recent Financial Performance of CSHS and Affiliates" in this Official Statement. 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 Members of the Obligated Group do not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

The CUSIP numbers are included in this Official Statement for the convenience of the holders and potential holders of the Bonds. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance and delivery of such Bonds.

Neither the Bonds nor Obligation No. 17 have been registered under the Securities Act of 1933 or the securities laws of any state, nor have the Bond Indenture or the Master Indenture and Supplement No. 17 thereto been qualified under the Trust Indenture Act of 1939 in reliance upon exemptions contained in such acts. The Bonds have not been registered or qualified under the securities laws of any state in reliance upon the state securities law preemption provisions under the Securities Act of 1933. In certain states, however, the filing of a notice with the state securities commission is required for the public sale of the Bonds in such states. The fact that a notice may have been filed in certain states cannot be regarded as a recommendation. Neither such states nor any of their respective agencies have passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

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OFFICIAL STATEMENT

$1,050,000,000*
CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
REVENUE BONDS
(Cedars-Sinai Health System)
Series 2021A

INTRODUCTORY STATEMENT

The following introductory statement is subject in all respects to the more complete information set forth in this Official Statement, including the cover page and the appendices hereto (the "Official Statement"). The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in APPENDIX C – "SUMMARY OF BOND INDENTURE AND LOAN AGREEMENT," and APPENDIX G – "FORMS OF AMENDED AND RESTATED MASTER INDENTURE AND SUPPLEMENT NO. 17."

Purpose of this Official Statement

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information in connection with the sale and delivery of $1,050,000,000* aggregate principal amount of the California Health Facilities Financing Authority Revenue Bonds (Cedars-Sinai Health System), Series 2021A (the "Bonds"). The Bonds will be issued pursuant to a Bond Indenture, dated as of December 1, 2021 (the "Bond Indenture"), between the California Health Facilities Financing Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., in its capacity as Bond Trustee (the "Bond Trustee").

The Bonds will be issued under the California Health Facilities Financing Act, constituting Part 7.2 of Division 3 of Title 2 of the California Government Code (the "Act"), and pursuant to the Bond Indenture. The proceeds of the sale of the Bonds will be loaned to Cedars-Sinai Health System (the "System") pursuant to a Loan Agreement, dated as of December 1, 2021 (the "Loan Agreement"), between the Authority and the System.

The System and the Obligated Group

The System, a California nonprofit public benefit corporation, was created and incorporated in 2017 to act as the parent organization of a network of affiliated health care institutions, including (1) Cedars-Sinai Medical Center ("CSMC"), which is the sole corporate member of CFHS Holdings, Inc. (d/b/a Cedars-Sinai Marina del Rey Hospital) ("CFHS"), (2) Torrance Health Association, Inc., which is the sole corporate member of Torrance Memorial Medical Center ("TMMC"), and (3) Pasadena Hospital Association, Ltd. (d/b/a Huntington Hospital) ("Huntington Hospital") (which became affiliated with the System on August 4, 2021). The System and the organizations that are directly or indirectly (through one or more intermediaries) controlled by, or under common control with, the System are referred to herein as the "Health System."

Upon the issuance of the Bonds and the effectiveness of the Amended and Restated Master Indenture (as described herein), the System, CSMC, CFHS, TMMC and Huntington Hospital will be the

* Preliminary, subject to change.

only members of an obligated group (each, a "Member" and collectively, the "Members" of the "Obligated Group") under the Master Indenture (hereinafter described), but future members may join the Obligated Group and Members may withdraw from the Obligated Group. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" below. No other affiliates or subsidiary organizations will be members of the Obligated Group promptly following the issuance of the Bonds. Each Obligated Group Member has received a determination letter from the Internal Revenue Service stating that it is exempt from federal income tax under Section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code"), as an organization described in Section 501(c)(3) of the Code.

As described herein, the Master Indenture also creates a "Credit Group" which consists of the Obligated Group Members and any Designated Affiliates (collectively, the "Credit Group Members"). As of the date of the issuance of the Bonds, there will not be any Designated Affiliates. The Master Indenture defines the "Combined Group" as the Credit Group Members and any entity that, in accordance with GAAP, is consolidated or combined with a Credit Group Member.

The audited financial statements of Huntington Hospital and certain affiliates for the years ended December 31, 2020 and 2019 attached as APPENDIX B-2 to this Official Statement include financial information relating to the Collis P. and Howard Huntington Memorial Hospital Trust (the "Huntington Trust"). The Huntington Trust will not be an Obligated Group Member and will not be included in the Combined Group following the issuance date of the Bonds, although for purposes of effecting the plan of finance described herein, it is anticipated that the Huntington Trust will join, and then immediately withdraw from the Obligated Group on the date of the issuance of the Bonds. Pursuant to the terms of the Huntington Trust, the Huntington Trust's assets are to be held to produce returns for the benefit of Huntington Hospital. For additional information on the Huntington Trust, see APPENDIX A – "INFORMATION REGARDING CEDARS-SINAI HEALTH SYSTEM AND ITS AFFILIATES—HEALTH SYSTEM".

Upon the issuance of the Series 2021 Bonds (as defined herein), the Obligated Group Members constitute, on a pro forma basis, (i) 94% and 94% of the total assets of the Combined Group as of June 30, 2021 and as of September 30, 2021, respectively, and (ii) 86% and 85% of the total revenues of the Combined Group for the fiscal year ended June 30, 2021 and for the three months ended September 30, 2021, respectively. For a more complete description of the Obligated Group and the Combined Group, see APPENDIX A – "INFORMATION REGARDING CEDARS-SINAI HEALTH SYSTEM AND ITS AFFILIATES" herein.

The Master Indenture

CSMC is currently party to a Master Trust Indenture, dated as of September 15, 1997, as supplemented and amended (the "Original Master Indenture"), with The Bank of New York Mellon Trust Company, N.A., as successor master trustee to The Bank of New York Mellon (the "Master Trustee"). In connection with the issuance of the Bonds, CSMC, in its capacity as Obligated Group Representative under the Original Master Indenture, plans to amend and restate the Original Master Indenture through the execution and delivery of an amendment and restatement to the Original Master Indenture, entered into as of December 1, 2021 and effective on the Effective Date described below, which Effective Date is expected to be the date of issuance of the Bonds, (the Original Master Indenture as so amended and restated, the "Amended and Restated Master Indenture"), between the System and the other Members of the Obligated Group from time to time thereunder and the Master Trustee. On the Effective Date, the System, CSMC, CFHS, TMMC and Huntington Hospital will be the sole Members of the Obligated Group, with the System, CFHS, TMMC and Huntington Hospital being added as Members in connection with the effectiveness of the Amended and Restated Master Indenture. The System will be appointed to act as the Credit Group Representative under the Amended and Restated Master Indenture. The form of the Amended and Restated

Master Indenture is included in APPENDIX G – "FORMS OF AMENDED AND RESTATED MASTER INDENTURE AND SUPPLEMENT NO. 17."

The Amended and Restated Master Indenture is expected to become effective on the date of issuance of the Bonds, when the consent of holders representing not less than a majority in aggregate principal amount of the Obligations then outstanding under the Original Master Indenture (which will include Obligation No. 17, which will have been issued under the Original Master Indenture as in effect immediately prior to its amendment and restatement becoming effective) is filed with the Master Trustee (the "Effective Date"). All references to the "Master Indenture" herein refer to the Amended and Restated Master Indenture upon the Effective Date. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—The Master Indenture—Proposed Amendment and Restatement of the Master Indenture." By purchasing the Bonds, each Holder and each Beneficial Owner of the Bonds will be deemed to have irrevocably consented to the Amended and Restated Master Indenture, and to have approved, on behalf of themselves and all subsequent Holders and Beneficial Owners of the Bonds, the Amended and Restated Master Indenture.

Security for the Bonds

The Bonds will be payable from payments made by the System under the Loan Agreement (the "Loan Repayments"), from payments made by the Members of the Obligated Group on Obligation No. 17 (described below) and from certain funds held under the Bond Indenture.

In order to secure the obligation of the System to make the payments under the Loan Agreement, Obligation No. 17 ("Obligation No. 17") will be delivered to the Bond Trustee on behalf of the Members of the Obligated Group. Obligation No. 17 is being issued pursuant to the Original Master Indenture, as supplemented by the Supplemental Master Indenture for Obligation No. 17 ("Supplement No. 17"), dated as of December 1, 2021, between CSMC, as Obligated Group Representative, and the Master Trustee. Each Obligation issued under the Original Master Indenture, including Obligation No. 17 and Obligation No. 18 securing the Taxable Bonds (defined below), which is also expected to be issued on the date of issuance of the Bonds (the "Taxable Obligation" and, together with Obligation No. 17, the "Series 2021 Obligations"), and the Existing Obligations (defined below) or under the Amended and Restated Master Indenture, including the Huntington 2018 Bonds Replacement Obligation (defined below), is referred to herein as an "Obligation." A form of Supplement No. 17 is included in APPENDIX G to this Official Statement. Pursuant to Supplement No. 17, the Members of the Obligated Group agree to make payments on Obligation No. 17 in an amount sufficient to pay, when due, the principal, Redemption Price, Purchase Price (when required) of and interest on the Bonds. Each Member of the Obligated Group is jointly and severally obligated to make payments on all Obligations issued under the Master Indenture, including the Series 2021 Obligations. Obligation No. 17 will entitle the Bond Trustee, as the holder thereof, to the benefit of the covenants, restrictions and other obligations imposed upon the Obligated Group under the Master Indenture. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" herein.

Other Financing

As part of its plan of finance, the System anticipates that concurrently with the issuance of the Bonds, the System will issue a series of taxable bonds bearing interest at fixed rates (the "Taxable Bonds") in an aggregate principal amount of $300,000,000*. The Bonds and the Taxable Bonds are referred to collectively herein as the "Series 2021 Bonds." The issuance of the Bonds is not dependent upon the issuance of the Taxable Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein. In addition, on the date of issuance of the Bonds, Obligation No. 19 (the "Huntington

* Preliminary, subject to change.

2018 Bonds Replacement Obligation") will be issued under the Amended and Restated Master Indenture to replace the master indenture obligation currently securing the $96,625,000 California Statewide Communities Development Authority Revenue Bonds (Huntington Memorial Hospital), Series 2018 (the "Huntington 2018 Bonds") under a separate master trust indenture to which Huntington Hospital is a party.

Plan of Finance

The proceeds of the sale of the Bonds are expected to be used to (i) finance (including reimburse for) and refinance the costs of acquisition, construction, expansion, furnishing, renovation, remodeling, and equipping of certain health facilities owned and operated or to be owned and operated by certain of the Obligated Group Members (the "Project"), as described under "PLAN OF FINANCE—The Bonds—The Project" herein, and (ii) refinance certain bonds described in "PLAN OF FINANCE" herein (the "Refinanced Bonds") previously issued for the benefit of certain of the Obligated Group Members as described under "PLAN OF FINANCE—The Bonds—The Refinancing Plan" herein. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein. Costs of issuance related to the Bonds will be paid by the System from its internal funds.

Bondholders' Risks

There are risks associated with the purchase of the Bonds. See "BONDHOLDERS' RISKS" herein for a discussion of certain of these risks.

Continuing Disclosure

The System, as Credit Group Representative, will enter into an agreement for the benefit of the Holders to provide certain information annually and quarterly and to provide notice of certain events. For further information, see the discussion under "CONTINUING DISCLOSURE" herein and Appendix E hereto.

THE AUTHORITY

General

The Authority is a public instrumentality of the State of California (the "State") organized and existing under and by virtue of the Act. The intent of the State legislature in enacting the Act was to provide financing to health facilities and to pass along to the consuming public all or part of any savings realized by a participating health institution (as defined in the Act) as a result of tax-exempt financing. Pursuant to the Act, the Authority is authorized to issue its revenue bonds for the purpose of financing (including reimbursing expenditures made or refinancing indebtedness incurred for such purpose) the construction, expansion, remodeling, renovation, furnishing, equipping or acquisition of health facilities operated by participating health institutions. The State Treasurer is authorized under the Act to sell such revenue bonds on behalf of the Authority.

Organization and Membership

The Act provides that the Authority shall consist of nine members, including the State Treasurer, who shall serve as Chairperson, the State Controller, the Director of Finance and two members appointed by each of the State Senate Rules Committee, the Speaker of the State Assembly and the Governor of the State. The Chairperson of the Authority appoints the Executive Director.

Outstanding Indebtedness of the Authority

As of June 30, 2021, the Authority had issued obligations aggregating $44,716,757,017 in original principal amount and had outstanding obligations in the aggregate principal amount of $16,322,910,670.

THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds for the complete text thereof and to the Bond Indenture for all of the provisions relating to the Bonds and to the summary of certain provisions of the Bond Indenture included in APPENDIX C hereto for a more complete description. The discussion herein is qualified by such reference.

The Bonds may bear interest in a Fixed Period, Long-Term Period, FRN Period, Short-Term Period, Two Day Period, VRO Interest Rate Period, Window Period, Daily Period, Weekly Period, Flexible Rate Period or Direct Purchase Period (as such terms are defined and more fully described in the Bond Indenture). This Official Statement summarizes certain terms of the Bonds only while the Bonds bear interest at Fixed Rates in the Initial Fixed Period. If the System elects to convert the Bonds to a different Interest Rate Mode or a new Fixed Period, such Bonds will be subject to mandatory tender for purchase on the Conversion Date, and a new reoffering circular or supplement to this Official Statement or other disclosure document will be prepared in connection with any such Conversion.

Whenever used herein with respect to a Bond, "Holder" or "Bondholder" means the person in whose name such bond is registered; provided, however, that any time the Bonds are held in a book-entry system, "Holder" or "Bondholder" means Beneficial Owner of such Bonds.

General

The Bonds are being issued pursuant to the Bond Indenture in the aggregate principal amount set forth on the cover of this Official Statement. The Bonds will be issued as fully registered bonds without coupons in the denomination of $5,000 and any integral multiple thereof. The initial Interest Rate Period for the Bonds will be a Fixed Period that extends, subject to conversion to operate in a different Interest Rate Mode or a new Fixed Period, to the respective maturities of the Bonds. The Bonds will bear interest from their date of delivery at the respective rates set forth on the inside cover page of this Official Statement. Interest will be payable semiannually on each February 15 and August 15 (each, an "Interest Payment Date"), commencing February 15, 2022, to the person whose name appears on the Registration Books maintained by the Bond Trustee as the Holder thereof as of the close of business as of the Record Date (which will be the first day of the month in which such Interest Payment Date occurs, whether or not such day is a Business Day) for such Interest Payment Date. A Conversion Date and any Mandatory Purchase Date is also an Interest Payment Date for the Bonds. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Bonds will be transferable and exchangeable as set forth in the Bond Indenture and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. One fully registered bond will be issued for each maturity of the Bonds in the total aggregate principal amount due on such maturity and will be deposited with DTC or its agent. Ownership interests in the Bonds may be purchased in book-entry form only, in the denominations set forth above. See APPENDIX F – "BOOK-ENTRY SYSTEM."

So long as Cede & Co. is the registered owner of the Bonds, the principal, Redemption Price and Purchase Price of and interest on the Bonds will be payable by wire transfer by the Bond Trustee to DTC,

which, in turn, will be required to remit such amounts to DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See APPENDIX F – "BOOK-ENTRY SYSTEM."

If the book-entry only system for the Bonds is discontinued, payment of interest on the Bonds will be made to the person whose name appears on the Registration Books maintained by the Bond Trustee as the Holder thereof as of the close of business on the Record Date for each Interest Payment Date, such interest to be paid by check mailed on each Interest Payment Date to the Holder at such Holder's address as it appears on the Registration Books as of the close of business on the Record Date; provided that in the case of any Holder of Bonds in an aggregate principal amount in excess of $1,000,000 as shown on the Registration Books who, prior to the Record Date next preceding any Interest Payment Date, provides the Bond Trustee with written wire transfer instructions containing the wire transfer address within the continental United States, interest payable on such Bonds will be paid in accordance with the wire transfer instructions provided by the Holder of such Bond. If the book-entry only system for the Bonds is discontinued, payment of the principal, Redemption Price or Purchase Price of the Bonds will be payable upon surrender or presentation thereof at the designated office of the Bond Trustee.

Conversion. At the option of the System, the Bonds may be converted in whole or in part to a new Fixed Period or a different Interest Rate Mode through a mandatory tender on any date the Bonds are subject to optional redemption. Not fewer than 20 days prior to the proposed Conversion Date, the Bond Trustee, as directed by the System, is required to give Electronic Notice, confirmed by first class mail, of the Conversion and, if applicable, of the mandatory tender of such Bonds to the Holders of such Bonds at their addresses as they appear on the Registration Books as of the date Electronic Notice of the election is received by the Bond Trustee from the System. The Bonds may be converted in whole or in part in Authorized Denominations and in a minimum principal amount of $5,000,000. The Bonds subject to such Conversion may be assigned a new CUSIP number and shall be designated or numbered to distinguish each Sub-Series of Bonds from another Sub-Series. Interest will accrue on such Bonds at the new interest rate commencing on such Conversion Date, whether or not a Business Day. Any action required to be taken on such Conversion Date, if such day is not a Business Day, may be taken on the next succeeding Business Day as if it had occurred on such Conversion Date. For a description of what occurs should any condition precedent in the Bond Indenture not be satisfied prior to such Conversion, see "—Purchase of the Bonds—Failed Conversion of the Bonds" herein.

Redemption

Optional Redemption. The Bonds maturing on and after August 15, 20__ are subject to optional redemption prior to their respective stated maturities, on any date on or after August 15, 20__, at the option of the System, in whole or in part at any time, in such amounts and such maturities as may be designated by the System, at a Redemption Price equal to the principal amount of the Bonds called for redemption, plus interest accrued thereon, if any, to the date fixed for redemption, without premium.

Extraordinary Optional Redemption. The Bonds are subject to redemption prior to their respective stated maturities, at the option of the System, in whole or in part on any Business Day, in such amounts as are designated by the System, from hazard insurance or condemnation proceeds received with respect to the facilities of any of the Obligated Group Members and deposited in the Optional Redemption Fund, at a Redemption Price, equal to the principal amount thereof, plus accrued interest thereon (if any) to the date fixed for redemption, without premium.

Sinking Fund Redemption. The Bonds maturing August 15, 20__ and August 15, 20___ (the "Term Bonds") are subject to redemption in part prior to their respective stated maturities on August 15 ___ in each of the following years, in the following principal amounts of such Term Bonds (the "Sinking Fund

Installments") at a Redemption Price equal to the principal amount thereof, plus accrued interest thereon (if any) to the date fixed for redemption, without premium:

Term Bond Maturity August 15, 20__
Bearing interest at ___%

Year (August 15)	Principal Amount
	$
†	

† Maturity

Term Bond Maturity August 15, 20__
Bearing interest at ___%

Year (August 15)	Principal Amount
	$
†	

† Maturity

Selection of Bonds for Redemption. Whenever provision is made in the Bond Indenture for the redemption of less than all of the Bonds or any given portion thereof, the Bond Trustee will be required to select the Bonds to be redeemed, from all Bonds subject to redemption or such given portion thereof not previously called for redemption, as directed in writing by the System or, in the absence of direction, by lot.

Notice of Redemption for the Bonds. Notice of redemption will be required to be mailed by the Bond Trustee, not less than 20 days nor more than 60 days prior to the redemption date to the Authority and the respective Holders of Bonds called for redemption at their addresses appearing on the Registration Books as of the date of the giving of such notice. Failure of the Bond Trustee to mail notice to any one or more of the respective Holders of any Bonds designated for redemption (or failure by any such Holder or Holders to receive said notice) will not affect the sufficiency of the proceedings for the redemption with respect to the Holders to whom such notice was mailed.

Conditional Notice and Rescission of Notice. Notice of redemption of any Bonds to be redeemed pursuant to optional or extraordinary optional redemption will be required to state (i) that it is conditioned upon the deposit with the Bond Trustee on or prior to the redemption date of moneys in an amount equal to

the amount necessary to effect the redemption and may also be conditioned on any other conditions as may be set forth in the notice of redemption, and (ii) that the notice may be rescinded by written notice given to the Bond Trustee by the System on or prior to the date specified for redemption, and in either such case such notice and redemption will be of no effect if such moneys are not so deposited or if the notice is rescinded as described herein.

Effect of Redemption. Notice of redemption having been given in accordance with the Bond Indenture and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, such Bonds (or portions thereof) so called for redemption being held by the Bond Trustee, on the redemption date designated in such notice, such Bonds (or portions thereof) called for redemption will become due and payable at the Redemption Price specified in such notice, together with interest accrued thereon to the redemption date, interest on such Bonds so called for redemption will cease to accrue from and after the redemption date, said Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Bond Indenture, and the Holders of said Bonds will not have any 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 Bonds subject to optional redemption and cancelation pursuant to the Bond Indenture will also be subject to optional call for purchase by the System and, at the option of the System, holding, resale or cancellation by the System (i.e., a so-called "purchase in lieu of redemption") at the same times and at the same purchase price equal to the Redemption Prices as are applicable to the optional redemption of such Bonds, upon written request of the System given to the Bond Trustee. Upon receiving such written request from the System, the Bond Trustee is required to give the Holders of the Bonds to be purchased notice of such purchase in accordance with the Bond Indenture as though such purchase by the System were a redemption and the purchase of such Bonds will be mandatory and enforceable against such Holders. On the date fixed for purchase pursuant to any exercise of such option, the System or its assignee will be required to pay the purchase price of the Bonds then being purchased to the Bond Trustee in immediately available funds, and the Bond Trustee will be required to pay the same to the sellers of such Bonds against delivery thereof. Following such purchase, the Bond Trustee is required to cause the Bonds to be registered in the name of the System or its assignees and will be required to deliver them to the System or its assignee. In the case of the purchase of less than all of the Bonds, the particular Bonds to be purchased will be selected in accordance with the Bond Indenture. A purchase of the Bonds pursuant to the provisions summarized in this section will not extinguish the indebtedness of the Authority evidenced thereby. No purchase in lieu of redemption will be permitted to be made unless the System delivers an opinion of Bond Counsel addressed to the System, the Bond Trustee and the Authority, to the effect that the purchase of the Bonds (i) is authorized or permitted or not prohibited by or in contravention of the Bond Indenture and (ii) will not, in and of itself, cause interest on the Bonds to be included in gross income for purposes of federal income taxation.

Conversion of Bonds. The System may elect to convert all or a portion of the Bonds to operate in a different Interest Rate Mode or a new Fixed Period at any time on and after the date the Bonds are subject to optional redemption, as described above. The Bonds to be converted are subject to mandatory tender for purchase on the Conversion Date at a Purchase Price equal to the principal amount thereof plus accrued and unpaid interest thereon to the Conversion Date. It is expected that a reoffering circular or a supplement to this Official Statement or other disclosure document would be prepared at that time for remarketing of the Bonds. The System may rescind its election to implement any such Conversion in accordance with the Bond Indenture as described further below, in which case the Bonds will continue to bear interest at the Fixed Rates set forth on the inside cover page of this Official Statement.

Purchase of the Bonds

Insufficient Funds for Payment of Purchase Price of the Bonds. If the funds available for the purchase of Bonds subject to purchase on a Purchase Date are insufficient to purchase all of such Bonds on such Purchase Date (including Undelivered Bonds of the Bonds), then no purchase of any such Bond will occur on such Purchase Date and, on such Purchase Date, the Bond Trustee will be required to return (i) all of such Bonds that were tendered to the Holders thereof, and (ii) all moneys received by the Bond Trustee for the purchase of such Bonds to the respective Persons that provided such moneys (in the respective amounts in which such moneys were so provided).

The failure to purchase the Bonds on a Conversion Date from a Fixed Period will not constitute an Event of Default. If Fixed Bonds are not purchased on a Purchase Date related to a Conversion of such Bonds, then such Fixed Bonds will continue to bear interest at the interest rates in effect prior to such proposed Conversion Date.

Failed Conversion of the Bonds. If, on a Conversion Date, any condition precedent to a proposed Conversion required to be satisfied under the Bond Indenture will not be satisfied, then such Conversion will not occur, and the Bonds, or portion thereof, that would have been converted will continue to bear interest in the current Interest Rate Mode and at the current interest rate as in effect immediately prior to such proposed Conversion Date and such Bonds or portion thereof, will not be subject to mandatory tender for purchase on the proposed Conversion Date.

Rescission of Conversion Election. In connection with any proposed Conversion of the Bonds (or a portion of the Bonds, as applicable), the System will have the right to rescind its election to make such Conversion by notice provided to the Bond Trustee and the Authority on or prior to 10:00 a.m., New York City time, on the proposed effective date of any such Conversion or prior to the date on which the interest rate for the new Interest Rate Mode is to be determined, whichever is earlier. If the System rescinds its election to implement any such Conversion, then such Conversion will not occur, the mandatory tender will not occur, and, such Bonds will continue to bear interest in the current Interest Rate Mode and the current interest rates in effect immediately prior to such proposed Conversion Date.

Book-Entry System

The Bonds will be issued in book-entry form. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Bond will be issued for each maturity in the total aggregate principal amount due on such maturity date and will be deposited with or held at the direction of DTC. See APPENDIX F – "BOOK-ENTRY SYSTEM."

The Authority, the Bond Trustee and the Members of the Obligated Group cannot and do not give any assurances that DTC will distribute to DTC Participants or that DTC Participants, or others will distribute to the Beneficial Owners, payments of principal, Redemption Price, Purchase Price of and interest on the Bonds or any redemption, tender 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. None of the Authority, the Bond Trustee or the Members of the Obligated Group is responsible or liable for the failure of DTC or any DTC Participant or DTC Indirect Participant (as defined herein) to make any payments or give any notice to a Beneficial Owner with respect to the Bonds or for any error or delay relating thereto.

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for each fiscal year ending June 30, the amounts required to be made available for (i) the payment of principal of and interest on the Bonds and the Taxable Bonds, (ii) the payment of total debt service on all other long-term debt, excluding the Refinanced Bonds to be refinanced with proceeds of the Series 2021 Bonds and the System's equity, and (iii) the payment of total combined debt service.

Annual Debt Service Requirements

Fiscal Year Ending June 30	Existing Debt Service[(1)]	Debt Service for the Bonds			Debt Service for the Taxable Bonds			Total Debt Service
		Principal*	Interest	Total	Principal*	Interest	Total	
2022	$87,742,150	-			-			
2023	87,774,925	-			-			
2024	87,801,800	-			-			
2025	87,792,950	-			-			
2026	87,795,825	-			-			
2027	87,793,900	-			-			
2028	86,225,100	-			-			
2029	86,227,300	-			-			
2030	86,227,125	-			-			
2031	86,225,775	-			-			
2032	86,228,175	-			$300,000,000			
2033	86,225,050	-			-			
2034	86,224,050	-			-			
2035	86,222,700	-			-			
2036	86,214,800	-			-			
2037	86,332,850	-			-			
2038	72,848,450	$1,705,000			-			
2039	72,851,300	1,790,000			-			
2040	72,866,800	1,865,000			-			
2041	4,683,700	71,890,000			-			
2042	4,703,200	75,560,000			-			
2043	4,719,700	79,010,000			-			
2044	4,743,000	82,210,000			-			
2045	4,763,625	85,545,000			-			
2046	18,544,325	74,975,000			-			
2047	18,525,100	78,055,000			-			
2048	18,508,150	81,285,000			-			
2049	18,491,900	84,670,000			-			
2050	-	107,045,000			-			
2051	-	111,465,000			-			
2052	-	112,930,000			-			
	$1,705,303,725	$1,050,000,000	$	$	$300,000,000	$	$	$

(1) See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Outstanding Indebtedness" herein for a description of the System's outstanding long-term debt. Existing Debt Service includes the (i) Authority's Revenue Refunding Bonds (Cedars-Sinai Medical Center), Series 2011, which matured on August 15, 2021, (ii) Authority's Refunding Revenue Bonds (Cedars-Sinai Medical Center), Series 2015, (iii) Authority's Revenue Bonds (Cedars-Sinai Medical Center), Series 2016A, (iv) Authority's Refunding Revenue Bonds (Cedars-Sinai Medical Center), Series 2016B and (v) the California Statewide Communities Development Authority Revenue Bonds (Huntington Memorial Hospital), Series 2018.

* Preliminary, subject to change.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General

The principal, Redemption Price, Purchase Price (when required) of, and interest on the Bonds are payable solely from Revenues which consist primarily of payments required to be paid by the System to the Authority under the Loan Agreement (the "Loan Repayments"), from payments by the Obligated Group under Obligation No. 17 (See "—The Master Indenture" below), and from other funds held under the Bond Indenture (other than the Rebate Fund and the Bond Purchase Fund). Under the Loan Agreement, the System agrees to make payments to the Bond Trustee (as assignee of the Authority) which, in the aggregate, are required to be in an amount sufficient to pay the principal, Redemption Price, Purchase Price (when required) of, and interest on the Bonds on the dates and at the places and in the manner specified in the Bond Indenture, including payments at the times and in the amounts equal to the amounts to be paid as principal, Redemption Price, Purchase Price (when required) of or interest on such Bonds, whether due at maturity, upon redemption, by declaration of acceleration or otherwise, and certain fees and expenses (consisting generally of fees and charges of the Bond Trustee, taxes, accountants' fees and any fees and expenses of the Authority and the Bond Trustee associated with such Bonds) (the "Additional Payments"), less any amounts available for the payment of such expenses as provided in the Bond Indenture and the Loan Agreement.

The Authority, pursuant to the Bond Indenture, will assign to the Bond Trustee all of the Revenues and any other assets pledged under the Bond Indenture and all of its right, title and interest in the Loan Agreement (except for (i) the right to receive certain administrative fees and expenses to the extent payable to the Authority, (ii) any rights of the Authority to be indemnified, held harmless and defended and rights to inspection and to receive notices, certificates and opinions, (iii) express rights to give approvals, consents or waivers, and (iv) the obligation of the System to make deposits pursuant to the Tax Agreement and Obligation No. 17).

As security for its obligation to make the Loan Repayments, concurrently with the issuance with the Bonds, Obligation No. 17 will be issued to the Bond Trustee in accordance with the Master Indenture and pursuant to which the Members of the Obligated Group, jointly and severally, agree to make payments to the Bond Trustee in amounts sufficient to pay, when due, the principal, Redemption Price, Purchase Price (when required) of and interest on the Bonds.

Limited Liability of the Authority

THE BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS THEREFOR PROVIDED. NEITHER THE STATE OF CALIFORNIA NOR THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR THE PURCHASE PRICE OF THE BONDS OR THE PREMIUM, IF ANY, OR THE INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED UNDER THE LOAN AGREEMENT AND OBLIGATION NO. 17 AND THE OTHER ASSETS PLEDGED UNDER THE BOND INDENTURE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR THE PURCHASE PRICE OF OR THE PREMIUM, IF ANY, OR THE INTEREST ON THE BONDS. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO

LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER.

The Master Indenture

Proposed Amendment and Restatement of the Master Indenture. In connection with the issuance of the Bonds, the Original Master Indenture will be amended and restated through an amendment and restatement thereof effective as of the date of issuance of the Bonds. See APPENDIX G – "FORMS OF AMENDED AND RESTATED MASTER INDENTURE AND SUPPLEMENT NO. 17—MASTER TRUST INDENTURE" for the form of the Amended and Restated Master Indenture.

The Original Master Indenture provides that the holders of not less than a majority in aggregate principal amount of Obligations then Outstanding shall have the right to consent to and approve the execution by CSMC, acting for itself and as agent for each Member, and the Master Trustee, of amendments to the terms or provisions of the Original Master Indenture, subject to such exceptions as are set forth in the Original Master Indenture. On the date of issuance, after giving effect to the issuance of the Series 2021 Bonds, the refinancing of the Refinanced Bonds and the issuance of the Series 2021 Obligations, including Obligation No. 17, the consent of the Holders of not less than a majority in aggregate principal amount of all Outstanding Obligations under the Original Master Indenture will have been obtained for the Amended and Restated Master Indenture.

By purchasing the Bonds, the Holders of the Bonds and the Beneficial Owners of the Bonds (i) will be deemed to have irrevocably consented to the Amended and Restated Master Indenture and approved, on behalf of themselves and all subsequent Holders and Beneficial Owners of the Bonds, the Amended and Restated Master Indenture, (ii) pursuant to such consent, will have irrevocably directed the Bond Trustee (as Holder of Obligation No. 17) to consent to the Amended and Restated Master Indenture, and (iii) will have waived, and be deemed to have waived, and to have authorized and directed the Bond Trustee (as Holder of Obligation No. 17) to waive, any and all other formal notice, implementation, execution or timing requirements that may otherwise be required under the Original Master Indenture in order to implement the Amended and Restated Master Indenture. See also APPENDIX C – "SUMMARY OF BOND INDENTURE AND LOAN AGREEMENT—THE BOND INDENTURE—Deemed Consent to Amended and Restated Master Indenture."

The Amended and Restated Master Indenture will become effective on the Effective Date. The Effective Date is expected to be the date of issuance of the Bonds. All references to the "Master Indenture" herein refer to the Amended and Restated Master Indenture upon the Effective Date.

Obligations; Entry into and Withdrawal from Obligated Group. Under the Master Indenture, the System, as Credit Group Representative, is authorized to issue, on behalf of the Members of the Obligated Group, Obligations to evidence or secure Indebtedness (as defined in APPENDIX G – "FORMS OF AMENDED AND RESTATED MASTER INDENTURE AND SUPPLEMENT NO. 17") or for any other lawful corporate purpose. The Members of the Obligated Group will be jointly and severally liable with respect to the Required Payments of each Obligation incurred under the Master Indenture, including those that are outstanding under the Original Master Indenture on the Effective Date. The Members of the Obligated Group shall be referred to herein individually as a "Member" or "Obligated Group Member" and collectively as "Members" or "Obligated Group Members."

See APPENDIX A – "INFORMATION REGARDING CEDARS-SINAI HEALTH SYSTEM AND ITS AFFILIATES" for a description of the System and the other Obligated Group Members.

Additional Obligated Group Members may be added to the Obligated Group and Obligated Group Members may withdraw from the Obligated Group, subject to the provisions of the Master Indenture. For the provisions of the Master Indenture relating to entry to or withdrawal from the Obligated Group, see APPENDIX D – "FORMS OF AMENDED AND RESTATED MASTER INDENTURE AND SUPPLEMENT NO. 17—MASTER INDENTURE —Section 3.08. Membership in Obligated Group" and "—Section 3.09. Withdrawal from Obligated Group."

Obligation No. 17 will be issued under and pursuant to the Original Master Indenture, as supplemented and amended by Supplement No. 17, as security for the Bonds. Obligation No. 17 is being issued on a parity with all other Obligations previously issued or which may be issued under the Original Master Indenture or the Amended and Restated Master Indenture, including the Taxable Obligation, the Existing Obligations (defined below) and the Huntington 2018 Bonds Replacement Obligation (described herein). The Members of the Obligated Group are required to make payments on Obligation No. 17 in amounts sufficient to pay when due the principal, Redemption Price, Purchase Price (when required) of, and interest on the Bonds. See also "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Outstanding Indebtedness" herein.

The Credit Group. The Master Indenture creates a "Credit Group" which consists of the Obligated Group Members and any Designated Affiliates. There are currently no Credit Group Members other than the Obligated Group Members. The Master Indenture provides that the Credit Group Representative may designate any Person as a Designated Affiliate and that the Credit Group Representative may at any time cause such Person to cease to be a Designated Affiliate, in either case, without satisfying any financial or other conditions. In connection with such designation, the Credit Group Representative shall designate for each Designated Affiliate an Obligated Group Member to serve as the Controlling Member for such Designated Affiliate. The Master Indenture defines "Designated Affiliate" to mean any Person which has been designated as such by the Credit Group Representative and such entity has accepted such designation. Upon the issuance and delivery of the Series 2021 Bonds, the Credit Group Representative will not have designated any of its affiliates as "Designated Affiliates" under the Master Indenture. Any future Designated Affiliates will not be Members of the Obligated Group and will not be liable for repayment of any Obligations. See APPENDIX G – "FORMS OF AMENDED AND RESTATED MASTER INDENTURE AND SUPPLEMENT NO. 17—MASTER INDENTURE—Section 3.03. Designation of Designated Affiliates."

The Master Indenture provides that each Controlling Member agrees to cause each of its Designated Affiliates to pay, loan or otherwise transfer to the Credit Group Representative such amounts as are necessary to enable the Obligated Group Members to comply with the provisions of the Master Indenture, including the requirement to make Required Payments on all Obligations issued under the Master Indenture.

The Master Indenture contemplates that each Designated Affiliate would be controlled by a Member of the Obligated Group (through corporate control or pursuant to contract) (the "Controlling Member"), so as to assure compliance by any Designated Affiliate with the covenants contained in the Master Indenture. No assurances can be given as to powers a Controlling Member may reserve with respect to any future Designated Affiliate or the nature and extent of such reserved powers. In addition, no assurance can be given that a Controlling Member will, in all circumstances, be able to exercise such powers or to enforce such policies (including, without limitation, the ability of the Controlling Member to cause any future Designated Affiliates to transfer funds to make payments on the Obligations).

See APPENDIX G – "FORMS OF AMENDED AND RESTATED MASTER INDENTURE AND SUPPLEMENT NO. 17—MASTER INDENTURE—Article III. Payments with Respect to Obligations; Designated Affiliates; Credit Group Covenants."

Choice of Combined Group Financial Information or Credit Group Financial Information. The financial covenants and other requirements of the Master Indenture are based on financial information of (a) the Combined Group, which consists, collectively, of the Credit Group Members and each entity that, in accordance with GAAP, is consolidated with a Credit Group Member, or (b) at the option of the Credit Group Representative, the Credit Group, even though only the Obligated Group Members are directly obligated to make payments under the Master Indenture. In several cases the Credit Group Representative in its sole discretion can choose whether to use the financial information of the Combined Group or the financial information of the Credit Group. No member of the Combined Group or of the Credit Group, other than the Obligated Group Members, are directly obligated to make any payment under the Master Indenture.

Grant of Security Interest in Gross Receivables. Each Obligated Group Member has granted to the Master Trustee a security interest in all of its right, title, and interest in, to and under its Gross Receivables and the proceeds thereof to secure the timely payment and performance of its obligation to make Required Payments and all its other obligations, agreements and covenants under the Master Indenture, including its obligation to make Required Payments on Obligation No. 17, on the Taxable Obligation, on the Existing Obligations (defined below) and on the Huntington 2018 Bonds Replacement Obligation. "Gross Receivables" is defined in the Master Indenture as all accounts, chattel paper, instruments and payment intangibles; excluding, however, any of the foregoing in which a security interest cannot be granted under applicable law, and excluding all proceeds of any grant, gift, bequest, contribution or other donation (and, to the extent subject to the applicable restrictions, the investment income derived from the investment of such proceeds) specifically restricted by the donor or grantor to an object or purpose inconsistent with their use for payment of Required Payments or operating expenses. The security interests in the Gross Receivables will be perfected to the extent the same may be perfected by the filing of financings statements under the Uniform Commercial Code of the State. See APPENDIX G – "FORMS OF AMENDED AND RESTATED MASTER INDENTURE AND SUPPLEMENT NO. 17—MASTER INDENTURE—Section 3.11. Gross Receivables Pledge." See also "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Factors Concerning Security and Enforceability—Perfection of a Security Interest."

Covenant Against Encumbrances; No Limitation on Disposition of Property. Pursuant to the Master Indenture, each Obligated Group Member agrees that it will not, and each Controlling Member agrees that it will not, permit any of its Designated Affiliates to, create or suffer to be created or permit the existence of any Lien upon any of its Property other than Permitted Liens. Each Obligated Group Member, respectively, further agrees that if such a Lien (other than a Permitted Lien) is nonetheless created by someone other than an Obligated Group Member or Designated Affiliate and is assumed by any Obligated Group Member or Designated Affiliate, the Credit Group Representative will cause all Obligations to be secured prior to any Indebtedness or other obligation secured by such Lien. Except as provided in Section 3.07 of the Master Indenture with respect to merger transactions, each Credit Group Member may make dispositions of its Property without limitation. See APPENDIX G – "FORMS OF AMENDED AND RESTATED MASTER INDENTURE AND SUPPLEMENT NO. 17—MASTER INDENTURE—Section 3.05. Against Encumbrances; No Limitation on Disposition of Property."

Debt Service Coverage Ratio Covenant. Pursuant to the Master Indenture, each Obligated Group Member agrees to, and each Controlling Member agrees to cause its Designated Affiliates to, manage its business such that the Annual Debt Service Coverage Ratio for the Combined Group (or the Credit Group, at the option of the Credit Group Representative) for each Fiscal Year, commencing with the Fiscal Year ending June 30, 2022, will be not less than 1.1:1.0. An independent consultant will be retained as provided for under the Master Indenture if the Annual Debt Service Coverage Ratio is less than 1.1:1.0 unless the failure to maintain the Annual Debt Service Coverage Ratio is a direct or indirect result of a Force Majeure Event (as defined in the Master Indenture). An Event of Default under the Master Indenture will exist if

(i) the Annual Debt Service Coverage Ratio for any two consecutive Fiscal Years is less than 1.0:1.0, and (ii) the Unrestricted Cash and Investments of the Combined Group, or at the option of the Credit Group Representative, the Credit Group, as of the last day of such second Fiscal Year is less than 150 Days of Operating Expenses of the Combined Group or the Credit Group, as applicable, for such Fiscal Year. See APPENDIX G – "FORMS OF AMENDED AND RESTATED MASTER INDENTURE AND SUPPLEMENT NO. 17—MASTER INDENTURE—Section 3.06. Debt Service Coverage."

Absence of Other Financial Covenants. Other than as described above and in APPENDIX C and APPENDIX G hereto, the Master Indenture imposes no restrictive financial covenants or other constraints upon the Members of the Obligated Group. Specifically, the Members of the Obligated Group have not covenanted and will not covenant, and are under no legal or contractual requirement, to restrict or limit their incurrence of additional debt, or to restrict or limit their assumption of third party guaranties or other financial obligations. In addition, Obligation No. 17 and, in turn, the Bonds are not secured by any pledge of, mortgage on or security interest in any assets of the Obligated Group Members, except for the pledge of Gross Receivables described under the caption "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—The Master Indenture—Grant of Security Interest in Gross Receivables." The Master Indenture permits additional indebtedness of the Obligated Group Members or the Designated Affiliates to be secured by security which need not be extended to any other indebtedness (including Obligation No. 17 and, in turn, the Bonds) subject to the covenant in the Master Indenture against encumbrances.

Release and Substitution of Obligation No. 17 Upon Delivery of Replacement Master Indenture

The Bond Indenture provides that at the option of the System and without the consent of any Holders, Obligation No. 17 shall be required to be surrendered by the Bond Trustee and delivered to the Master Trustee for cancellation upon the terms and conditions set forth in the Master Indenture as described below. The Master Indenture provides that Obligations, at the option of the Credit Group Representative and without the consent of any Holders of the Obligations, including Obligation No. 17, shall be surrendered by their Holders and delivered to the Master Trustee for cancellation and in exchange for an obligation issued under a different master indenture securing the obligations of a different obligated group. This could, under certain circumstances, lead to the substitution of different security in the form of an obligation secured by an obligated group that is financially and operationally different than the current Obligated Group. The new obligated group could have substantial debt outstanding that would rank on a parity with the substitute obligation. In order to substitute replacement obligations for Obligations, including Obligation No. 17, certain tests and requirements would need to be met, including, but not limited to, a requirement that immediately following the delivery of the replacement obligations the rating on any bonds secured by Obligations ("Related Bonds"), or on the Obligations, will be at least in the top three Rating Categories or will not be withdrawn or reduced as compared to such rating immediately prior to the delivery of the replacement obligations.

Additionally, upon release and substitution of Obligation No. 17, the Holders are deemed to have consented to the Continuing Disclosure Agreement, being amended at the time of the release and substitution of Obligation No. 17 to conform to the continuing disclosure undertaking for the new obligated group most recently in place or the continuing disclosure undertaking for the new obligated group to be put in place at the time of the release and substitution of Obligation No. 17.

See APPENDIX C – "SUMMARY OF BOND INDENTURE AND LOAN AGREEMENT—THE BOND INDENTURE—Release and Substitution of the Bond Obligation Upon Delivery of Replacement Obligation under Replacement Master Indenture" and APPENDIX G – "FORMS OF AMENDED AND RESTATED MASTER INDENTURE AND SUPPLEMENT NO. 17—MASTER INDENTURE—Section 3.12. Replacement of Obligations."

Amendments of Bond Indenture, Loan Agreement and Master Indenture

The Bond Indenture and the Master Indenture provide for the modification or amendment of the Bond Indenture, the Loan Agreement and the Master Indenture, respectively, from time to time, in certain circumstances without the consent of the Holders of the Bonds issued and Outstanding under that Bond Indenture or the holders of Obligations (including Obligation No. 17), respectively, and in other circumstances with the consent of the Holders of a majority of the principal amount of the Bonds, as applicable, or the consent of the holders of a majority in aggregate principal amount of outstanding Obligations, respectively. Such amendments could be substantial and result in the modification, waiver or removal of certain existing covenants or restrictions contained in the Bond Indenture, Loan Agreement or the Master Indenture. Such amendments could adversely affect the security of the Bonds. See APPENDIX C – "SUMMARY OF BOND INDENTURE AND LOAN AGREEMENT—THE BOND INDENTURE—Amendments to Bond Indenture," "—Amendment of Loan Agreement" and APPENDIX G – "FORMS OF AMENDED AND RESTATED MASTER INDENTURE AND SUPPLEMENT NO. 17—MASTER INDENTURE—Article VI. Supplements and Amendments."

Outstanding Indebtedness

The Members of the Obligated Group may incur additional indebtedness, which may be secured by an Obligation issued under the Master Indenture or as other indebtedness, which may be secured.

Upon the issuance of the Bonds, the Taxable Bonds and the Huntington 2018 Bonds Replacement Obligation, as described under "PLAN OF FINANCE" herein, the aggregate principal amount of Obligations issued and Outstanding under the Master Indenture related to bond indebtedness will be $2,437,985,000*, and Obligation No. 17 will represent 43.1%* of such Outstanding Obligations, and the Series 2021 Obligations would represent 55.4%* of the Outstanding Obligations. See the table of Outstanding Obligations below.

The then-Outstanding Obligations previously issued or designated as Obligations under the Original Master Indenture that will continue to be Outstanding under the Master Indenture on the Effective Date (as shown in the table below) are referred to as the "Existing Obligations" In addition, on the date of issuance of the Series 2021 Bonds, the Huntington 2018 Bonds Replacement Obligation will be issued under the Amended and Restated Master Indenture to replace the master indenture obligation currently securing the $96,625,000 Huntington 2018 Bonds under a separate master trust indenture to which Huntington Hospital is a party. The Existing Obligations, the Huntington 2018 Bonds Replacement Obligation, the Series 2021 Obligations, and any future Obligations issued under the Master Indenture will be the joint and several obligations of each Obligated Group Member.

The following table reflects the Obligations that will be Outstanding under the Master Indenture as of the issuance of the Bonds, reflecting the financing and refinancing plan described in "PLAN OF FINANCE" in this Official Statement.

* Preliminary, subject to change.

OUTSTANDING OBLIGATIONS	RELATED BONDS	PRINCIPAL AMOUNT OUTSTANDING
Existing Obligations:		
Obligation No. 13	California Health Facilities Financing Authority Refunding Revenue Bonds (Cedars-Sinai Medical Center), Series 2015	$354,590,000
Obligation No. 14	California Health Facilities Financing Authority Revenue Bonds (Cedars-Sinai Medical Center), Series 2016A	$237,795,000
Obligation No. 15	California Health Facilities Financing Authority Refunding Revenue Bonds (Cedars-Sinai Medical Center), Series 2016B	$398,975,000
New Obligations:		
Obligation No. 17	California Health Facilities Financing Authority Revenue Bonds (Cedars-Sinai Health System), Series 2021A	$1,050,000,000*
Obligation No. 18	Cedars-Sinai Health System Taxable Bonds, Series 2021	$300,000,000*
Obligation No. 19	California Statewide Communities Development Authority Revenue Bonds (Huntington Memorial Hospital), Series 2018	$96,625,000

* Preliminary, subject to change.

FOR A FURTHER DESCRIPTION OF THE PROVISIONS OF THE BOND INDENTURE AND THE MASTER INDENTURE, SEE APPENDIX C – "SUMMARY OF BOND INDENTURE AND LOAN AGREEMENT" and APPENDIX G – "FORMS OF AMENDED AND RESTATED MASTER INDENTURE AND SUPPLEMENT NO. 17—MASTER INDENTURE."

Factors Concerning Security and Enforceability

Perfection of a Security Interest. Each Obligated Group Member has, to the extent permitted by law, granted a security interest in its Gross Receivables and has agreed to perfect such security interest to the extent, and only to the extent, that such security interest may be perfected by the filing and maintenance of financing statements under the UCC. It may not be possible to perfect a security interest in any manner whatsoever in certain types of Gross Receivables (*e.g.*, certain insurance proceeds and payments under the Medicare and Medi-Cal programs) prior to actual receipt by any Member. The Members of the Obligated Group will not be required to enter into deposit account control agreements, which are generally required to perfect security interests in deposit accounts under the Uniform Commercial Code. It may not be possible to perfect a security interest in any manner whatsoever in certain types of Gross Receivables, including types that require control for perfection. The grant of a security interest in Gross Receivables may be subordinated to the interest and claims of others in several instances. Some examples of cases of subordination of prior interests and claims are (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any federal statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction, and (v) federal or state bankruptcy laws that may affect the enforceability of the Master Indenture or the grant of a security interest in the Gross Receivables. Under the Master Indenture, Liens on Gross Receivables may be treated as Permitted Liens under certain circumstances. See APPENDIX G – "FORMS OF AMENDED AND

RESTATED MASTER INDENTURE AND SUPPLEMENT NO. 17—MASTER INDENTURE—Section 3.11. Gross Receivables Pledge" and "—Section 1.01. Definitions."

Enforceability of the Master Indenture, the Loan Agreement and Obligation No. 17. The state of the insolvency, fraudulent conveyance and bankruptcy laws relating to the enforceability of guaranties or obligations issued by one corporation in favor of the creditors of another or the obligations of an Obligated Group Member to make debt service payments on behalf of an Obligated Group Member is unsettled, and the ability to enforce the Master Indenture and the Obligations against any Obligated Group Member that would be rendered insolvent thereby could be subject to challenge. In particular, such obligations may be voidable under the Federal Bankruptcy Code or applicable State fraudulent conveyance laws if the obligation is incurred without "fair" and/or "fairly equivalent" consideration to the obligor and if the incurrence of the obligation thereby renders the Obligated Group Member insolvent. The standards for determining the fairness of consideration and the manner of determining insolvency are not clear and may vary under the Federal Bankruptcy Code, State fraudulent conveyance statutes and applicable cases.

The joint and several obligation described herein of each Member of the Obligated Group to pay debt service on Obligation No. 17 may not be enforceable under any of the following circumstances:

(i) to the extent payments on Obligation No. 17 are requested to be made from assets of such Member which are donor-restricted or which are subject to a direct, express or charitable trust that does not permit the use of such assets for such payments;

(ii) if the purpose of the debt created and evidenced by Obligation No. 17 is not consistent with the charitable purposes of such Member from which such payment is requested or required, or if the debt was incurred or issued for the benefit of an entity other than a nonprofit corporation that is exempt from federal income taxes under Sections 501(a) and 501(c)(3) of the Code and is not a "private foundation" as defined in Section 509(a) of the Code;

(iii) to the extent payments on Obligation No. 17 would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by such Member; or

(iv) if and to the extent payments are requested to be made pursuant to any loan violating applicable usury laws.

These limitations on the enforceability of the joint and several obligations of the Members of the Obligated Group apply to their obligations on all Obligations issued under the Master Indenture. If the obligation of a particular Member of the Obligated Group to make payment on an Obligation is not enforceable and payment is not made on such Obligation when due in full, then Events of Default will arise under the Master Indenture, as appropriate.

In addition, common law authority and authority under State statutes exists for the ability of courts to terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that such corporation has insufficient assets to carry out its stated charitable purposes. Such court action may arise on the court's own motion or pursuant to a petition of the State Attorney General or such other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

The legal right and practical ability of the Bond Trustee to enforce its rights and remedies against the System under the Loan Agreement and related documents and of the Master Trustee to enforce its rights

and remedies against the Obligated Group Members under Obligation No. 17 may be limited by laws relating to bankruptcy, insolvency, reorganization, fraudulent conveyance or moratorium and by other similar laws affecting creditors' rights. In addition, the Bond Trustee's and the Master Trustee's ability to enforce such terms will depend upon the exercise of various remedies specified by such documents which may in many instances require judicial actions that are often subject to discretion and delay or that otherwise may not be readily available or may be limited.

The various legal opinions delivered concurrently with the issuance of the Bonds are qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings, policy and decisions affecting remedies and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights or the enforceability of certain remedies or document provisions.

For a further description of the provisions of the Bond Indenture, the Loan Agreement and the Master Indenture, including covenants that secure the Bonds, events of default, acceleration and remedies under the Master Indenture, see APPENDIX C – "SUMMARY OF BOND INDENTURE AND LOAN AGREEMENT" and APPENDIX G – "FORMS OF AMENDED AND RESTATED MASTER INDENTURE AND SUPPLEMENT NO. 17—MASTER INDENTURE."

Bankruptcy. In the event of bankruptcy of an Obligated Group Member, the rights and remedies of the Bondholders are subject to various provisions of the Federal Bankruptcy Code. If an Obligated Group Member were to file a petition in bankruptcy, payments made by that Obligated Group Member during the 90-day (or perhaps one-year) period immediately preceding the filing of such petition may be avoidable as preferential transfers to the extent such payments allow the recipients thereof to receive more than they would have received in the event of such Obligated Group Member's liquidation. Security interests and other liens granted to the Bond Trustee or the Master Trustee and perfected during such preference period also may be avoided as preferential transfers to the extent such security interest or other lien secures obligations that arose prior to the date of such perfection. Such a bankruptcy filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Obligated Group Member and its property and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over its property, as well as various other actions to enforce, maintain or enhance the rights of the Bond Trustee and the Master Trustee. If the bankruptcy court so ordered, the property of the Obligated Group Member, including accounts receivable and proceeds thereof, could be used for the financial rehabilitation of such Obligated Group Member despite any security interest of the Master Trustee therein. The rights of the Bond Trustee and the Master Trustee to enforce their respective security interests and other liens could be delayed during the pendency of the rehabilitation proceeding.

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

In addition, the obligations of the System under the Loan Agreement and of the Members of the Obligated Group under the Master Indenture are not secured by a lien on or security interest in any assets

or revenues of the Members except for the security interest in the Gross Receivables. In the event of a bankruptcy of any current or future Member, except for the security interest in the Gross Receivables, Bondholders would be unsecured creditors and would be in an inferior position to any secured creditors and on a parity with all other unsecured creditors.

In the event of bankruptcy of any Member, there is no assurance that certain covenants, including tax covenants, contained in the Loan Agreement and certain other documents would survive. Accordingly, a bankruptcy trustee could take action that would adversely affect the exclusion of interest on the Bonds from gross income of the Bondholders for federal income tax purposes.

PLAN OF FINANCE

The plan of finance includes the issuance of (1) the Bonds by the Authority in the principal amount of $1,050,000,000* and (2) the Taxable Bonds by the System in the principal amount of $300,000,000*.

The Bonds

It is anticipated that the proceeds of the Bonds, together with other available funds, will be used to (i) finance a portion of the Project, as described under "The Project" below, and (ii) refinance the Refinanced Bonds described under "The Refinancing Plan" below. Costs of issuance related to the Bonds will be paid by the System from its internal funds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Taxable Bonds

The proceeds of the sale of the Taxable Bonds are expected to be used for the general corporate purposes of the System and the other Members of the Obligated Group, consistent with their charitable purposes. Costs of issuance related to the Taxable Bonds will be paid by the System from its internal funds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Project

The Project includes the financing of a portion of the costs of the construction of a new nine-story, approximately 269,000 square-foot community hospital building, which is expected to replace the existing Marina Del Rey Hospital facility located at 4650 Lincoln Boulevard in Marina Del Rey, California. The total cost of the replacement hospital is expected to be approximately $934 million. The existing community hospital is a one-story, approximately 96,000 square-foot building located on a 7-acre site, and it is currently licensed to operate 133 acute care beds. The existing hospital will remain operational with existing staff until the construction of the replacement hospital is completed, which is scheduled to occur by 2026. The System anticipates that the replacement hospital will be licensed for 160 acute care beds and will offer new or enhanced services and programs, including an expanded emergency department, additional private patient and operating rooms, cardiac catheterization and gastroenterology labs and suites for complex procedures such as strokes and heart attacks.

See also APPENDIX A – "INFORMATION REGARDING CEDARS-SINAI HEALTH SYSTEM AND ITS AFFILIATES—HEALTH SYSTEM."

* Preliminary, subject to change.

The Refinancing Plan

A portion of the proceeds of the Bonds, together with other available funds, will be transferred to the bond trustee for the TMMC Prior Bonds shown in the table below (the "TMMC Prior Bonds") and used to redeem the TMMC Prior Bonds shown in the table below (the "TMMC Prior Bonds") on the date of issuance of the Series 2021 Bonds. The separate master trust indenture to which TMMC is currently a party, and which currently secures the TMMC Prior Bonds, will be discharged on the date of issuance of the Series 2021 Bonds.

A portion of the proceeds of the Bonds, together with other available funds will be deposited with the bond trustee for the Huntington Prior Bonds, as escrow agent, in escrow funds established under escrow agreements for the applicable Huntington Prior Bonds shown in the table below (the "Huntington Prior Bonds"). The funds held in the respective escrow funds will be held as cash and/or invested in permitted investments as specified in the applicable bond indenture relating to the applicable Huntington Prior Bonds in amounts sufficient to pay principal and interest on the Huntington Prior Bonds to the redemption date and pay the redemption price of 100% of the principal amount of the Huntington Prior Bonds, plus accrued interest to the redemption date, and pledged to secure the payment of the principal of and interest and redemption price on the Huntington Prior Bonds secured by the applicable escrow agreement. The refinancing of the Huntington Prior Bonds is treated as a new money acquisition for tax purposes.

On the date of issuance of the Series 2021 Bonds, the master indenture obligation securing the Huntington 2018 Bonds (currently outstanding in the principal amount of $96,625,000), will be replaced with the Huntington 2018 Bonds Replacement Obligation issued under the Amended and Restated Master Indenture, and the separate master trust indenture to which Huntington Hospital is currently a party, and which currently secures the Huntington Prior Bonds and the Huntington 2018 Bonds, will be discharged on the date of issuance of the Series 2021 Bonds.

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Refinanced Bonds*

Issue	Outstanding Principal Amount	Anticipated Redemption Date
TMMC Prior Bonds		
City of Torrance Variable Rate Revenue Bonds (Torrance Memorial Medical Center) Series 2010B ("TMMC 2010B Prior Bonds")	$62,005,000	December 1, 2021
City of Torrance Variable Rate Revenue Bonds (Torrance Memorial Medical Center) Series 2010C ("TMMC 2010C Prior Bonds")	$33,580,000	December 1, 2021
City of Torrance Revenue Notes (Torrance Memorial Medical Center) Series 2016A ("TMMC 2016A Prior Bonds")	$26,590,000	December 1, 2021
City of Torrance Revenue Notes (Torrance Memorial Medical Center) Series 2016B ("TMMC 2016B Prior Bonds")	$18,755,000	December 1, 2021
Torrance Memorial Medical Center Taxable Refunding Bonds, Series 2020A ("TMMC 2020A Prior Bonds")	$122,290,000	December 1, 2021
Huntington Prior Bonds		
California Statewide Communities Development Authority Refunding Revenue Bonds (Huntington Memorial Hospital), Series 2014 ("Huntington 2014A Prior Bonds")	$50,000,000	July 1, 2024
California Statewide Communities Development Authority Revenue Bonds (Huntington Memorial Hospital), Series 2014B ("Huntington 2014B Prior Bonds")	$138,685,000	July 1, 2024

* Preliminary, subject to change. Bond proceeds will be used to refinance $24,435,000 of the principal amount of the TMMC 2016A Prior Bonds and $15,800,000 of the principal amount of the TMMC 2016B Prior Bonds. The remainder of the outstanding principal amounts for the TMMC 2016A Prior Bonds and the TMMC 2016B Prior Bonds will be paid off on their regularly scheduled principal payment date of December 1, 2021.

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ESTIMATED SOURCES AND USES OF FUNDS

Proceeds to be received from the sale of the Bonds and the Taxable Bonds, together with System funds, are estimated to be applied as set forth in the following table (with all amounts rounded to the nearest whole dollar).

Estimated Sources and Uses of Funds

	Bonds	Taxable Bonds	Total
Estimated Sources of Funds			
Par Amount of Bonds	$		$
Original Issue Premium/Discount			
System Funds			
Prior Bond Funds			
Total Estimated Sources of Funds	$		$
Estimated Uses of Funds			
Project Costs [(1)]	$		$
General Corporate Purposes			
Refinancing of Refinanced Bonds			
Costs of Issuance [(2)]			
Total Estimated Uses of Funds	$		$

(1) Includes reimbursement for capital expenditures.
(2) Includes legal fees, printing costs, accounting fees, rating agency fees, underwriting discount and other related costs.

BONDHOLDERS' RISKS

The purchase of the Bonds involves certain investment risks that are discussed throughout this Official Statement. Prospective purchasers of the Bonds should evaluate all of the information presented in this Official Statement. This section on Bondholders' Risks focuses primarily on the general risks associated with hospital or health system operations, whereas Appendix A describes the System and the Obligated Group specifically. These should be read together.

General

Except as noted under "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS," the Bonds are payable from Loan Repayments made pursuant to the Loan Agreement and funds provided under Obligation No. 17 and the Bond Indenture. No representation or assurance can be made that revenues will be realized by the Obligated Group in amounts sufficient to pay principal, Redemption Price, Purchase Price (when required) of and interest on the Bonds and to make all other payments necessary to meet the obligations of the Obligated Group.

The Obligated Group Members are subject to a wide variety of federal and state regulatory actions and legislative and policy changes by those governmental and private agencies that administer Medicare, Medicaid and other payors and are subject to actions by, among others, the National Labor Relations Board, The Joint Commission, the Centers for Medicare and Medicaid Services ("CMS") of the U.S. Department of Health and Human Services ("DHHS"), the Attorney General (the "Attorney General") of the State of California (the "State"), the California Department of Public Health and other federal, state and local government agencies. The future financial condition of the Obligated Group could be adversely affected

by, among other things, changes in the method, timing, and amount of payments to the Obligated Group by governmental and nongovernmental payors, the financial viability of these payors, increased competition from other health care entities, the costs associated with responding to governmental inquiries and investigations, demand for health care, other forms of care or treatment, changes in the methods by which employers purchase health care for employees, capability of management, changes in the structure of how health care is delivered and paid for (e.g., accountable care organizations and other health reform payment mechanisms), future changes in the economy, demographic changes, availability of physicians and nurses and other health care professionals, malpractice claims and other litigation. These factors and others may adversely affect payment by the System under the Loan Agreement and, consequently, on the Bonds. In addition, the tax-exempt status of the System or the other Obligated Group Members, and, therefore, of the Bonds, could be adversely affected by, among other things, an adverse determination by a governmental entity, non-compliance with governmental regulations or legislative changes, which could result from current health care reform initiatives.

Although upon the date of issuance of the Bonds, the System, CSMC, CFHS, TMMC and Huntington Hospital will be the only Members of the Obligated Group, the risks discussed herein also may apply to any future Members of the Obligated Group.

Absence of Material Constraints on the Operations of the Obligated Group

Other than the covenants against encumbrances, the debt service coverage ratio covenant (see "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—The Master Indenture—Obligations; Entry into and Withdrawal from Obligated Group" and "—Covenant Against Encumbrances; No Limitation on Disposition of Property" and "—Debt Service Coverage Ratio Covenant" above), the Loan Agreement, the Bond Indenture and the Master Indenture impose no restrictive financial covenants or other constraints upon the Members of the Obligated Group. Specifically, the Members of the Obligated Group have not covenanted and will not covenant, and are under no legal or contractual requirement, to restrict or limit their incurrence of additional debt, or to restrict or limit their assumption of third party guaranties or other financial burdens. In addition, Obligation No. 17 and, in turn, the Bonds, are not secured by any pledge of, mortgage on or security interest in any assets of the Obligated Group, except for the grant of the security interest in Gross Receivables described under the caption "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—The Master Indenture—Grant of Security Interest in Gross Receivables." The Master Indenture permits additional indebtedness of the Obligated Group Members or the Designated Affiliates to be secured by security which need not be extended to any other indebtedness (including Obligation No. 17 and, in turn, the Bonds), subject to the covenant in the Master Indenture against encumbrances.

COVID-19 Pandemic

General. In February 2020, the Centers for Disease Control and Prevention ("CDC") confirmed the spread of COVID-19 to the United States. In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, and the United States federal government declared COVID-19 a national emergency. Throughout 2020 and 2021, many federal and state authorities implemented aggressive measures to curtail the spread of the virus and to avoid overwhelming the health care system. The COVID-19 pandemic has had, and continues to have, numerous and varied medical, economic, and social impacts, any and all of which may adversely affect the Obligated Group's business and financial condition. National, state, and local authorities have taken, and may continue to take, various actions, including the passage of laws and regulations, on a wide array of topics, in an attempt to control the spread of COVID-19 and to address the health and economic consequences of the pandemic. Many of these government actions have caused substantial changes to the way health care is provided and how society in general functions. Some of the changes brought on by the COVID-19 pandemic may have long-term consequences for the way health care services are provided, such as expanded use of telehealth services. Although COVID-19

vaccines are being administrated in the U.S., it is impossible to predict what percentage of the population will ultimately be vaccinated, the duration of vaccine protection, and whether current vaccines will protect against new COVID-19 variants. Accordingly, it is not clear how long public health safety measures will remain in place or whether any new measures will be required. The continued spread of COVID-19 and containment and mitigation efforts could have a material adverse effect on the operations of the Obligated Group and on state, national, and global economies.

It is generally expected that the overall impact of the COVID-19 pandemic on the U.S. economy will continue to be broad based and materially adverse. The full impact of the COVID-19 pandemic on the operations and financial condition of the Obligated Group cannot be fully determined at this time due to the evolving nature of the pandemic, including uncertainties relating to its duration and severity, and the future actions of governmental authorities to contain or mitigate its impact, though such effect could be material and adverse. Management is continuously monitoring the situation and will adjust its response in concert with federal, state and local health officials and governmental authorities.

See APPENDIX A – "INFORMATION REGARDING CEDARS-SINAI HEALTH SYSTEM AND ITS AFFILIATES—COVID-19 IMPACT AND RESPONSE—Summary of Management Response to COVID-19" for additional information regarding the Obligated Group's response to the COVID-19 pandemic.

Operational Disruption. The COVID-19 pandemic has affected the Obligated Group's ability to conduct normal business operations and, as a result, the operations, financial condition and financial performance of the Obligated Group has been, and may continue to be, materially adversely affected. As with nearly all industries and companies, the Obligated Group expects to encounter further disruption in its operations as a result of COVID-19. As the COVID-19 pandemic continues and new variants emerge or the COVID-19 pandemic increases in severity or experiences intermittent surges, capacity and acuity of patients may vary significantly from time to time and the Obligated Group's ability to conduct its operations and the cost of its operations may be materially adversely affected.

In order to reduce the spread of the virus, many state and local governments previously issued general "stay at home" or "shelter in place" orders that mandated social distancing, suspended elective surgeries and other non-emergency medical services, closed school systems and closed or limited non-essential business activities in an effort to slow the spread of COVID-19. As vaccination rates have increased in recent months, many states have begun the process of easing public health restrictions to allow more economic activity to take place. However, reimplementation of certain restrictions has occurred in some states due to spikes in positive COVID-19 cases and hospitalizations. Mitigation measures, such as self-quarantines, stay-at-home/shelter-in-place orders, and suspension of voluntary procedures and surgeries had, and may continue to have, an adverse impact on the operations and financial position of health care provider systems due to increased costs, potential reduction in overall patient volume and shifts in payor mix. Even if such vaccinations and/or sustained public health measures help reduce the rate of increase in COVID-19 cases in the near term, public health measures may need to be sustained for prolonged periods of time to be effective in controlling and reducing the transmission of COVID-19.

At times during the COVID-19 outbreak health care providers cancelled or delayed non-urgent appointments and elective procedures in response to orders or guidance of national, state and local public health officials and agencies, including CMS. Although the restrictions on non-urgent appointments and elective procedures were gradually lifted, the restrictions adversely affected the revenues of health care providers. It cannot be predicted whether progression of the COVID-19 pandemic will require that similar or new restrictions be implemented in the future.

The treatment of COVID-19 or another highly contagious disease at Obligated Group facilities, as well as governmental and commercial entity responses to the COVID-19 pandemic and resulting economic conditions, may adversely affect the Obligated Group's operations and financial performance in various ways, including but not limited to (1) an overburdening of facilities, (2) a quarantine, temporary shutdown, or diversion of patients, (3) a disruption in the production or supply of pharmaceuticals, medical supplies and protective equipment and increases in the costs of such products, (4) professional or non-professional staff shortages or illnesses, (5) an increase in overhead costs due to additional costs incurred related to adjustments to the use of various facilities and to staffing during the pandemic, including overtime wages, mandated sick pay, and the use of more expensive contract staff to provide care, (6) work stoppages, strikes, or other adverse labor actions, (7) significantly delayed payments from third party payors, (8) increased numbers of professional liability lawsuits, (9) a larger number of uninsured patients due to increased unemployment rates, or (10) reduced patient volumes and operating revenues due to unaffected individuals deferring elective procedures or otherwise avoiding medical treatment.

Economic and Market Disruption. The COVID-19 pandemic has affected, and is expected to continue to affect state, national, and global economies. Additionally, it has resulted in volatility in the United States and global financial markets, and at times, significant realized and unrealized losses in investment portfolios. Financial results, generally, and liquidity, in particular, may be materially diminished. Access to capital markets may be hindered and costs of borrowing may increase as a result.

Governmental Relief. A variety of federal efforts have been initiated in response to the economic disruption caused by the COVID-19 pandemic. On March 13, 2020 President Trump declared a "national emergency" under both the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1988, which allowed access to disaster relief funds to address the COVID-19 pandemic and related economic dislocation, and the National Emergencies Act, which allowed DHHS to waive certain guidelines related to federal health care programs, including Medicare and Medicaid, to address the COVID-19 pandemic. Congress followed by passing a series of federal relief packages to address the COVID-19 crisis, including (1) the Coronavirus Preparedness and Response Supplemental Appropriations Act of 2020 ("CPRSAA"), (2) the Families First Coronavirus Response Act ("FFA"), (3) the Coronavirus Aid, Relief, and Economic Security Act (*"*CARES Act*"*), (4) Paycheck Protection Program and Health Care Enhancement Act (*"*Enhancement Act*"*), (5) the COVID-19 response and relief portions of the Consolidated Appropriations Act, 2021 ("2021 Appropriations Act"), and (6) the American Rescue Plan Act ("American Rescue Plan*"* and together with collectively, the CPRSAA, FFA, CARES Act, Enhancement Act and 2021 Appropriations Act the "COVID-19 Relief Acts"). The COVID-19 Relief Acts were largely designed to help fund COVID-19 testing, tracing, and treatment and to provide economic relief and other support for individuals and businesses, including hospitals and other health care providers. COVID-19 Relief Act measures that may alleviate some of the financial strain on hospitals and other health care providers include, among others: (1) a $178 billion "Public Health and Social Services Emergency Fund" to reimburse eligible health care providers for "health care related expenses or lost revenues that are attributable to coronavirus" (*"*Provider Relief Fund*"*), (2) an increase in the Federal Medicaid Assistance Percentage for state Medicaid programs, and (3) various other Medicare and Medicaid policy changes that temporarily boost Medicare and Medicaid reimbursement or provide for additional flexibility in patient care during the COVID-19 emergency period. The timing, adequacy and other ultimate effects of the COVID-19 Relief Acts, or other federal or state stimulus relief programs on the Obligated Group, or the economy generally, cannot be predicted at this time. Although the federal government may consider future COVID-19 emergency response and relief legislation, the content and passage of any such legislation is uncertain.

The acceptance of funds from certain COVID-19 stimulus programs, including the Provider Relief Fund, is conditioned on eligibility and the acceptance of terms and conditions, and may be subject to other guidelines or requirements that may change from time to time. Additional guidance or clarifications concerning COVID-19 stimulus programs, including reporting, recordkeeping and repayment

requirements, may be announced from time to time. Failure to comply with such guidelines or requirements could result in recoupment, False Claims Act liability, or other penalty or sanction.

CMS is continuing a number of payment measures aimed at responding to the COVID-19 declared emergency. It is expected that these measures will remain in place through the duration of the declared emergency:

- Increase to MS-DRG (as defined herein) payments of 20% for inpatient COVID-19 patients;
- Suspension of the Medicare sequestration 2% reduction adjustment;
- The Medicare Value Based Purchase Program will hold all providers harmless for Federal Year 2022;
- Additional funding for New COVID Technology Payments for the use of Remdesivir and other new technology treatments;
- Payment for COVID-19 vaccine administration and testing with no patient liability; and
- The Health Resources and Services Administration COVID-19 Uninsured Patient Portal for uninsured COVID-19 patients will provide reimbursement at Medicare rates.

Recognition of Provider Relief Funds. All Provider Relief Fund recipients must attest to the Provider Relief Fund "Terms and Conditions", which among other things, require the submission and maintenance of documentation to substantiate that relief funds were used for allowable expenses. To be an allowable expense under the PRF, the funds must have been used to prevent, prepare for and respond to COVID-19. All expenses need to be supported by adequate documentation in accordance with the PRF Reporting Instructions (described below) issued by DHHS. Providers are required to maintain documentation to substantiate that Provider Relief Funds were used for health care-related expenses or lost revenues attributable to COVID-19, and that those expenses or losses were not reimbursed from other sources and other sources were not obligated to reimburse them. The burden of proof is on the provider to ensure that documentation is maintained to show that expenses are to prevent, prepare for and respond to COVID-19. Payments in excess of health care related expenses or lost revenue attributable to COVID-19 must be repaid. DHHS has reserved the right to audit Provider Relief Fund recipients to ensure that this requirement is met and recover any Provider Relief Fund amounts that were made in error or exceed lost revenue or increased expenses due to COVID-19. Failure to comply with the Provider Relief Fund Terms and Conditions may be grounds for recoupment or other penalties or sanctions.

DHHS has issued reporting requirements regarding the use of Provider Relief Fund distributions ("PRF Reporting Instructions"). The PRF Reporting Instructions direct health care providers receiving more than $10,000 in Provider Relief Fund payments to provide expenditure reports relating to their Provider Relief Fund payments to the Health Resources and Services Administration ("HRSA"). The PRF Reporting Instructions create deadlines for use of the funds and associated reporting periods based on when providers initially received funding. Generally, providers are expected to use the funds within approximately one year of receipt.

PRF Reporting instructions have been revised or superseded several times and DHHS may release revised or additional Provider Relief Fund requirements or guidance in the future. Any future change to the formula for calculating lost revenues set forth in the PRF Reporting Instructions could have a potentially significant impact on whether a health care provider must repay a portion of its Provider Relief Fund payments. If unable to attest to or comply with current or future Terms and Conditions, the Obligated

Group's ability to retain some or all of the distributions received may be impacted. **The Obligated Group does not currently expect that it will be required to repay Provider Relief Funds or any other stimulus program funding that it has recognized as other operating revenue.**

Vaccination Requirements. On November 4, 2021, CMS issued an Interim Final Rule ("IFR"), effective November 5, 2021, mandating COVID-19 vaccinations for all applicable staff at all Medicare and Medicaid certified facilities, as a condition to continued participation in the Medicare and Medicaid program. Facilities covered by the IFR must establish a policy ensuring all eligible staff have received the first dose of a two-dose COVID-19 vaccine or a one-dose COVID-19 vaccine prior to providing any care, treatment, or other services, by December 5, 2021. All eligible staff must have received the necessary shots to be fully vaccinated – either two doses of the Pfizer or Moderna vaccine or one dose of the Johnson & Johnson vaccine – by January 4, 2022. The IFR also provides for exemptions based on recognized medical conditions or religious beliefs, observances, or practices. Facilities must develop a similar process or plan for permitting exemptions in alignment with federal law. If facilities fail to comply with the IFR by the deadlines established, they are subject to potential termination from the Medicare and Medicaid program for non-compliance. In addition, the federal Occupational Safety and Health Administration also issued an Emergency Temporary Standard ("ETS") requiring all businesses with 100 or more employees to ensure such employees are vaccinated by January 4, 2022. Employees not vaccinated by that date will need to show a weekly negative COVID-19 test and wear a face mask in the workplace. However, healthcare employees at facilities covered by the CMS IFR will not have the option of weekly COVID-19 testing in lieu of vaccination. Legal challenges to the IFR and ETS are expected, and the potential viability or impact of such litigation cannot be predicted at this time. Implementation of the IFR and ETS could have an impact on staffing at facilities with employees that are not vaccinated by January 4, 2022.

In addition, California's Department of Public Health ("CDPH") has issued a pair of health orders requiring California health care workers to be fully vaccinated, or in some cases to vaccinate or submit to regular weekly or twice-weekly COVID-19 testing. Specifically, on August 5, 2021, CDPH issued an order requiring acute care hospitals (among other health care facilities) to ensure that all workers who work in indoor settings where care is provided to patients or patients have access for any purpose are fully vaccinated, subject to exemptions for medical contraindications or religious belief, practice or observance. In the event of an exemption, such employees would be subject to CDPH's July 26, 2021 order, which requires non-fully vaccinated workers to undergo regular COVID-19 testing (required biweekly for general acute care hospitals).

As of the date of this Official Statement, the Obligated Group's facilities are in compliance with the IFR. Notwithstanding the foregoing, the Obligated Group cannot predict the potential negative impact that any vaccination requirements may have on the Obligated Group.

Significant Risk Areas Summarized

Certain of the primary risks associated with the operations of the Obligated Group Members are briefly summarized in general terms below and some are explained in greater detail in subsequent sections. 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 Obligated Group Members and, in turn, the ability of the System to make payments under the Loan Agreement and of the Obligated Group to make payments on Obligation No. 17.

Federal Spending and Deficit Reduction Efforts. Federal policy and lawmakers regularly undertake various efforts to reduce the federal deficit. Often federal spending on entitlement programs, including Medicare and Medicaid, is targeted. In 2013, pursuant to a law enacted in 2011, Medicare payments to providers were cut by two percent. During the pandemic, Congress took steps to suspend these reductions, but the across-the-board payment cuts will resume in 2022 without additional congressional

action. Congressional actions in 2021 also may trigger a statutory provision created in the Statutory Pay-As-You-Go Act of 2010 that requires automatic payment cuts if a statutory action creates a net increase in the deficit. If this law is triggered in 2021, Medicare payments to providers, like the Obligated Group, may be cut by an additional four percentage points. Additional attempts to curb federal entitlement program spending are likely, and federal deficit reduction efforts would likely curb federal Medicare and Medicaid spending further to the detriment of hospitals, physicians and other health care providers. See "—Health Care Reform" below generally and "—Health Care Reform—California Health Care Reform" below for information about the health insurance exchange in California.

Additionally, each year Congress must approve legislation funding almost all federal government program activities. In the event that Congress does not approve such legislation by October 1st of a year, most functions of the federal government must cease. Occasionally, political disagreements prevent Congress from enacting such legislation by October 1st, and the federal government shuts down as a result. In 2018, because of political disagreement, Congress was unable to approve funding legislation, and the federal government shut down for 35 days. During such periods, Medicare often also stops making payments to providers for services furnished to program beneficiaries, and even when the federal government resumes operations, resumption of Medicare payments often takes additional time, and paying for services furnished during the shutdown period often take more time. These episodes can cause significant cash flow disruptions to healthcare providers. Political divisions in Congress heighten the risk of federal government shutdown and the likelihood that the Obligated Group will experience cash flow disruptions from federal payors. Government shutdowns present a significant risk to the Obligated Group.

Health Care Reform. In 2010, Congress enacted the Patient Protection and Affordable Care Act (the "ACA"), legislation which, among other things, expanded access to commercial insurance and Medicaid for millions of Americans, and which have in the intervening years substantially reduced the number and percentage of Americans who are uninsured. This legislation has been challenged numerous times in federal courts, and three times significant legal challenges have come before the US Supreme Court. Future legal challenges could challenge the viability and effectiveness of this legislation. In 2017, Congress nearly repealed the ACA. This year, the Biden Administration and congressional Democrats are seeking to advance policies to increase the number of individuals obtaining health insurance through commercial plans, Medicaid and Medicare. Any changes to the number of insured individuals, positive or negative, could have material impact on the Obligated Group.

General Economic Conditions, Bad Debt, Indigent Care and Investment Performance. Hospitals and health care providers are economically affected by the environment in which they operate. Any national, regional or local economic difficulties may constrain corporate and personal spending, limit the availability of credit and increase the national debt and federal and certain state government deficits. To the extent that unemployment rates are high, employers reduce their workforces and their budgets for employee health care coverage or private and public insurers seek to reduce payments to health care providers or curb utilization of health care services, health care providers may experience decreases in insured patient volume, decreases in demands for services and reductions in payments for services. In addition, to the extent that state, county or city governments are unable to provide a safety net of medical services, pressure is increased on local hospitals and health care providers to increase free care. Economic downturns and lower funding of federal Medicare and state Medicaid and other governmental health care programs may increase the number of patients who are unable to pay for some or all of their medical and hospital services. These conditions may give rise to increases in health care providers' uncollectible accounts, or "bad debt," uninsured discount and charity care and, consequently, to reductions in operating income. Declines in investment portfolio values may reduce or eliminate non-operating revenues. Investment losses (even if unrealized) may trigger debt covenant violations and may jeopardize hospitals' economic security. Losses in pension and other retirement benefit funds may result in increased funding requirements for hospitals and health systems. Potential failure of lenders, insurers or vendors may negatively impact the results of

operations and the overall financial condition of health care providers. Philanthropic support may also decrease or be delayed, which may cause health care providers to use more of their unrestricted funds for capital planning.

Reliance on Medicare. Inpatient hospitals rely to a high degree on payment from the federal Medicare program and future payment restraints are predicted. Recent, as well as future, changes in the underlying law and regulations, as well as in payment policy and timing, create uncertainty and could have a material adverse impact on hospitals' payment streams from Medicare. With health care and hospital spending reported to be increasing faster than the rate of general inflation, Congress and/or CMS may take action in the future to decrease or restrain Medicare spending for hospital and physician services.

State Medicaid Program. The California Medicaid program, known as Medi-Cal, is an important payor source to many hospitals and may become a proportionately larger source of revenue as federal health care reform is implemented, expanding Medicaid coverage to significant numbers of uninsured Americans. This program often pays hospitals and other health care providers at levels that may be substantially below the actual cost of care. As Medi-Cal is partially funded by the State, the financial condition of the State is likely to result in lower funding levels and/or payment delays, which could have a material adverse impact on hospitals and other health care providers.

Rate Pressure from Insurers and Major Purchasers. The Obligated Group also receives considerable revenue from commercial health insurers and other major purchasers of health care services. Health insurers and other major purchasers have significant influence over rates, utilization and competition of hospitals and other health care providers. Rate pressure imposed by health insurers or other major purchasers, including managed care payors, may have a material adverse impact on hospitals and other health care providers, particularly if major purchasers put increasing pressure on payors to restrain premium increases. Consolidation among health insurers could also materially adversely affect the ability of hospitals and other health care providers to negotiate favorable rates. Business failures by health insurers also could have a material adverse impact on contracted hospitals and other health care providers in the form of payment shortfalls or delays, and/or continuing obligations to care for managed care patients without receiving payment. In addition, disputes with non-contracted payors may result in an inability to collect billed charges from these payors.

Government Fraud Enforcement. Fraud in government funded health care programs is of significant concern to the federal and state government and regulatory agencies overseeing health care programs, and is one of the federal government's prime law enforcement priorities. The federal government and, to a lesser degree, state governments impose a wide variety of extraordinarily complex and technical requirements intended to prevent over-utilization based on economic inducements, misallocation of expenses, overcharging and other forms of fraud in the Medicare and Medicaid programs, as well as other state and federally-funded health care programs. This body of regulation impacts a broad spectrum of hospital and other health care provider commercial activity, including billing, accounting, recordkeeping, medical staff oversight, physician contracting and recruiting, cost allocation, clinical trials, discounts and other functions and transactions.

Violations and alleged violations may be deliberate, but also frequently occur in circumstances where management is unaware of the conduct in question, as a result of mistake, or where the individual participants do not know that their conduct is in violation of law. Violations may occur and be prosecuted in circumstances that do not have the traditional elements of fraud, and enforcement actions may extend to conduct that occurred in the past. Violations carry significant sanctions. The government periodically conducts widespread investigations covering categories of services, or certain accounting or billing practices.

The government and/or private "whistleblowers" often pursue aggressive investigative and enforcement actions. The government has a wide array of civil, criminal, monetary and other penalties, including suspending essential hospital and other health care provider payments from the Medicare or Medicaid programs, or exclusion from those programs. Aggressive investigation tactics, negative publicity and threatened penalties can be, and often are, used to force health care providers to enter into settlements, payment of fines and prospective restrictions that may have a material adverse impact on hospital and other health care provider operations, financial condition, results of operations and reputation. Multi-million dollar fines and settlements for alleged intentional misconduct, fraud or false claims are not uncommon in the health care industry. These risks are generally uninsured. Government enforcement and private whistleblower suits may increase in the hospital and health care sector. Many large hospital and other health care provider systems are likely to be materially adversely impacted.

Antitrust Scrutiny. Federal and state authorities have power to review and approve many combination and consolidation activities. In recent years, the California Attorney General has increased scrutiny of transactions intended to result in consolidation of healthcare providers, and taken steps to enforce existing antitrust restrictions. The Biden Administration has likewise expressed interest in increasing consolidation scrutiny and antitrust enforcement. In July 2021, President Biden issued an Executive Order intended to broadly promote competition in the US economy. The Order and ensuing actions by the federal government, as well as by California, may affect future growth plans for the Obligated Group, and may subject the Obligated Group to enforcement actions.

Personnel Shortages. From time to time, shortages of physicians and nursing and other technical personnel occur, which may impact hospitals and health care systems. Various studies have predicted that physician and nurse shortages will become more acute over time, as practitioners retire and patient volume exceeds the growth in new professionals. As reimbursement amounts are reduced to health care facilities and organizations that employ or contract with physicians, nurses and other health care professionals, pressure to control and possibly reduce wage and benefit costs may further strain the supply of those professionals. In California, regulation of nursing staff ratios can intensify the potential shortage of nursing personnel. In addition, shortages of other professional and technical staff such as pharmacists, therapists, laboratory technicians, billing coders and others may occur or worsen. A new influx of patients with insurance coverage, as a result of health care reform initiatives, may exacerbate personnel shortage issues. Hospital operations, patient and physician satisfaction, financial condition and future growth could be negatively affected by physician and nursing and other technical personnel shortages, resulting in a material adverse impact to hospitals and health care systems.

Labor Costs and Disruption. The delivery of health care services is labor intensive. Labor costs, including salary, benefits and other liabilities associated with the workforce, have significant impact on hospital and health care provider operations and financial condition. Hospital and health care employees are increasingly organized in collective bargaining units and may be involved in work actions of various kinds, including work stoppages and strikes. Congress is considering the PRO Act, legislation that would overhaul federal labor laws and facilitate organizing, among other things. If enacted, this legislation could affect the Obligated Group's interactions, relationships and agreements with its labor pool, and increase its cost of doing business. Overall costs of the hospital workforce are high, and turnover is high. Pressure to recruit, train and retain qualified employees is expected to accelerate. These factors may materially increase hospital costs of operation. At the same time, health care organizations will be under increasing pressure to reduce the cost of delivering care to patients, including the cost of salary and benefits, in order to compete in a transparent price market. Workforce disruption may materially adversely impact hospital revenues and reputation.

Nonprofit Health Care Environment. The significant tax benefits received by nonprofit, tax-exempt hospitals have increasingly caused the business practices of such hospitals to be subject to scrutiny

by public officials and the press, and to political and legal challenges of the ongoing qualification of such organizations for tax-exempt status. Multiple governmental authorities, including state attorneys general, the Internal Revenue Service (the "IRS"), Congress and state legislatures have held hearings and carried out audits regarding the conduct of tax-exempt organizations, including tax-exempt hospitals. Citizen organizations, such as labor unions and patient advocates, have also focused public attention on the activities of tax-exempt hospitals and health systems and raised questions about their practices. The IRS imposes certain reporting requirements on hospitals and health systems, including through Schedule H, Schedule J and Schedule K of the Form 990. Proposals to stiffen the regulatory requirements for nonprofit hospitals' retention of tax-exempt status, such as by establishing a minimum level of charity care, have also been introduced repeatedly in Congress. These challenges and examinations, and any resulting legislation, regulations, judgments or penalties, could materially change the operating environment for nonprofit providers and have a material adverse effect on the Obligated Group. Significant changes in the obligations of nonprofit, tax-exempt hospitals and challenges to or loss of the tax-exempt status of non-profit hospitals generally, or the Obligated Group Members in particular, could have a material adverse effect on the Obligated Group Members. See "—Tax-Exempt Status and Other Tax Matters—Maintenance of Tax-Exempt Status of Interest on the Bonds" and "—Nonprofit Health Care Environment" below.

Capital Needs vs. Capital Capacity. Hospital and other health care operations are capital intensive. Regulation, technology and physician/patient expectations require constant and often significant capital investment. In California, seismic safety standards mandated by the State may require that many hospital facilities be substantially modified, replaced or closed. Nearly all hospitals in California are affected. Estimated construction costs are substantial and actual costs of compliance may exceed estimates. Total capital needs may exceed capital capacity. Furthermore, capital capacity of hospitals and health systems may be reduced as a result of credit market dislocations.

Debt Limit Increase. Federal legislation limits the amount of debt that may be issued by the United States Treasury. Occasionally, the amount of federal debt in circulation approaches the limit, and additional congressional authorization is necessary to service the existing debt obligations. Political disputes within the federal government over whether to authorize further increase in the federal debt ceiling are common, and call into question the stability of US notes and bonds. Any failure by Congress to increase the federal debt limit may impact the federal government's ability to incur additional debt, and its cost of carrying such debt, as well as its ability to pay its existing debt instruments. Default by the government would potentially disrupt debt markets, and may affect both the cost and value of debt held by the Obligated Group.

Management of the Obligated Group is unable to determine at this time what impact any future failure to increase the federal debt limit 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 Bonds in the secondary market may be materially adversely impacted by any failure to increase the federal debt limit.

Costs and Restrictions from Governmental Regulation. Nearly every aspect of hospital operations and health care delivery is regulated, in some cases by multiple agencies of government. The level and complexity of regulation and compliance audits appear to be increasing, imposing greater operational limitations, higher staffing and training requirements, enforcement and liability risks, and significant and sometimes unanticipated costs.

Proliferation of Competition. Hospitals increasingly face competition from specialty and other providers of care. This may cause hospitals to lose essential inpatient or outpatient market share. Competition may be focused on services or payor classifications where hospitals realize their highest margins, thus negatively affecting programs that are economically important to hospitals. Specialty hospitals may attract specialists as investors and may seek to treat only profitable classifications of patients,

leaving full-service hospitals with higher acuity and/or lower paying patient populations. These new sources of competition may have a material adverse impact on full-service general acute care hospitals, particularly where a group of a hospital's principal physician admitters may curtail their use of a hospital service in favor of competing facilities.

Increasing Consumer Choice. Hospitals and other health care providers face increased pressure to be transparent and provide information about cost and quality of services. Recently enacted federal legislation and other regulations require hospitals to disclose certain charge information. Transparency measures may lead to a loss of business as consumers and others make choices about where to receive health care services based upon publicly available information.

Medical Liability Litigation and Insurance. Medical liability litigation is subject to public policy determinations and legal and procedural rules that may be altered from time to time, with the result that the frequency and cost of such litigation, and resultant liabilities or insurance costs, may increase in the future. Hospitals and health care providers may be affected by negative financial and liability impacts on physicians. Costs of insurance, including self-insurance, may increase dramatically.

Pension and Benefit Funding. As large employers, hospitals and health care providers may incur significant expenses to fund pension and benefit plans for employees and former employees and to fund required workers' compensation benefits. Plans are often underfunded, or may become underfunded and funding obligations in some cases may be erratic or unanticipated and may require significant commitments of available cash needed for other purposes.

Facility Damage. Hospitals and health care providers are highly dependent on the condition and functionality of their physical facilities. Damage from earthquakes, floods, fires, other natural causes, deliberate acts of destruction, or various facilities system failures may have a material adverse impact on operations, financial condition and results of operations.

Research Funding. Academic medical centers may have a significant reliance on research funding from governmental agencies or from private sources such as pharmaceutical or medical device companies. As these funding sources experience budgetary constraints, funding to research centers may decrease or cease.

Construction Risks. Construction projects are subject to a variety of risks, including delays in issuance of required approvals or permits, strikes, shortages of materials or labor, and adverse weather conditions. Cost overruns may occur due to delay, scarcity of building materials or labor, and other factors. Cost overruns could cause the costs to exceed available funds.

Technical and Clinical Developments. New clinical techniques and technology, as well as new pharmaceutical and genetic developments and products, may alter the course of medical diagnosis and treatment in ways that are currently unanticipated, and that may dramatically change medical and health care. These developments could result in higher health care costs, reductions in patient populations, lower utilization of hospital services and/or new sources of competition for hospitals.

Health Care Reform

Federal Health Care Reform. The ACA is impacting the delivery of health care services, the financing of health care costs, reimbursement of health care providers and the legal obligations of health insurers, providers, employers and consumers.

The changes in the health care industry brought about by the ACA have had both positive and negative effects, directly and indirectly, on the nation's hospitals and other health care providers, including the Obligated Group Members. As Congress and the Biden Administration consider and seek to advance substantial expansions to access to commercial insurance and Medicaid, the Obligated Group could experience both positive and negative effects. For example, an increase in the numbers of individuals with health care insurance occurring as a consequence of additional Medicaid expansion and higher subsidies for insurance purchase could result in lower levels of bad debt and increased utilization or profitable shifts in utilization patterns for hospitals. A negative impact to the hospital industry overall will likely result from scheduled cumulative reductions in Medicare payments, if those are reduced to offset the cost of other insurance expansions; such reductions can be substantial and negative for the Obligated Group.

High deductible insurance plans have become more common in recent years. High deductible plans may contribute to lower inpatient volumes as patients may forgo or choose less expensive medical treatment to avoid having to pay the costs of the high deductibles. There is also a potential concern that some patients with high deductible plans will not be able to pay their medical bills as they may not be able to cover their high deductible. Employers have implemented a variety of strategies to offset high deductibles under these plans, including offering supplemental voluntary insurance products, such as per diem hospitalization, critical illness or cancer insurance policies and/or enabling employees to contribute to health saving accounts.

Efforts to repeal or substantially modify provisions of the ACA arise from time to time. On December 14, 2018, the federal District Court for the Northern District of Texas deemed ACA to be unconstitutional in its entirety. The case was ultimately appealed to the U.S. Supreme Court, which decided in *California v. Texas* that the plaintiffs in the matter lacked standing to bring their constitutionality claims. As a result, the ACA will continue to remain law, in its entirety, likely for the foreseeable future. The Obligated Group cannot predict the likelihood of any future ACA repeal bills or other health care reform bills becoming law, or the subsequent effects of any such laws or legal decisions, though such effects could materially impact the Obligated Group's business or financial condition.

California Health Care Reform. The State of California has enacted several laws intended to implement the ACA within the required federal timeframes. Among the steps taken to date to implement or advance the ACA:

- The State established a state health insurance exchange within a year of passage of the ACA. The California Health Benefit Exchange operates under a brand name, "Covered California."

- The State of California expanded Medi-Cal coverage, effective January 1, 2014, to include adults with incomes up to 138% of the federal poverty level who are under age 65, not pregnant and not otherwise currently eligible for Medi-Cal. In addition, legislation was enacted prohibiting insurers from denying health coverage based on preexisting conditions.

- In May 2016, California expanded Medi-Cal coverage to any individual who is under 19 years of age, regardless of immigration status, as long as the individual meets certain income standards. As of January 2020, California further expanded Medi-Cal coverage to individuals 19 to 25 years of age, regardless of their immigration status, increased eligibility for individuals to receive subsidies to purchase health plans through Covered California, and implemented a State version of the federal individual mandate.

- The State is also running a dual-eligibles pilot program with federal funding, called the "Cal MediConnect Program."

Covered California announced that nearly 1.6 million consumers selected a health plan for 2021 coverage during open enrollment. As of April 2021, it is estimated that Medi-Cal covers almost 14 million Californians, including over seven million individuals between 21 and 64 years of age. California has implemented a state individual mandate that requires Californians to have health coverage or pay a penalty. California currently provides temporary additional financial assistance to offset the costs of health insurance to eligible consumers with household income up to 600% of the federal poverty level. Additional subsidies were made available through the American Rescue Plan, further reducing the cost of insurance premiums for certain Covered California enrollees. While the Obligated Group cannot predict the effect of these changes to the Medi-Cal and Covered California programs on operations, financial results from operations or the financial condition of the Obligated Group, historically Medi-Cal has reimbursed providers at rates below the actual cost of care. Therefore, increases in the overall proportion of Medi-Cal patients may pose a financial risk to the Obligated Group.

It is uncertain to what extent the adverse reimbursement effects of increased Medi-Cal volume may be mitigated by a reduction in the volume of services that otherwise would have been provided as uncompensated care, due to the increases in Medi-Cal beneficiaries and Covered California enrollees. Furthermore, there can be no assurance that legislation will not be adopted that would materially alter federal financing to the states in support of the Medicaid program, and there can be no assurance that any such legislation will not materially adversely affect the Obligated Group. Furthermore, attempts to balance or reduce the federal budget, along with balanced-budget requirements in the State, will likely negatively impact Medicaid funding. Payments made to health care providers are subject to change, including changes in the methods for calculating payments, the amount of payments and the types of services that will be covered. Coverage of persons under Medicaid could also be reduced.

Federal Budget Cuts

Past federal legislation and policy aimed at federal deficit reduction have resulted in across-the-board federal program spending reductions, including yearly reductions in Medicare reimbursement rates. The CARES Act's subsequent legislation temporarily suspended a two percent Medicare sequestration cut from May 1, 2020 through December 31, 2021 but further extended these reductions through 2030 once they resume. These across-the-board payment reductions are scheduled to resume in 2022, unless Congress intervenes. These and other congressional actions in 2021 also may trigger a statutory provision created in the Statutory Pay-As-You-Go Act of 2010 that requires automatic payment cuts if a statutory action creates a net increase in the deficit. If this law is triggered in 2021, Medicare payments to providers, like the Obligated Group, may be cut by an additional four percentage points.

Because Congress may make changes to the budget in the future, it is impossible to predict the impact any spending cuts may have upon the Obligated Group. Similarly, it is impossible to predict whether any automatic reductions to Medicare may be triggered in lieu of other spending cuts that may be proposed by Congress. If and to the extent Medicare and/or Medicaid spending is reduced under either scenario, this may have a material adverse effect upon the financial condition of the Obligated Group. Ultimately, these reductions or alternatives could have a disproportionate impact on hospital providers and could have a material adverse effect on the financial condition of the Obligated Group, which could be material.

Patient Service Revenues

The Medicare Program. Medicare is the federal health insurance program under which hospitals and other health care providers are paid for services provided to eligible elderly and disabled persons. The Obligated Group Members are certified to receive payment from the Medicare program. Medicare is administered by CMS, which delegates to the states the process for certifying hospitals to which CMS will make payment. In order to achieve and maintain Medicare certification, hospitals must meet CMS's

"Conditions of Participation" on an ongoing basis, as determined by the hospital's state survey agency and/or CMS, and comply with the standards of The Joint Commission or other CMS-approved accrediting organization. The requirements for Medicare certification are subject to change, and, therefore, it may be necessary for hospitals to effect changes from time to time in their facilities, equipment, operations, personnel, billing, policies and services to ensure continued compliance.

As the U.S. population ages, more people will become eligible for the Medicare program. Current projections indicate that demographic changes and continuation of current cost trends will exert significant and negative forces on the overall federal budget. The Medicare program reimburses hospitals based on a fixed schedule of rates based on categories of treatments or conditions. These rates change over time and there is no assurance that these rates will cover the actual costs of providing services to Medicare patients. Further, it is anticipated there will be reductions in rates paid to Medicare managed care plans that may ultimately be passed on to providers.

For the fiscal years ended June 30, 2019, June 30, 2020 and June 30, 2021, Medicare represented approximately 29.9%, 30.6% and 29.4%, respectively, of the Health System's pro forma net patient service revenues. See APPENDIX A – "INFORMATION REGARDING CEDARS-SINAI HEALTH SYSTEM AND ITS AFFILIATES—HISTORICAL UTILIZATION DATA—Health System Net Patient Revenue by Payor."

Hospital Inpatient and Outpatient Reimbursement. Hospitals are generally paid for inpatient and outpatient services provided to Medicare beneficiaries based on established pre-determined payment amounts. CMS updates these payments annually. Oftentimes, these recalibrations can substantially alter payments to the Obligated Group, and present a material financial risk. Additionally, CMS evaluates and often changes payment policy. These changes also can substantially alter payments and present a material financial risk to the Obligated Group.

The Inpatient Prospective Payment System Market Basket increase for Federal Year 2022 will be 2.5%, which includes the published Market Basket Rate of 2.7% minus 0.7% for productivity and a 0.5% legislated increase.

Medicare disproportionate share funding ("DSH") continues to be reduced by approximately $1 billion annually due to reforms enacted as part of the ACA. It is expected to result in annual decreases in hospital specific DSH funding of approximately 4% to 5% annually for several more years.

Under the Medicare inpatient prospective payment system, fixed payment amounts per inpatient discharge are established based on the patient's Medicare Severity-Diagnosis Related Group ("MS- DRG"). The Medicare readmissions penalty continues up to 3% of Medicare based MS-DRG payments at risk under the program; and the hospital acquired conditions program puts at risk 1% of all Medicare payments for those hospitals in the bottom 25% of national performance.

CMS has continued the payment reduction for Hospital Outpatient Department ("HOPD") clinic visits at 40% of otherwise applicable Hospital outpatient prospective payment system ("OPPS") rates for calendar year 2021 and proposed for calendar year 2022. These reductions are an extension of CMS efforts to achieve site neutrality among outpatient rates. CMS may continue to push policies aligned with site neutrality in the coming years that would further reduce HOPD payments compared to current levels.

CMS also continues OPPS cuts for the 340B Program (defined below) paying Medicare rates for 340B acquired drugs at average sale price of 22.5%; thus far, industry sponsored litigation regarding these cuts has not been successful.

Continued reductions in federal reimbursement may result in increased premiums and/or out-of-pocket costs for Medicare beneficiaries, potentially putting additional dollars at risk for bad debt.

Other Medicare Service Payments. Medicare payment for skilled nursing services, psychiatric services, inpatient rehabilitation services, general outpatient services and home health services are based on regulatory formulas or pre-determined rates. There is no guarantee that these rates, as they may change from time to time, will be adequate to cover the actual costs of providing these services to Medicare patients.

Medicare Physician Payment. Medicare also pays for physician services pursuant to pre-determined per-service fee schedules. CMS evaluates and updates these fee schedules at least annually, sometimes causing substantial changes in payment from year-to-year. As with payments to hospitals, CMS also revisits and often revises payment policies. These changes in policy also can substantially alter payments for certain services and pose a substantial financial risk to the Obligated Group. In April 2015, Congress enacted the Medicare and CHIP Reauthorization Act ("MACRA"), legislation that links physician payments to performance against quality metrics and participation in alternative payment models whereby physicians assume financial risk for patients. These and other changes pose substantial financial risk to the Obligated Group.

Physician reimbursements face continued downward pressure at the federal level with the calendar year 2022 proposed rule including a 3.89% cut in payments absent congressional action to re-instate 3.75% increase expiring in 2021. CMS also continues to implement aggressive value-based purchasing provisions for physician reimbursement under the Medicare Physician Fee Schedule and Quality Payment Programs.

COVID-19 has dramatically accelerated the move to telehealth visits in the physician reimbursement space; telehealth continues to be paid at less than in-person rates across major payors, including Medicare. This issue will continue to pose challenges to physician revenue streams in calendar year 2021, calendar year 2022 and beyond.

Pricing Transparency and Surprise Billing. Under the ACA, hospitals are required to make public a list of their standard charges. Effective January 1, 2019, as a preliminary measure for implementing this requirement, CMS required that this disclosure be in machine-readable format and include charges for all hospital items and services. On November 27, 2019, CMS published a final rule on "Price Transparency Requirements for Hospitals to Make Standard Charges Public." Following litigation as to the scope and content of the final rule, this final rule took effect on January 1, 2021 and requires all hospitals make public multiple charge metrics, including their gross charges, payor-specific negotiated rates, minimum negotiated rates, maximum negotiated rates, and discounted cash price for all items and services, including individual items and services and service packages, that could be provided by a hospital to a patient. In addition, under this rule, hospitals must either (i) make available an internet-based price estimator tool that provides an estimate of a patient's financial liability for 300 shoppable services (including 70 CMS-specified shoppable services) or (ii) make public charges, payor-specific negotiated rates, minimum negotiated rates, and maximum negotiated rates for 300 shoppable services (including 70 CMS-specified shoppable services) in a consumer-friendly manner. Hospitals must display the required information prominently, in a consumer-friendly manner, and clearly identify the hospital location with which the standard charge information is associated on a publicly available website. Failure to comply with these requirements may result in penalties, including imposition of a corrective action plan and daily monetary penalties to the hospital for continued non-compliance. On August 4, 2021, CMS published the CY 2022 Medicare Hospital Outpatient Prospective Payment System and Ambulatory Surgical Center Payment System Proposed Rule, in which CMS proposed to increase the daily monetary penalties from $300/day to $10/bed/day for a maximum of $5,500/day. In addition CMS proposed to more closely regulate the content and format of the disclosed information, including making the machine readable files easier to access and taking into account patient-specific insurance information in the price estimator tool.

On November 12, 2020, CMS published the "Transparency in Coverage" final rule, which requires certain health plans and insurers to make detailed pricing information available to the public in machine readable files. The files must provide: (1) negotiated rates for all covered items and services between the plan or issuer and in-network providers; (2) historical payments to, and billed charges from, out-of-network providers; and (3) in-network negotiated rates and historical net prices for all covered prescription drugs by plan or issuer at the pharmacy location level. The data is intended to provide opportunities for detailed research studies, data analysis, and offer third party developers and innovators the ability to create private sector solutions to help drive additional price comparison and consumerism in the health care market. These files were originally required to be made available by January 1, 2022, but the implementation date was post-postponed to July 1, 2022 following litigation.

These rules may result in competitively sensitive rate information becoming available to competing hospitals and insurers, as well as employer sponsors of group health plans, which could lead to market distortions and possible anti-competitive effects that could impact hospital rates and revenue. Publication of the hospital charge and rate information as required by the rules may result in changes to consumer choice in a manner that may negatively impact the Obligated Group. Accordingly, compliance with these requirements could have a material adverse financial or operational impact on the Obligated Group. Further, non-compliance with the provisions of the rules by Members of the Obligated Group to which the rules apply may result in material adverse financial or operational consequences on the Obligated Group.

As part of the 2021 Appropriations Act, Congress passed legislation aimed at preventing or limiting patient balance billing in certain circumstances. The legislation addresses "surprise" medical bills stemming from emergency services, out-of-network ancillary providers at in-network facilities, and air ambulance carriers. The legislation prohibits billing patients for amounts greater than would apply to in-network services when out-of-network emergency services or out-of-network services at an in-network facility are provided. Insurers and providers would have 30 days to negotiate in a private and voluntary process to resolve payment disputes. If no agreement is reached, independent dispute resolution may be sought for a binding determination, not eligible for judicial review. On July 13, 2021, DHHS, the Department of Labor and the Department of the Treasury issued an interim final rule, which implements the prohibitions on surprise billing effective January 1, 2022. The rule would limit the Obligated Group's ability to receive payment for services at out-of-network rates in certain circumstances and prohibit out-of-network payments in other circumstances. Out-of-network rates are usually higher than in network rates, which may result in a decrease in payments received by the Obligated Group for services subject to the new rules.

Recovery Audit Contractor Program. CMS has implemented a Recovery Audit Contractor ("RAC") program on a nationwide basis pursuant to which CMS contracts with private contractors to conduct pre- and post-payment reviews to detect and correct improper payments in the fee-for-service Medicare program. The ACA expands the RAC program's scope to include managed Medicare plans and Medicaid claims. CMS also employs Medicaid Integrity Contractors ("MICs") to perform post-payment audits of Medicaid claims and identify improper payments. These programs tend to result in retroactively reduced payment and higher administration costs to hospitals.

Medicaid Program. Medicaid is a program of medical assistance, funded jointly by the federal government and the states, for certain low income individuals and their dependents. Under Medicaid, the federal government provides limited funding to states that have medical assistance programs that meet federal standards. The ACA provides significantly enhanced federal funding for states to expand their Medicaid program to cover individuals with income at or below 133% of the federal poverty level, which based on how such percentage is calculated is effectively 138% of the federal poverty level. Current Medicaid eligibility is based on a combination of both income and the categorical classification of the individuals seeking benefits (i.e. families with children, pregnant women, etc.). Attempts to balance or

reduce the federal and state budgets, including the balanced budget requirements in California, may negatively impact spending for Medicaid and other state health care programs spending.

California Medi-Cal. Medi-Cal is the Medicaid program in California. The Medi-Cal program covers households with incomes up to 138% of the federal poverty level, including those individuals under 19 years old regardless of immigration status. Medi-Cal reimburses inpatient services provided at general acute care hospitals provided to Medi-Cal beneficiaries based on established pre-determined payment amounts. The California Department of Health Care Services ("DHCS") will reimburse hospitals a fixed total amount for each inpatient admission based such pre-determined payment amounts for that admission, which DHCS will assign based on the diagnoses, procedures, patient age and discharge status submitted on the hospital claim. Such pre-determined payment amounts are updated annually. Attempts to balance or reduce the federal budget along with balanced-budget requirements in the State will likely negatively impact spending for Medi-Cal funding. Changes in the Medi-Cal program could materially and adversely affect the financial condition of the Obligated Group.

The ACA continues to provide benefit in terms of reducing uninsured patient activity primarily through hospital presumptive eligibility ("HPE"), which allows payment for indigent patients based on self-attestation for up to 90 days pending full enrollment. During COVID-19, the HPE program has been expanded to cover those adults 65 and older (not eligible for Medicare) with incomes up to 138% of the federal poverty line.

Overall, Medi-Cal rates continue to remain low and do not cover the cost of care for many providers. The State of California has also changed outlier policies in recent years that have reduced outlier payments generally, and the state has implemented an outlier reconciliation program that can lead to material recoupments of outliers received based on subsequent audit. The pressure from low reimbursement for Medi-Cal is not likely to improve in the coming years as California has historically allowed rates to remain below the cost of care for many.

Impact of Medicaid Payment Reductions. The ACA made changes to Medicaid funding and substantially increases the potential number of Medicaid beneficiaries. To fund this expansion, the ACA provided that the federal government will fund 100% of the costs of this expansion from 2014–2016, decreasing to 90% of the costs of this expansion in 2020 and thereafter. While Management of the Obligated Group cannot predict the effect of these changes to the Medicaid program on operations, results from operations or financial condition of the Obligated Group, historically Medicaid has reimbursed at rates below the cost of care. Therefore, increases in the overall proportion of Medicaid patients poses a financial risk to the Obligated Group. The State expanded Medi-Cal under the ACA, and it is uncertain to what extent the risk of lower reimbursement rates under Medi-Cal may be mitigated if the increased Medi-Cal utilization replaces previously uncompensated patients.

For the fiscal years ended June 30, 2019, June 30, 2020 and June 30, 2021, Medi-Cal represented approximately 9.7%, 10.0% and 11.3%, respectively, of the Heath System's pro forma net patient service revenues. See APPENDIX A – "INFORMATION REGARDING CEDARS-SINAI HEALTH SYSTEM AND ITS AFFILIATES—HISTORICAL UTILIZATION DATA—Health System Net Patient Revenue by Payor."

California Hospital Provider Fee Program. In 2009, the State legislature enacted the Medi-Cal Hospital Provider Rate Stabilization Act and the Quality Assurance Fee Act, which imposed a "quality assurance fee" on California's general acute care hospitals, as a condition for participation in the Medi-Cal program, except for public hospitals and certain exempt hospitals. The Medi-Cal Hospital Provider Rate Stabilization Act governs supplemental Medi-Cal payments made to providers from the fund established to accumulate the quality assurance fees and matching federal funds. The quality assurance fee is essentially a tax on hospitals to raise funds for provider payments. The proceeds are used to earn federal matching

funds for Medi-Cal, and to increase Medi-Cal payments to hospitals. Under this program, some California hospitals receive more funding in increased Medi-Cal reimbursement than the quality assurance fees paid, while other California hospitals receive less money in Medi-Cal payments than the fees paid. The California Medi-Cal Hospital Reimbursement Initiative passed in November 2016, will extend the hospital fee program indefinitely and put projections in place to prevent diversion of funds from the program. For more information on the hospital provider fee as it relates to the Obligated Group, see APPENDIX A – "INFORMATION REGARDING CEDARS-SINAI HEALTH SYSTEM AND ITS AFFILIATES—SUMMARY OF FINANCIAL INFORMATION—Significant Accounting Policies—Net Patient Service Revenues."

Graduate Medical Education. Medicare currently pays for a portion of direct and indirect costs related to medical education at hospitals with teaching programs. The Obligated Group has approximately 50 Accreditation Council for Graduate Medical Education approved programs and well over 300 residents and fellows in training. These payments are vulnerable and have repeatedly emerged as targets in legislative efforts to reduce the federal budget deficit. Should these efforts eventually succeed, it would jeopardize material funding for all teaching hospitals including the Obligated Group.

Medicare and Medicaid Audits. Hospitals that participate in the Medicare and Medicaid programs are subject from time to time to audits and other investigations relating to various aspects of their operations and billing practices, as well as to retroactive audit adjustments with respect to reimbursements claimed under these programs. Medicare and Medicaid regulations also provide for withholding reimbursement payments in certain circumstances. New billing rules and reporting requirements for which there is no clear guidance from CMS or state Medicaid agencies could result in claims submissions being considered inaccurate. The penalties for violations may include an obligation to refund money to the Medicare or Medicaid program, payment of criminal or civil fines and, for serious or repeated violations, exclusion from participation in federal health programs.

Authorized by HIPAA (as defined herein), the Medicare Integrity Program ("MIP") was established to deter fraud and abuse in the Medicare program. Funded separately from the general administrative contractor program, the MIP allows CMS to enter into contracts with outside entities and insure the "integrity" of the Medicare program. These entities, Medicare zone program integrity contractors ("ZPICs"), formerly known as program safeguard contractors, are contracted by CMS to review claims and medical charts, both on a prepayment and post-payment basis, conduct cost report audits and identify cases of suspected fraud. ZPICs have the authority to deny and recover payments as well as to refer cases to the Office of Inspector General. ZPICs have the ability to compile claims data from multiple sources in order to analyze the complete claims histories of beneficiaries for inconsistencies.

Medicare and Medicaid audits may result in reduced reimbursement or repayment obligations related to past alleged overpayments and may also delay Medicare or Medicaid payments to providers pending resolution of the appeals process. The ACA explicitly gives DHHS the authority to suspend Medicare and Medicaid payments to a provider or supplier during a pending investigation of fraud. The ACA also amended certain provisions of the FCA (as defined herein) to include retention of overpayments as a false claim. It also added provisions respecting the timing of the obligation to identify, report and reimburse overpayments. Certain of those provisions were memorialized in a final rule which took effect on March 14, 2016 (the "2016 Medicare Overpayments Final Rule"). The 2016 Medicare Overpayments Final Rule confirms that a provider or supplier must report and return an overpayment by the later of 60 days after the overpayment was identified, or the date the corresponding cost report is due, if applicable. The provider or supplier is also required to describe in writing the reason for the overpayment. Finally, the 2016 Medicare Overpayments Final Rule also clarifies that overpayments must be reported and returned only if a provider or supplier identifies the overpayment within six years of the date the overpayment was

received. The effect of these changes on existing programs and systems of the Obligated Group Members cannot be predicted.

California State Budget. In recent years, the State budget has been balanced, with the expectation that it would remain so for the foreseeable future. State cash reserves have been increasing to historically high levels.

The State fiscal year 2021-22 budget, which took effect July 1, 2021, is expected to remain balanced for the foreseeable future. The 2021-22 budget provides $28.4 billion from the General Fund for Medi-Cal, which is $5.9 billion General Fund increase compared to 2020-21. The 2021-22 budget projects 12 percent year-over-year growth in the Medi-Cal caseload going into 2021-22. Notably, the 2020-21 budget expands Medi-Cal coverage to undocumented adults aged 50 years and older, beginning in May 2022.

In addition to the uncertain impact of the COVID-19 pandemic, which could have negative effects on State revenues or require the State to use cash reserves and other funds, it is impossible to predict the impact of future financial challenges to the California economy, including threat of future recessions, changes in federal spending policy and other events that could result in budget deficits. It is also impossible to predict actions that the Governor, the State Attorney General, the State legislature or voters—via ballot initiative—may take in the future. It is reasonable to expect, however, that cost containment measures, including aggressive management of the State's health care spending, will be pursued to keep the State's budget in balance, which may have an adverse effect on the financial condition of the Obligated Group.

For example, the significant expansion to Medi-Cal will require additional program funding. Federal funding is available for some of this expansion, but it is conditioned on states maintaining specified beneficiary eligibility criteria and California has sought to limit program eligibility in recent years to reduce program costs. In May 2016, individuals under 19 years of age became eligible for full scope Medi-Cal benefits regardless of immigration status. As discussed above, 2021-22 budget also expands full scope Medi-Cal coverage to undocumented adults aged 50 years and older, beginning in May 2022. These populations were previously only eligible for restricted scope Medi-Cal, which only covers emergency medical conditions. This expansion will require additional program funding, and will be funded with State funds if federal participation is not available. While federal funding is available to facilitate Medicaid program expansion, this funding is expected to be temporary. The Medicaid program expansion and the expected longer-term loss of federal financial support to offset longer-term expansion-related costs may require the State to reduce provider reimbursement rates further.

Health Plans and Managed Care. Most private health insurance coverage is provided by various types of "managed care" plans, including health maintenance organizations ("HMOs") and preferred provider organizations ("PPOs") that generally use discounts and other economic incentives to reduce or limit the utilization of or payment for health care services. Medicare and Medicaid also purchase health care using managed care options. Payments to health care organizations from managed care plans typically are lower than those received from traditional indemnity or commercial insurers.

In California, managed care plans have replaced indemnity insurance as the primary source of non-governmental payment for health care services, and health care organizations must be capable of attracting and maintaining managed care business, often on a regional basis. Regional coverage and aggressive pricing may be required. However, it is also essential that contracting health care organizations be able to provide the contracted services without significant operating losses, which may require multiple forms of cost containment.

Many HMOs and PPOs currently pay providers on a negotiated fee-for-service basis or, for institutional care, on a fixed rate per day of care, or a fixed rate per hospital stay, which, in each case, usually is discounted from the usual and customary charges for the care provided. As a result, the discounts offered to HMOs and PPOs could, in some cases, result in payment to a provider that is less than its actual cost. Additionally, the volume of patients directed to a provider may vary significantly from projections, and changes in the utilization may be dramatic and unexpected, thus jeopardizing the provider's ability to manage this component of revenue and cost.

Some HMOs employ a "capitation" payment method under which health care organizations are paid a predetermined periodic rate for each enrollee in the HMO who is "assigned" or otherwise directed to receive care from a particular health care organization. The health care organization may assume financial risk for the cost and scope of institutional care given. If payment is insufficient to meet the health care organization's actual costs of care, or if utilization by such enrollees materially exceeds projections, the financial condition of the health care organization could erode rapidly and significantly. In addition to this standard managed care risk sharing approach, private health insurance companies are increasingly adopting various additional risk sharing/cost containing measures, sometimes similar to those introduced by government payors. Providers may expect health care cost containment and its associated risk sharing to continue to increase in the coming years amongst all payors.

Often, managed care contracts are enforceable for a stated term, regardless of health care organizations losses, and may require health care organizations to care for enrollees for a certain time period, regardless of whether the payor is able to pay the health care organization during such time period. Health care organizations from time to time have disputes with HMOs, PPOs and other managed care payors concerning payment and contract interpretation issues. Such disputes may result in mediation, arbitration or litigation.

There is no assurance that the Obligated Group Members will maintain particular insurance contracts, existing rates or obtain contracts from other third party payors in the future. Failure to maintain contracts could have the effect of reducing a health care organization's net patient services revenues. Conversely, participation may result in lower net income if participating health care organizations are unable to adequately contain their costs. In part to reduce costs, health plans are increasingly implementing, and offering to purchasing employers, tiered provider networks, which involve classification of a plan's network providers into different tiers based on care quality and cost. With tiered benefit designs, plan enrollees are generally encouraged, through incentives or reductions in copayments or deductibles, to seek care from providers in the top tier. Classification of a hospital in a non-preferred or lower tier by a significant payor may result in a material loss of volume. The new demands of dominant health plans and other shifts in the managed care industry may also reduce patient volume and revenue. Thus, managed care poses one of the most significant business risks (and opportunities) that health care organizations face.

In addition to tiered provider networks, managed care plans are also implementing narrow provider networks in which only a select group of providers participate as in-network providers. Managed care plans often look at quality performance and cost in selecting providers to participate in their narrow networks. A provider's exclusion from a narrow network may result in a material loss of volume. Managed care plans may offer lower reimbursement for providers in their narrow network(s) in exchange for additional volume expected from being one of a select group of network providers. This reimbursement may be insufficient to cover a network provider's cost in providing the services. The new demands of dominant health plans and other shifts in the managed care industry may also reduce patient volume and revenue. Thus, managed care poses one of the most significant business risks (and opportunities) that health care organizations face.

In addition, the current trend of consolidation in the health insurance industry is likely to increase the leverage of commercial insurers when negotiating rates with health care providers. Large health insurers

that assume dominant positions in local markets threaten to increase health insurer concentration, reduce competition and decrease choice. If any Obligated Group Member were to terminate its agreement with any of the major managed care payers or not agree to terms proposed by such payers, it could have a significant material adverse impact on the financial condition of the Obligated Group.

With implementation of the ACA, substantial numbers of individuals are choosing health insurance under the health insurance exchanges, increasing the number of individuals covered in the individual market. Individuals choosing their own coverage may become highly price sensitive, which could increase the number of enrollees in HMO plans and increase the use of capitation, making price negotiations with HMO and other insurance plans more difficult.

The Health System received HMO/PPO and managed care payments representing 55.3%, 56.0% and 55.1% of pro forma net patient service revenues for the fiscal years ended June 30, 2019, 2020 and 2021, respectively. See APPENDIX A – "INFORMATION REGARDING CEDARS-SINAI HEALTH SYSTEM AND ITS AFFILIATES—HISTORICAL UTILIZATION DATA—Health System Net Patient Revenue by Payor."

Regulatory Environment

"Fraud" and "False Claims." Health care "fraud and abuse" laws have been enacted at the federal and state levels to broadly regulate the provision of services to government program beneficiaries and the methods and requirements for submitting claims for services rendered to the beneficiaries. Under these laws, hospitals and others can be penalized for a wide variety of conduct, including submitting claims for services that are not provided, billing in a manner that does not comply with government requirements or submitting inaccurate billing information, billing for services deemed to be medically unnecessary, or billings accompanied by an illegal inducement to utilize or refrain from utilizing a service or product.

Federal and state governments have a broad range of criminal, civil and administrative sanctions available to penalize and remediate health care fraud, including the exclusion of a hospital from participation in the Medicare/Medicaid programs, civil monetary penalties, executing corrective action plans, and suspension of Medicare/Medicaid payments. Fraud and abuse cases may be prosecuted by one or more government entities and/or private individuals, and more than one of the available sanctions may be, and often are, imposed for each violation. The ACA authorizes the Secretary of DHHS to exclude a provider's participation in Medicare and Medicaid, as well as suspend payments to a provider pending an investigation or prosecution of a credible allegation of fraud against the provider.

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

Laws governing fraud and abuse may apply to a health care organization and to nearly all individuals and entities with which a health care organization does business. Fraud investigations, settlements, prosecutions and related publicity can have a material adverse effect on health care organizations. See "—Enforcement Activity" below. Major elements of these often highly technical laws and regulations are generally summarized below.

False Claims Act. The federal False Claims Act ("FCA") makes it illegal to knowingly submit or present a false, fictitious or fraudulent claim for payment or approval for payment for which the federal

government provides, or reimburses at least some portion of the requested money or property. Because the term "knowingly" is defined broadly under the law to include not only actual knowledge but also deliberate ignorance or reckless disregard of the facts, the FCA can be used to punish a wide range of conduct. The ACA amends the FCA by expanding the number of activities that are subject to civil monetary penalties to include, among other things, failure to report and return known overpayments within statutory limits. FCA investigations and cases have become common in the health care field and may cover a range of activity from submission of intentionally inflated billings, to highly technical billing infractions, to allegations of inadequate care. The FCA provides for potentially severe penalties: treble damages, attorneys' fees and civil fines. Violation or alleged violation of the FCA frequently results in settlements that require multi-million dollar payments and costly corporate integrity agreements. The FCA also permits individuals to initiate civil actions on behalf of the government in lawsuits called "qui tam" actions. Qui tam plaintiffs, or "whistleblowers," can share in the damages recovered by the federal government or recover independently if the government does not participate. The FCA has become one of the federal government's primary weapons against health care fraud and suspected fraud. FCA violations or alleged violations could lead to settlements, fines, exclusion or reputation damage that could have a material adverse impact on a hospital and other health care providers.

Under the ACA, the FCA has been expanded to include overpayments that are discovered by a health care provider and are not promptly refunded to the applicable federal health care program, even if the claims relating to the overpayment were initially submitted without any knowledge that they were false. As described above, the 2016 Medicare Overpayments Final Rule, which took effect on March 14, 2016, requires that providers report and return identified overpayments by the later of 60 days after identification, or the date the corresponding cost report is due, if applicable. If the overpayment is not so reported and returned, it becomes an "obligation" under the FCA. This expansion of the FCA exposes hospitals and other health care providers to liability under the FCA for a considerably broader range of claims than in the past. CMS clarified that the 60-day timeframe for report and return begins when either reasonable diligence is completed (including determination of the overpayment amount) or on the day the person received credible information of a potential overpayment (if the person failed to conduct reasonable diligence and the person in fact received an overpayment). Failure to report and return overpayments as described herein may result in false claims liability.

In June 2016, the Supreme Court announced its decision in *Universal Health Services, Inc. v. United States ex rel. Escobar*, No. 15-7 (U.S. June 16, 2016). Prior to *Escobar*, lower courts had split on the issue of whether the FCA extended to so-called "implied certification" of compliance with laws, and whether such compliance was limited to express conditions of payment or extended to conditions of participation. The Court affirmed the theory of "implied certification" and rejected the distinction between conditions of payment and conditions of participation for these purposes, ruling that the relevant inquiry is whether the alleged noncompliance, if known to the Government, would have in fact been material to the Government's determination as to whether to pay the claim. There is considerable uncertainty as to the application of the Escobar holding, but depending on how it is interpreted by the lower courts, it could result in an expanded scope of potential FCA liability for noncompliance with applicable laws, regulations and subregulatory guidance.

Anti-Kickback Law. The federal "Anti-Kickback Law" is a criminal statute that prohibits anyone from soliciting, receiving, offering or paying any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, in return for a referral of a patient (or to induce a referral) or the ordering or recommending of the purchase (or lease) of any item or service that is paid by any federal or state health care program. The Anti-Kickback Law applies to many common health care transactions between persons and entities with which a hospital does business, including hospital-physician joint ventures, medical director agreements, physician recruitment agreements, physician office leases and other transactions. The ACA amended the Anti-Kickback Law to provide explicitly that a claim that includes items or services

resulting from a violation of the Anti-Kickback Law constitutes a false or fraudulent claim for purposes of the FCA. Another amendment provides that an Anti-Kickback Law violation may be established without showing that an individual knew of the statute's proscriptions or acted with specific intent to violate the Anti-Kickback Law, but only that the conduct was generally wrongful.

Violations or alleged violations of the Anti-Kickback Law most often result in settlements that require multi-million dollar payments and onerous corporate integrity agreements. The Anti-Kickback Law can be prosecuted either criminally or civilly. A criminal violation may be prosecuted as a felony, subject to fines for each act (which may be each item or each bill sent to a federal program), imprisonment and exclusion from the Medicare and Medicaid programs, any of which would have a significant detrimental effect on the financial stability of most hospitals. In addition, civil monetary penalties may be assessed on a per item or service basis (which may be each item or each bill sent to a federal program) or an "assessment" of three times the amount claimed may be collected. Increasingly, the federal government and qui tam relators are prosecuting violations of the Anti-Kickback Law under the FCA, based on the argument that claims resulting from an illegal kickback arrangement are also false claims for FCA purposes. See "—False Claims Act" above. The IRS has taken the position that hospitals that are in violation of the Anti-Kickback Law may also be subject to revocation of their tax-exempt status. See "Tax-Exempt Status and Other Tax Matters" below.

Stark Referral Law. The federal "Stark" law prohibits the referral of Medicare patients for certain designated health services (including inpatient and outpatient hospital services, clinical laboratory services, and radiology and other imaging services) to entities with which the referring physician has a financial relationship unless that relationship fits within a Stark exception. It also prohibits a hospital furnishing the designated services from billing Medicare, or any other payor or individual for services performed pursuant to a prohibited referral. The government does not need to prove that the entity knew that the referral was prohibited to establish a Stark violation. If certain substantive and technical requirements of an applicable exception are not satisfied, many ordinary business practices and economically desirable arrangements between hospitals and physicians, which constitute "financial relationships" would fall within the meaning of Stark, thus triggering the prohibition on referrals and billing. Most providers of designated health services with physician relationships have some exposure to liability under the Stark statute.

Medicare may deny payment for all services performed based on a prohibited referral and a hospital that has billed for prohibited services is obligated to notify and refund the amounts collected from the Medicare program or to make a self-disclosure to CMS under its Self-Referral Disclosure Protocol ("SRDP"). For example, if an office lease between a hospital and a large group of heart surgeons is found to violate Stark, the hospital could be obligated to repay CMS for the payments received from Medicare for all of the heart surgeries performed by all of the physicians in the group for the duration of the lease; a potentially significant amount. As a result, even relatively minor, technical violations of the law may trigger substantial refund obligations. Potential repayments to CMS, settlements, fines or exclusion for a Stark violation or alleged violation could have a material adverse impact on a hospital and other health care providers. Increasingly, the federal government is prosecuting violations of Stark under the FCA, based on the argument that claims resulting from an illegal referral arrangement are also false claims for FCA purposes. See "—False Claims Act" above. The federal government has attempted to recover the Federal portion of Medicaid claims referred to hospitals by physicians with whom they have a prohibited financial relationship.

CMS has established a voluntary self-disclosure program under which hospitals and other entities may report Stark law violations and seek a reduction in their potential refund obligations. The limited publicly available information with respect to the self-disclosure program suggests that most voluntary self-disclosure submissions remain under consideration by CMS for an extended period of time, and that it is difficult to predict how CMS will react to any specific voluntary self-disclosure. The Obligated Group or

its affiliates may make self-disclosures under this program as appropriate from time to time. Any submission pursuant to the self-disclosure program does not waive or limit the ability of the Office of Inspector General ("OIG") or the Department of Justice ("DOJ") to seek or prosecute violations of the Anti-Kickback Statute or impose civil monetary penalties.

State Fraud and False Claims Laws. Health care organizations in California also are subject to a variety of State laws related to false claims (similar to the FCA or that are generally applicable false claims laws), anti-kickback (similar to the federal Anti-Kickback Law or that are generally applicable anti-kickback or fraud laws), and physician referral (similar to Stark). These prohibitions are similar in public policy and scope to the federal laws and violations could pose the possibility of material adverse impact for the same reasons as the federal statutes. See "—False Claims Act," "—Anti-Kickback Law" and "—Stark Referral Law" above.

California also has an FCA-type law that applies to fraudulent claims presented to an insurance company, which thus goes beyond the scope of the FCA and California's directly analogous statute, which are limited to fraudulent claims for which the federal government is required to pay or reimburse a portion or all of the claim. Under the California law, codified in Section 1871.7 of the California Insurance Code, a person who submits a fraudulent claim to an insurance company is subject to civil fines ranging from $5,000 to $10,000 per fraudulent claim, plus an additional assessment of up to three times the amount of each claim, and may be subject to criminal penalties under the California Penal Code as well. Similar to the FCA, actions under this Insurance Code section may be initiated by private parties.

HIPAA and Other Privacy Requirements. HIPAA, together with privacy rules arising under various federal and state statutes, address the confidentiality of individuals' personal information, including but not limited to, demographic information, social security numbers, financial information and health information. For example, HIPAA prohibits the disclosure of protected health information unless expressly permitted under the provisions of the HIPAA regulations or authorized by the patient. HIPAA's confidentiality provisions extend not only to patient medical records, but also to a wide variety of health care clinical and financial information. These patient privacy requirements often impose communication, operational, and accounting obligations that add costs and create potentially unanticipated sources of liability. There are also criminal penalties for knowingly obtaining or using protected health information in violation of HIPAA, and potential civil monetary penalties for violations of the HIPAA regulations.

There are also other federal or state privacy laws that may have more restrictive privacy requirements than HIPAA. For example, the regulations under 42 C.F.R. Part 2 provide a heightened level of privacy of records associated with the provision of substance abuse counseling and treatment by covered alcohol and substance abuse treatment programs. These rules are significantly more restrictive than the privacy provisions set forth in HIPAA. States may also adopt privacy laws that are more restrictive than HIPAA. California has broadened its data security breach notification laws to cover compromised medical and health insurance information and California has enacted laws that provide greater protection for certain sensitive health information, such as mental health records. Together, all of these laws and regulations add compliance costs and create potential sources of legal liability for the Obligated Group Members.

The HITECH Act. Provisions in the Health Information Technology for Economic and Clinical Health Act (the "HITECH Act"), enacted as part of the economic stimulus legislation in 2009, increased the minimum and maximum civil monetary penalties for violations of HIPAA and granted enforcement authority of HIPAA to state attorneys general. The HITECH Act also (i) extended the reach of HIPAA beyond "covered entities" to include "business associates", (ii) imposed a breach notification requirement on HIPAA covered entities and business associates, (iii) further limited certain uses and disclosures of protected health information, such as fundraising and marketing communications, and (iv) enhanced individuals' right to access PHI. On January 25, 2013, DHHS issued comprehensive modifications to the

existing HIPAA regulations to implement the requirements of the HITECH Act, commonly known as the "HIPAA Omnibus Rule." The HIPAA Omnibus Rule became effective on March 26, 2013, and covered entities were required to be in compliance with most of the new requirements by September 23, 2013.

The breach notification obligations, in particular, may expose covered entities, such as health care providers and health plans, to heightened liability. Under HITECH, in the event of a breach of protected health information, covered entities are required to notify affected individuals within 60 days, the federal government, and, in some cases, the media. If more than 500 residents of a state or jurisdiction are affected by the breach, the covered entity must notify prominent media outlets serving the state or jurisdiction. If 500 or more individuals are affected in total, the covered entity must notify the federal government within 60 days of discovery, and the federal government will post a description of the breach, identifying the covered entity, on its website. These breach notification obligations also increase the risk of government enforcement.

The HIPAA Omnibus Rule revised the civil monetary penalties associated with violations of HIPAA and provided state attorneys general with authority to enforce the HIPAA privacy and security regulations in some cases. In addition, the Office for Civil Rights ("OCR"), which is the government office that is tasked with enforcing HIPAA, began to perform periodic, random HIPAA-compliance audits of covered entities, such as health care providers and health plans, and their business associates.

Recent settlements of HIPAA violations and civil monetary penalties have reached millions of dollars. Any violation of HIPAA, regardless of intent or scope, may result in penalties or settlement amounts that are material to a covered entity health care provider or health plan.

The obligations imposed by the HIPAA Omnibus Rule could also have a material adverse effect on the financial condition of the Obligated Group.

Business Associates. Under existing HIPAA regulations, covered entities must include certain required provisions in their contractual relationships with organizations that perform functions on their behalf which involve use or disclosure of protected health information. These organizations are called business associates, and prior to the HITECH Act, had been indirectly regulated by HIPAA through those contractual obligations. The HITECH Act and the HIPAA Omnibus Rule provide that all of the HIPAA security administrative, physical, and technical safeguards, as well as security policies, procedures and documentation requirements now apply directly to all business associates. In addition, the HITECH Act made certain privacy provisions directly applicable to business associates. These changes were significant because business associates are now directly regulated by OCR for those requirements, and as a result, may be subject to penalties imposed by OCR and/or state attorneys general. Likewise, to the extent a business associate is deemed to be an agent of the covered entity under the federal common law, the covered entity may be liable for the breaches of the business associate. Covered entities have had to review and amend their business associate agreements in order to comply with the HIPAA Omnibus Rule, a process that can be costly and administratively burdensome.

Security Breaches and Unauthorized Releases of Personal Information. State and local authorities are increasingly focused on the importance of protecting the confidentiality of individuals' personal information, including health information. Many states, including California, have enacted laws requiring businesses to notify individuals of security breaches that result in the unauthorized release of personal information, which may include demographic information, social security numbers, financial information and health information. In some states, notification requirements may be triggered when information has been inappropriately accessed, even if such information has not been further disclosed outside of the covered entity's computer systems.

California medical privacy laws penalize the unlawful use or disclosure of, patients' medical information, as well as unauthorized access to such information, which the laws define as the inappropriate access, review, or viewing of patient medical information without the direct need to do so for purposes of diagnosis, treatment or other lawful use. Administrative penalties under these medical privacy laws may reach $250,000 per violation or for each reported event.

The recently enacted California Consumer Privacy Act ("CCPA") provides California residents broader access rights to, and control over their information. For example, California residents now have the right to be informed of their data rights, to access the categories and specific pieces of personal information collected by a covered business, to opt out of third-party data sales, and to request deletion of their personal information, except in limited circumstances. CCPA does not presently apply to protected health information collected by a covered entity subject to HIPAA, but there can be no assurances that such information will not be regulated by CCPA in the future.

Existing and future state consumer protection and privacy laws may, unlike HIPAA, also provide the basis for a private right of legal action for privacy and security breaches. In particular, the public nature of security incidents exposes health organizations to increased risk of individual or class action lawsuits from patients or other affected persons, in addition to government enforcement and negative media attention. In any hospital, there can be security incidents related to patient information, which stem from a variety of causes ranging from external or internal deliberate invasions by individuals or employees, to inadvertent loss or misdirection of paper or electronic records, to theft of hardware or software. Failure to comply with restrictions on patient privacy or to maintain robust information security safeguards, including taking steps to ensure that contractors who have access to sensitive patient information maintain the confidentiality of such information, could consequently damage a hospital's reputation and materially and adversely affect business operations.

Exclusions from Medicare or Medicaid Participation. The government may exclude a health care provider from Medicare/Medicaid program participation if it is convicted of a criminal offense relating to the delivery of any item or service reimbursed under Medicare or a state health care program, any criminal offense relating to patient neglect or abuse in connection with the delivery of health care, fraud against any federal, state or locally financed health care program or an offense relating to the illegal manufacture, distribution, prescription, or dispensing of a controlled substance. The government also may exclude individuals or entities under certain other circumstances, such as an unrelated conviction of fraud, or other financial misconduct relating either to the delivery of health care in general or to participation in a federal, state or local government program. Exclusion from the Medicare/Medicaid program means that a health care provider would be decertified from program participation and no program payments can be made. Any health care provider exclusion could be a materially adverse event. In addition, exclusion of health care organization employees or independent contractors or their employees under Medicare or Medicaid may be another source of potential liability for hospitals or health systems based on services provided by those excluded employees.

Administrative Enforcement. Administrative regulations may require less proof of a violation than do criminal laws, and, thus, health care providers may have a higher risk of imposition of monetary penalties as a result of administrative enforcement actions.

Civil Monetary Penalties Law. The federal Civil Monetary Penalties Law ("CMPL") provides for administrative sanctions against health care providers for a broad range of billing and other abuses. For example, penalties may be imposed for the knowing presentation of claims that are (i) incorrectly coded for payment; (ii) for services that are known to be medically unnecessary; (iii) for services furnished by an excluded party; or (iv) otherwise false. An entity that offers remuneration to an individual that the entity knows is likely to induce the individual to receive care from a particular provider may also be fined. Civil

monetary penalties may also be assessed for (a) knowingly making or using a false record or statement material to a false or fraudulent claim for payment; (b) failing to grant timely access for audits; and (c) failing to report and return a known overpayment within statutory time limits. The ACA also amended the CMPL to establish various new grounds for exclusion and civil monetary penalties, as well as increased penalty thresholds for existing civil monetary penalties.

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

Compliance with Conditions of Participation. CMS, in its role of monitoring participating providers' compliance with conditions of participation in the Medicare program, may determine that a provider is not in compliance with its conditions of participation. In that event, a notice of termination of participation may be issued or other sanctions, such as suspension or executing potentially burdensome corrective actions plans, potentially could be imposed. If a corrective action plan is not accepted by CMS, or if the corrective action plan is not successfully implemented, the provider's Medicare provider agreement could be terminated. Other sanctions could potentially be imposed, including, in limited instances, monetary penalties.

Enforcement Activity. Enforcement activity against health care providers has increased, and enforcement authorities have adopted aggressive approaches. In the current regulatory climate, it is anticipated that many hospitals and physician groups will be subject to an audit, investigation, or other enforcement action regarding the health care fraud laws mentioned above.

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

Certain acts or transactions may result in violation or alleged violation of a number of the federal health care fraud laws described above, and therefore penalties or settlement amounts often are compounded. Generally these risks are not covered by insurance. Enforcement actions may involve multiple hospitals in a health system, as the government often extends enforcement actions regarding health care fraud to other hospitals in the same organization. Therefore, Medicare fraud related risks identified as being materially adverse as to a hospital could have materially adverse consequences to a health system taken as a whole.

EMTALA. The Emergency Medical Treatment and Labor Act ("EMTALA") is a federal civil statute that requires Medicare-participating hospitals with an emergency department to conduct a medical screening examination to determine the presence or absence of an emergency medical condition and to provide treatment sufficient to stabilize such emergency medical condition or active labor, before discharging or transferring the patient, notwithstanding the individual's ability to pay. A hospital that violates EMTALA is subject to civil penalties and exclusion from the Medicare and Medicaid programs. In addition, the hospital may be liable for any claim by an individual who has suffered harm as a result of a violation. See the discussion under the subheading "False Claims Act" above.

Licensing, Surveys, Investigations and Accreditations. Health facilities are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. These include, but are not limited to, requirements of state licensing agencies and The Joint Commission. Renewal and continuation of certain of these licenses, certifications and accreditations are based on inspections or other reviews generally conducted in the normal course of business of health facilities. Loss of, or limitations imposed on, hospital licenses or accreditations could reduce hospital utilization or revenues, or a hospital's ability to operate all or a portion of its facilities or to bill various third party payors. Certain states, including California, can levy penalties against hospitals that experience certain significant patient care events, including those that are classified as posing "immediate jeopardy" to patient health and safety. In California, the administrative penalty for such incidents is up to a maximum of $75,000 for the first incident, up to $100,000 for the second incident, and up to $125,000 for the third and every subsequent violation within three years.

Antitrust. Antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, payor contracting, physician relations, joint ventures, merger, affiliation and acquisition activities, certain pricing or salary setting activities, as well as other areas of activity. Consolidation transactions among health care providers is an area in which investigation and enforcement activity by federal and state antitrust agencies is particularly frequent and vigorous. For example, the Federal Trade Commission ("FTC") filed complaints challenging three different hospital mergers in 2020 and in 2021 the California Office of the Attorney General required a divestiture as a condition of permitting a skilled nursing facility acquisition to close. The application of the federal and state antitrust laws to health care is evolving, and therefore not always clear. Currently, the most common areas of potential liability are joint action among providers with respect to payor contracting and medical staff credentialing disputes, and hospital mergers and acquisitions.

Violation of the antitrust laws could result in criminal and/or civil enforcement proceedings by federal and state agencies, as well as actions by private litigants. In certain actions, private litigants may be entitled to treble damages, and in others, governmental entities may be able to assess substantial monetary fines. Investigations and proceedings arising from the application of federal and state antitrust laws can require the dedication of substantial resources by affected providers and can delay or impede proposed transactions even if ultimately it is determined that no violation of applicable law would occur as a result of the proposed transaction.

Environmental Laws and Regulations. Health care facilities are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations. These include but are not limited to: air and water quality control requirements; waste management requirements; specific regulatory requirements applicable to asbestos and radioactive substances; requirements for providing notice to employees and members of the public about hazardous materials handled by or located at the health facilities; and requirements for training employees in the proper handling and management of hazardous materials and wastes.

Health care facilities may be subject to requirements related to investigating and remedying hazardous substances located on their property, including 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 and contaminants. As such, hospital operations are particularly susceptible to the practical, financial and legal risks associated with the environmental laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations and/or increase their cost; may result in legal liability, damages, injunctions or fines; and may result in investigations, administrative proceedings, civil litigation, criminal prosecution, penalties or other governmental agency actions; and may not be covered by insurance.

Nonprofit Health Care Environment

The tax-exempt status afforded nonprofit health care organizations is the subject of increasing regulatory and legislative threats. As nonprofit tax-exempt organizations, the Obligated Group Members are subject to federal, state and local laws, regulations, rulings and court decisions relating to their organization and operation, including their operation for charitable purposes. At the same time, the Obligated Group Members conduct large-scale complex business transactions and are often significant employers in their geographic areas. There can often be a tension between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of a complex health care organization. Hospitals or other health care providers may be forced to forgo otherwise favorable opportunities for certain joint ventures, recruitment and other arrangements in order to maintain their tax-exempt status. See also "—Tax Exempt Status and Other Tax Matters," below.

The operations and practices of nonprofit, tax-exempt hospitals are routinely challenged or criticized for inconsistency or inadequate compliance with the regulatory requirements for, and societal expectations of, nonprofit tax-exempt organizations. These challenges, in some cases, are broader than concerns about compliance with federal and state statutes and regulations, such as Medicare and Medicaid compliance, and instead in many cases are examinations of core business practices of the health care organizations. A common theme of these challenges is that nonprofit hospitals may not confer community benefits that exceed or equal the benefit received from their tax-exempt status. Areas that have come under examination have included pricing practices, billing and collection practices, charitable care, methods of providing and reporting community benefit, executive compensation, exemption of property from real property taxation, private use of facilities financed with tax-exempt bonds and others. These challenges and questions have come from a variety of sources, including state attorneys general, the IRS, local and state tax authorities, labor unions, Congress, state legislatures and patients, and in a variety of forums, including hearings, audits and litigation. The challenges and examinations, and any resulting legislation, regulations, judgments or penalties, could have a material adverse effect on the System and the other Obligated Group Members, and include the following:

Congressional Hearings. A number of House and Senate Committees, including the House Committee on Energy and Commerce, the House Committee on Ways and Means and the Senate Committee on Finance, have conducted hearings and/or investigations into issues related to nonprofit tax-exempt health care organizations. These hearings and investigations have included a nationwide investigation of hospital billing and collection practices, charity care and community benefit and prices charged to uninsured patients and possible reforms to the nonprofit sector. These hearings and investigations may result in new legislation.

Future Nonprofit Legislation. Legislative proposals that could have an adverse effect on the Obligated Group include: (i) any changes in the taxation of nonprofit corporations or in the scope of their exemption from income taxes; (ii) limitations on the amount or availability of tax-exempt financing for corporations recognized as tax-exempt under the Code; (iii) regulatory limitations affecting the Obligated Group's ability to undertake capital projects or develop new services; (iv) a requirement that nonprofit health care institutions pay real property taxes and/or sales taxes on the same basis as for-profit entities; (v) mandates to provide certain levels of free or substantially reduced care to low income uninsured and underinsured populations; and (vi) placing ceilings on executive compensation.

Tax-Exempt Bond Examinations. IRS officials have indicated that more resources will be invested in audits of tax-exempt bonds in the charitable organization sector with specific review of private use. Schedule K of Form 990 requires tax-exempt organizations to report on the investment and use of tax-exempt bond proceeds to address IRS concerns regarding compliance with arbitrage

rebate requirements and the private use of tax-exempt bond-financed facilities. See "—Tax-Exempt Status and Other Tax Matters" below.

IRS Examination of Compensation Practices and Community Benefit. The IRS has been historically concerned about executive compensation practices of tax-exempt hospitals. In 2009, the IRS issued its Hospital Compliance Project Final Report (the "IRS Final Report") that examined tax-exempt organizations' practices and procedures with regard to compensation and benefits paid to their officers and other defined "insiders." The IRS Final Report indicated that the IRS will continue to heavily scrutinize executive compensation arrangements, practices and procedures of tax-exempt hospitals and other tax-exempt organizations and, in certain circumstances, may conduct further investigations or impose fines on tax-exempt organizations.

The IRS has also undertaken a community benefit initiative directed at hospitals. The IRS Final Report determined that the reporting of community benefit by nonprofit hospitals varied widely, both as to types of programs and expenditures classified as community benefit and the measurement of community benefits. See "—Tax-Exempt Status and Other Tax Matters" below.

Form 990, Schedule H. As described below in "—Tax-Exempt Status and Other Tax Matters" pursuant to Section 501(r) of the Code, tax-exempt hospitals must file Schedule H of Form 990, to report their community benefit activities, the manner in which they determine eligibility for free or discounted care (if the federal poverty guidelines are not used), billing and collection practices permitted under the hospital's policies, and information about the hospital's emergency medical care policy, financial assistance policy, and community health needs assessments.

Litigation Relating to Billing and Collection Practices. Lawsuits have been filed in both federal and state courts alleging, among other things, that hospitals have failed to fulfill their obligations to provide charity care to uninsured patients and have overcharged uninsured patients. Some of these cases have since been dismissed by the courts and some hospitals and health systems have entered into substantial settlements. Cases are pending in various courts around the country and others could be filed.

California Attorney General. California nonprofit public benefit corporations, including the Obligated Group Members, are subject to oversight and examination by the State Attorney General to ensure that their charitable purposes are being carried out, that their fundraising and investment activities comply with State law and that the terms of charitable gifts are followed.

Financial Assistance Policies and Procedures. California law requires hospitals to maintain written policies about discount payment and charity care and provide copies of such policies to patients and the Department of Health Care Access and Information ("HCAI"), formerly known as the Office of Statewide Health Planning and Development ("OSHPD"). California law also requires hospitals to follow specific billing and debt collection procedures and communicate proactively through the entire cycle of care to patients on the options available to them within the policies. Each of the Obligated Group Members required to do so has adopted and maintains such policies.

Charity Care. Tax-exempt health care providers often treat large numbers of indigent patients who are unable to pay in full for their medical care. Urban hospitals and other health care providers may treat significant numbers of indigents. These hospitals and health care providers may be susceptible to economic and political changes that could increase the number of indigents or their responsibilities for caring for this population. General economic conditions may affect the

number of employed individuals who have health coverage and the ability of those individuals to pay for their health care. Similarly, changes in governmental policy, which may result in coverage exclusions under local, county, state and federal health care programs (including Medicare and Medicaid) may increase the frequency and severity of indigent treatment by such hospitals and other providers. It also is possible that future legislation could require that tax-exempt hospitals and other providers maintain minimum levels of charity care as a condition to federal tax exemption or exemption from certain state or local taxes.

Challenges to Real Property Tax Exemptions. The real property tax exemptions afforded to certain nonprofit health care providers by state and local taxing authorities have been challenged in certain circumstances on the assertion that the health care providers were not engaged in sufficient charitable activities. These challenges have been based on a variety of grounds, including allegations of aggressive billing and collection practices, excessive financial margins and operations that closely resemble for-profit businesses.

The foregoing are some examples of the challenges and examinations facing nonprofit health care organizations. They are indicative of a greater scrutiny of the billing, collection and other business practices of these organizations and may indicate an increasingly difficult operating environment for health care organizations, including the Obligated Group Members. The challenges and examinations, and any resulting legislation, regulations, judgments, or penalties, could have a material adverse effect on hospitals and health care providers, including the Obligated Group Members, and, in turn, their ability to make payments under the Loan Agreement, the Bond Indenture and the Series 2021 Obligations, as applicable.

Tax-Exempt Status and Other Tax Matters

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

IRS officials have indicated that resources will be invested in audits of tax-exempt bonds, including the use of tax-exempt bond proceeds, in the charitable organization sector, with specific reviews of private use. In addition, under its compliance check program initiated in 2007, the IRS has from time to time sent post-issuance compliance questionnaires to several hundred nonprofit corporations that have borrowed on a tax-exempt basis regarding their post-issuance compliance with various requirements for maintaining the federal tax exemption of interest on their bonds. The questionnaire includes questions relating to the borrower's (i) record retention, which the IRS has particularly emphasized, (ii) qualified use of tax-exempt bond-financed property, (iii) compliance with arbitrage yield restriction and rebate requirements, (iv) debt management policies, and (v) voluntary compliance and education. After analyzing responses, IRS representatives indicated that the IRS had commenced a number of examinations of hospital tax-exempt bond issues with wide-ranging areas of inquiry. In the final report summarizing findings and conclusions of the questionnaire responses, issued in 2011, the IRS stressed the importance of formal post-issuance

compliance and record-keeping procedures. IRS representatives indicate that more questionnaires may be sent to additional nonprofit organizations.

Tax-exempt organizations must also complete Schedules H, K and J to Form 990, which create additional reporting responsibilities. On Schedule H, hospitals and health systems must report how they provide community benefit and specify certain billing and collection practices. Schedule K requires detailed information related to certain outstanding tax-exempt bond issues of tax-exempt borrowers, including information regarding operating, management and research contracts as well as private use compliance. Tax-exempt organizations must also complete Schedule J, which requires reporting of compensation information for the organizations' officers, directors, trustees, key employees, and other highly compensated employees.

There can be no assurance that responses by the Members of the Obligated Group to a questionnaire or Form 990 will not lead to an IRS review that could adversely affect the market value of the Bonds or of other outstanding tax-exempt indebtedness of the Obligated Group. Additionally, the Bonds or other tax-exempt obligations issued for the benefit of the Obligated Group Members may be, from time to time, subject to examinations or audits by the IRS.

In addition, current and future legislative proposals, if enacted into law, could cause interest on the Bonds to be subject to federal income taxation or state income taxation. See "TAX MATTERS" herein.

The System believes that the Bonds properly comply with the tax laws. In addition, Bond Counsel will render an opinion with respect to the tax-exempt status of the Bonds, as described under the caption "TAX MATTERS." No ruling with respect to the Bonds has been or will be sought from the IRS, however, and opinions of counsel are not binding on the IRS or the courts. There can be no assurance that an examination of the Bonds will not adversely affect the Bonds or the market value of the Bonds, nor that future legislative action might not limit or remove the tax-exempt status of interest on the Bonds. See "TAX MATTERS" herein.

Maintenance of the Tax-Exempt Status of the Members of the Obligated Group. Loss of tax-exempt status of any Member of the Obligated Group could result in the loss of tax exemption of tax-exempt debt issued for the benefit of the System or the Obligated Group, including the Bonds, and defaults in covenants regarding the tax-exempt debt could be triggered. Such an event could have material and adverse consequences on the financial condition of the Obligated Group. Management is not aware of any transactions or activities currently ongoing that are likely to result in the revocation of the tax-exempt status of the Members of the Obligated Group.

The maintenance of the status of each Obligated Group Member as an organization described in Section 501(c)(3) of the Code is contingent on compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable and other permissible purposes and their avoidance of transactions that may cause their earnings or assets to inure to the benefit of private individuals. As these general principles were developed primarily for public charities that do not conduct large-scale technical operations and business activities, they often do not adequately address the myriad of operations and transactions entered into by a modern health care organization. Although traditional activities of health care providers, such as medical office building leases, have been the subject of interpretations by the IRS in the form of private letter rulings, many activities or categories of activities have not been fully addressed in any official opinion, interpretation or policy of the IRS.

The IRS has taken the position that hospitals which are in violation of the Anti-Kickback Law may also be subject to revocation of their tax-exempt status. See "—Regulatory Environment—Anti-Kickback

Law" above. As a result, tax-exempt hospitals, such as the hospitals of the Obligated Group Members, which have, and will continue to have, extensive relationships with physicians are subject to an increased degree of scrutiny and perhaps enforcement by the IRS.

As enacted under the ACA, Section 501(r) of the Code requires each tax-exempt hospital facility to (i) conduct a community health needs assessment at least every three years and adopt an implementation strategy to meet the identified community needs, (ii) adopt, implement and widely publicize a written financial assistance policy and adopt a written policy to provide emergency medical treatment without discrimination, (iii) limit charges to individuals who qualify for financial assistance under such tax-exempt hospital's financial assistance policy to no more than the amounts generally billed to individuals who have insurance covering such care and refrain from using "gross charges" when billing such individuals, and (iv) refrain from taking extraordinary collection actions without first making reasonable efforts to determine whether the individual is eligible for assistance under such tax-exempt hospital's financial assistance policy.

Final regulations under Section 501(r) 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 the consequences of failure to satisfy Section 501(r) requirements. These final regulations are complex and may be administratively burdensome to implement. A failure to comply with the provisions of Section 501(r) and the final regulations issued thereunder could result in a loss of tax-exempt status or otherwise subject revenues of a hospital facility to federal income tax.

In addition, the Treasury Department is required to review information about each tax-exempt hospital's community benefit activities at least once every three years, as well as to submit an annual report to Congress with information regarding the levels of charity care, bad debt expenses, unreimbursed costs of government programs, and costs incurred by tax-exempt hospitals for community benefit activities. The periodic reviews and reports to Congress regarding the community benefits provided by 501(c)(3) hospitals may increase the likelihood that Congress will require such hospitals to provide a minimum level of charity care in order to retain tax-exempt status and may increase IRS scrutiny of particular 501(c)(3) hospital organizations.

The Obligated Group Members participate in a variety of joint ventures and transactions with physicians either directly or indirectly. Management believes that the joint ventures and transactions to which in Obligated Group Members are a party are consistent with the requirements of the Code as to tax-exempt status, but, as noted above, there is uncertainty as to the state of the law. Any change in or violation of the applicable rules could adversely affect the tax-exempt status of one or more Obligated Group Members. Such a change or violation may also require the dissolution of one or more joint ventures, which could have material adverse consequences to the Obligated Group.

The IRS has periodically conducted audit and other enforcement activity regarding tax-exempt health care organizations. Certain audits are conducted by teams of revenue agents, often take years to complete and require the expenditure of significant staff time by both the IRS and the audited organization. These audits examine a wide range of possible issues, including tax-exempt bond financings, partnerships and joint ventures, retirement plans and employee benefits, excess benefit transactions, executive compensation, activities that generate unrelated trade or business income, employment taxes, political contributions and other matters. Because of the complexity of the tax laws and the presence of issues about which reasonable persons can differ, an IRS audit could result in additional taxes, interest and penalties. An IRS audit ultimately could affect the tax-exempt status of the Obligated Group Members or one or more affiliates, as well as the exclusion from gross income for federal income tax purposes of the interest on the Bonds and other tax-exempt debt issued for the Obligated Group

If the IRS were to find that any Obligated Group Member has participated in activities in violation of certain regulations or rulings, the tax-exempt status of such entity could be in jeopardy. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of nonprofit health care corporations, it could do so in the future. As described above, loss of tax-exempt status by any Obligated Group Member potentially could result in loss of tax exemption of the Bonds and of other tax-exempt debt of the Obligated Group Member, and defaults in covenants regarding the Bonds and other tax-exempt debt and obligations likely would be triggered. Loss of tax-exempt status also could result in substantial tax liabilities on income of any Obligated Group Member. For these reasons, loss of tax-exempt status of an Obligated Group Member could have a material adverse effect on the financial condition and results of operations of the Obligated Group.

In some cases, the IRS has entered into settlement agreements imposing substantial monetary penalties 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. Given the exemption risk involved in certain transactions, the Obligated Group Members could be at risk for incurring monetary and other liabilities imposed by the IRS. These liabilities could be materially adverse.

The IRS also has authority to impose a penalty in the form of excise taxes on certain "excess benefit transactions" involving 501(c)(3) organizations and "disqualified persons." An excess benefit transaction is one in which a disqualified person or entity receives more than fair market value from the exempt organization or pays the exempt organization less than fair market value for property or services, or shares the net revenues of the tax-exempt entity. A disqualified person is a person (or an entity) who is in a position to exercise substantial influence over the affairs of the exempt organization during the five years preceding an excess benefit transaction. The statute imposes excise taxes on the disqualified person and any "organization manager" who knowingly participates in an excess benefit transaction. These rules do not penalize the exempt organization itself, so there would be no direct tax impact on an Obligated Group Member or the tax status of the Bonds if an excess benefit transaction were subject to IRS enforcement pursuant to these "intermediate sanctions" rules. However, these intermediate sanctions do not replace other remedies available to the IRS, including revocation of tax-exempt status.

Limitations on Contractual and Other Arrangements Imposed by the Internal Revenue Code. As tax-exempt organizations, the Obligated Group Members are limited with respect to their use of practice income guarantees, reduced rent on medical office space, low interest loans, joint venture programs and other means of recruiting and retaining physicians. Uncertainty in this area has been reduced somewhat by the IRS's issuance of guidelines on permissible physician recruitment practices. The IRS scrutinizes a broad variety of contractual relationships commonly entered into by hospitals and has issued a detailed audit guide suggesting that field agents scrutinize numerous activities of the hospitals in an effort to determine whether any action should be taken with respect to limitations on or revocation of their tax-exempt status or assessment of additional tax. Any suspension, limitation, or revocation of the tax-exempt status of the Members, or any assessment of significant tax liability, would have a materially adverse effect on the Obligated Group and might lead to loss of tax exemption of interest on the Bonds and other tax-exempt debt of the Obligated Group.

Unrelated Business Income. The IRS and state, county and local tax authorities may undertake audits and reviews of the operations of tax-exempt hospitals with respect to their exempt activities and the generation of unrelated business taxable income ("UBTI"). The Members of the Obligated Group participate in activities that may generate UBTI. An investigation or audit could lead to a challenge that could result in taxes, interest and penalties with respect to unreported UBTI and in some cases ultimately could affect the tax-exempt status of such organizations as well as the exclusion from gross income for

federal income tax purposes of the interest payable on the Bonds and other tax-exempt debt of the Obligated Group.

State and Local Tax Exemption. Until recently, California has not been as active as the IRS in scrutinizing the income tax exemption of health care organizations. With some overlap with the ACA's mandates, California laws also require tax-exempt hospitals to conduct a community needs assessment, to adopt an implementation strategy, and to have a charity care policy. It is possible that legislation may be proposed to strengthen the role of the California Franchise Tax Board and the Attorney General in supervising nonprofit health systems. It is likely that the loss by any Member of the Obligated Group of federal tax exemption would also trigger a challenge to its respective state tax exemption. Depending on the circumstances, such event could be material and adverse.

From time to time, state and local taxing authorities have attempted to revoke the property tax exemptions of individual tax-exempt hospitals based on asserted deficiencies in the amount of charity care or other community benefits provided by the hospital. For example, a 2015 court decision in New Jersey concluded that a nonprofit hospital should pay property taxes on almost all of its property because it did not meet the legal test of operating as a nonprofit, charitable organization during certain years, citing the hospital's "entangled infrastructure" of for-profit and nonprofit activities. That decision was effectively reversed by subsequent state legislation that confirmed and restored property tax exemptions for the state's nonprofit hospitals. However, that law also requires New Jersey nonprofit hospitals to make a "community service contribution" (approximately $1,100 per bed per year), beginning in 2021, to the municipalities in which they operate.

Similar taxing efforts in other states generally have not survived judicial appeal or legislative review.

There can be no assurance that future challenges to the property tax exemptions of nonprofit hospitals, or efforts to change existing state and local tax laws providing such exemptions, will be unsuccessful in light of the increasingly complex business activities of hospitals and potential shifts in public perceptions of those institutions. The majority of the real property of the Obligated Group Members is currently treated as exempt from real property taxation. There can be no assurance that the financial condition of the Obligated Group will not be affected in the future by requirements to pay income, local property or other taxes.

Cost of Capital. From time to time, Congress has considered and is considering revisions to the Code that may prevent or limit access to the tax-exempt debt market to borrowers such as the System and the other Obligated Group Members. Such legislation, if enacted into law, may have the effect of increasing the capital costs of the Obligated Group Members.

Business Relationships and Other Business Matters

Integrated Delivery Systems. Health facilities and health care systems often own, control or have affiliations with physician groups and independent practice associations. For a description of the Obligated Group's affiliations, see APPENDIX A – "INFORMATION REGARDING CEDARS-SINAI HEALTH SYSTEM AND ITS AFFILIATES—CORPORATE STRUCTURE." Generally, the sponsoring health facility or health system is the primary capital and funding source for such alliances and may have an ongoing financial commitment to provide growth capital and support operating deficits. As separate operating units, integrated physician practices and medical foundations sometimes operate at a loss and require subsidy or other support from the related hospital or health system. In addition, integrated delivery systems present business challenges and risks. Inability to attract or retain participating physicians may negatively affect managed care, contracting and utilization. The technological and administrative

infrastructure necessary both to develop and operate integrated delivery systems and to implement new payment arrangements in response to changes in Medicare and other payor reimbursement is costly. Hospitals may not achieve savings sufficient to offset the substantial costs of creating and maintaining this infrastructure.

These types of alliances are generally designed to respond to trends in the delivery of medicine to better integrate hospital and physician care, to increase physician availability to the community and/or to enhance the managed care capability of the affiliated hospitals and physicians. However, these goals may not be achieved, and an unsuccessful alliance may be costly and counterproductive to all of the above-stated goals.

These types of alliances are likely to become increasingly important to the success of hospitals in the future as a result of changes to the health care delivery and reimbursement systems that are intended to restrain the rate of increases of health care costs, encourage coordinated care, promote collective provider accountability and improve clinical outcomes. The ACA authorizes several alternative payment programs for Medicare that promote, reward or necessitate integration among hospitals, physicians and other providers.

Whether these programs will achieve their objectives and be expanded or mandated as conditions of Medicare participation cannot be predicted. However, Congress and CMS have clearly emphasized continuing the trend away from the fee-for-service reimbursement model, which began in the 1980s with the introduction of the prospective payment system for inpatient care, and toward an episode-based or value-based payment models that rewards use of evidence-based protocols, quality and satisfaction in patient outcomes, efficiency in using resources, and the ability to measure and report clinical performance. Changes to the reimbursement methods and payment requirements of Medicare, which is the dominant purchaser of medical services, are likely to prompt equivalent changes in the commercial sector, because commercial payors frequently follow Medicare's lead in adopting payment policies.

While payment trends may stimulate the growth of integrated delivery systems, these systems carry with them the potential for legal or regulatory risks. Many of the risks discussed in "Regulatory Environment" above, may be heightened in an integrated delivery system. The foregoing laws were not designed to accommodate coordinated action among hospitals, physicians and other health care providers to set standards, reduce costs and share savings, among other things. The ability of hospitals or health systems to conduct integrated physician operations may be altered or eliminated in the future by legal or regulatory interpretation or changes, or by health care fraud enforcement. In addition, participating physicians may seek their independence for a variety of reasons, thus putting the hospital or health system's investment at risk, and potentially reducing its managed care leverage and/or overall utilization. CMS, the Federal Trade Commission and the DOJ jointly issued guidance regarding waivers and safe harbors to enable providers to participate in the Medicare Shared Savings Program (see "—Accountable Care Organizations," below). State law prohibitions, such as the bar on the corporate practice of medicine, or state law requirements, such as insurance laws regarding licensure and minimum financial reserve holdings of risk-bearing organizations, may also introduce complexity, risk and additional costs in organizing and operating integrated delivery systems. Tax-exempt hospitals and health systems also face the risk in affiliating with for-profit entities that the IRS will determine that compensation practices or business arrangements result in private benefit or private use or generate unrelated business income for the hospitals and health systems.

Health care providers, responding to health care reform and other industry pressures, are increasingly moving toward integrated delivery systems, managing the health of populations of individuals, patient-centered medical homes, bundled payments, and capitated insurance plans. These trends will require new infrastructures, including the appropriate mix of physician specialties, new administrative skills, close

relationships between physicians and hospitals, insurance risk management, and new relationships between patients and providers. Provider organizations may be unsuccessful in assembling successful integrated networks, may not achieve savings sufficient to offset the substantial costs of creating and maintaining the necessary infrastructures to support such developments, could incur losses from assuming increased risk and could incur damage to reputations. Some health care organizations that traditionally operated hospitals may, directly or in partnership, take on actual insurance risk, market various health coverage products and access patients by way of unknown channels. Such new endeavors could adversely affect the financial and operating condition or reputation of an organization.

Physician Financial Relationships. In addition to the physician integration relationships referred to above, hospitals and health systems frequently have various additional business and financial relationships with physicians and physician groups. These are in addition to hospital physician contracts for individual services performed by physicians in hospitals. They potentially include: joint ventures to provide a variety of outpatient services; recruiting arrangements with individual physicians and/or physician groups; loans to physicians; medical office leases; equipment leases from or to physicians; and various forms of physician practice support or assistance. These and other financial relationships with physicians (including hospital physician contracts for individual services) may involve financial and legal compliance risks for the hospitals and health systems involved. From a compliance standpoint, these types of financial relationships may raise federal and state anti-kickback and federal Stark Law issues (see "—Regulatory Environment," above), tax exemption issues (see "—Tax-Exempt Status and Other Tax Matters," above), as well as other legal and regulatory risks, and these could have a material adverse impact on hospitals.

Accountable Care Organizations. The ACA establishes a Medicare Shared Savings Program (the "MSSP") that seeks to promote accountability and coordination of care through the creation of Accountable Care Organizations ("ACOs"). The MSSP allows hospitals, physicians and other health care providers to form ACOs and work together to invest in infrastructure and redesign integrated delivery processes to achieve high quality and efficient delivery of services. ACOs that achieve quality performance standards will be eligible to share in a portion of the amounts saved by the Medicare program. DHHS has significant discretion to determine key elements of the program, including what steps providers must take to be considered an ACO, how to decide if Medicare program savings have occurred, and what portion of such savings will be paid to ACOs.

To qualify as an ACO, organizations must agree to be accountable for the overall care of their Medicare beneficiaries, have adequate participation of primary care physicians, define processes to promote evidence-based medicine, report on quality and costs, and coordinate care. In 2020, the OIG issued a final rule that established an Anti-Kickback Law safe harbor for value based models like the MSSP. At the time, CMS also issued a final rule that created a new Stark exception for these models. Although the final regulations provide exemptions and safe harbors from certain federal laws, there may remain regulatory risks for participating hospitals, as well as financial and operational risks. There can be no assurance that such waivers or other regulations or guidance will sufficiently clarify the scope of permissible activity in all cases. Although the regulation provides for waivers of certain federal laws, there may remain regulatory risks for participating hospitals, as well as financial and operational risks. The applicable regulating bodies have published guidance for ACOs to follow in order to comply with the law, but the published guidance is complex.

In particular, since the federal ACO regulations would not preempt state law, California providers participating as a federal ACO must be organized and operated in compliance with California's existing statutes and regulations. Numerous organizations have formed ACOs and been selected by CMS to participate in the MSSP. CMS is also developing and implementing more advanced ACO payment models, such as the Next Generation ACO Model, which require ACOs to assume greater risk for attributed

beneficiaries. In December 2018, CMS published a final rule that, in general, requires ACO participants to take on additional risk associated with participation in MSSP. It remains unclear to what extent providers will pursue federal ACO status or whether the required investment would be warranted by increased payment. Providers participating in MSSP and other ACO payment models developed by CMS may not be able to recoup their investments and may suffer further losses if they are not able to meet quality targets and sufficiently control the cost of care for their attributed beneficiaries. In addition, it is anticipated that private insurers may seek to establish similar incentives for providers, while requiring change in infrastructure and organization. The potential impacts of these initiatives and the regulation for ACOs are unknown, but introduce greater risk and complexity to health care finance and operations.

Hospital Pricing. Inflation in hospital prices may evoke action by legislatures, payors or consumers. It is possible that legislative action at the state or national level may be taken with regard to the pricing of health care services. California law requires hospitals to implement written policies for charity care and discounted care, which must offer reduced rates to low-to-moderate income patients. Hospitals are required to submit these policies to the State for posting on a publicly accessible State website. California law also requires annual submission of hospital charges for posting on a publically accessible State website.

Labor and Personnel

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

Physician Supply. Sufficient community-based physician supply is important to hospitals and other health care facilities. CMS annually reviews overall physician reimbursement formulas for Medicare and Medicaid. Changes to physician compensation under these programs could lead to physicians ceasing to accept Medicare and/or Medicaid patients. Regional differences in reimbursement by commercial and governmental payors, along with variations in the costs of living, may cause physicians to avoid locating their practices in communities with low reimbursement or high living costs. Hospitals and health systems may be required to invest additional resources in recruiting and retaining physicians, or may be compelled to affiliate with, and provide support to, physicians in order to continue serving the growing population base. The physician-to-population ratio in certain parts of the State is below the national average, and the shortage of physicians could become a significant issue for hospitals and health care systems in the State.

Wage and Hour Litigation and Class Actions. Hospitals and health systems have long been subject to a wide variety of litigation risks, including liability for care outcomes, employment issues, billing and collection disputes, 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 and health systems. These class action suits have most recently focused on hospital wage and hour employment practices, but they may be used for a variety of currently unanticipated causes of action. For large employers such as hospitals, such class actions can involve multi-million dollar claims, judgments or settlements. 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.

Employer Status. Hospitals are major employers with mixed technical and nontechnical workforces. Labor costs, including salary, benefits and other liabilities associated with a workforce, have significant impacts on hospital operations and financial condition. Developments affecting hospitals as major employers include: (i) imposing higher minimum or living wages; (ii) enhancing occupational health and safety standards; (iii) imposing joint employer status on employers using contract, staffing agency or other temporary labor; and (iv) penalizing employers of undocumented immigrants. Legislation or regulation on any of the above or related topics could have a material adverse impact on the Obligated Group.

Labor Relations and Collective Bargaining. Hospitals are large employers with a wide diversity 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 service, maintenance and other trade personnel. Renegotiation of such agreements upon expiration or negotiation of a first agreement following a union organization may result in significant cost increases to hospitals. Employee strikes or other adverse labor actions may have an adverse impact on operations, revenue and hospital reputation. See APPENDIX A – "INFORMATION REGARDING CEDARS-SINAI HEALTH SYSTEM AND ITS AFFILIATES—EMPLOYEES."

Health Care Worker Classification. Health care providers, like all businesses, are required to withhold income taxes from amounts paid to employees. If the employer fails to withhold the tax, the employer becomes liable for payment of the tax imposed on the employee. On the other hand, businesses are not required to withhold federal taxes from amounts paid to a worker classified as an independent contractor. The IRS has established criteria for determining whether a worker is an employee or an independent contractor for tax purposes. If the IRS were to reclassify a significant number of hospital independent contractors (e.g., physician medical directors) as employees, back taxes and penalties could be material.

In addition, other various federal and state statutes, such as the Fair Labor Standards Act, the National Labor Relations Act and state wage payment statutes, have established criteria for determining whether a worker is an employee or independent contractor. If hospital independent contractors were found to be employees under one or more of these statutes, back pay and benefit liabilities could be material.

Staffing. From time to time, the health care industry suffers from a scarcity of nursing personnel, respiratory therapists, pharmacists and other trained health care and information system technicians. In addition, aging medical staffs and difficulties in recruiting individuals to the medical profession are predicted to result in physician shortages. A significant factor underlying this trend includes a decrease in the number of persons entering such professions. This is expected to intensify in the future, aggravating the general shortage and increasing the likelihood of hospital-specific shortages. Competition for physicians and other health care professionals, coupled with increased recruiting and retention costs, will increase hospital operating costs, possibly significantly, and growth may be constrained. This trend could have a material adverse impact on the financial conditions and results of operations of hospitals and other health care facilities. This scarcity may further be intensified if utilization of health care services increases as a consequence of the ACA's expansion of the number of insured consumers. As reimbursement amounts are reduced to health care facilities and organizations that employ or contract with physicians, nurses and other health care professionals, pressure to control and possibly reduce wage and benefit costs may further strain the supply of those professionals.

California imposes mandatory nurse staffing ratios for all hospital patient care areas. The nurse to patient ratio standards increased as of January 1, 2008. The impact on California hospitals will vary by facility, but the required staffing, in aggregate, is more costly than prior staffing patterns.

Other Risk Factors

Enforcement Affecting Clinical Research. In addition to increasing enforcement of laws governing payment and reimbursement, the federal government has also stepped up enforcement of laws and regulations governing the conduct of clinical trials at hospitals. DHHS elevated and strengthened its Office of Human Research Protection, one of the agencies responsible for monitoring federally funded research. In addition, the National Institutes of Health significantly increased the number of facility inspections that these agencies perform. The Food and Drug Administration ("FDA") also has authority over the conduct of clinical trials performed in hospitals when these trials are conducted on behalf of sponsors seeking FDA approval to market the drug or device that is the subject of the research. Moreover, the OIG, in its recent "Work Plans" has included several enforcement initiatives related to reimbursement for experimental drugs and devices (including kickback concerns) and has issued compliance program guidance directed at recipients of extramural research awards from the National Institutes of Health and other agencies of the U.S. Public Health Service. These agencies' enforcement powers range from substantial fines and penalties to exclusion of researchers and suspension or termination of entire research programs, and errors in billing of the Medicare Program for care provided to patients enrolled in clinical trials that is not eligible for Medicare reimbursement can subject the Obligated Group Members to sanctions as well as repayment obligations.

340B Drug Pricing Program. Hospitals that participate 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 drugs for patients at a reduced cost. Manufacturers must offer 340B discounts to covered entities to have their drugs covered under Medicaid. Effective January 1, 2018, CMS imposed large cuts on such discounts. Such cuts are currently being challenged in federal court and proceeding through the appellate process and the U.S. Supreme Court has agreed to hear the case next term. The final result of such lawsuit cannot be predicted. Congressional and administrative efforts have also been made, seeking to tighten 340B Program eligibility requirements and reduce the scope of the program. Future legal, legislative or administrative changes to the 340B Program which result in a loss of eligibility, or further decreases in 340B Program drug discounts, could have a material adverse effect on the Obligated Group. In addition, 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.

Investments. The Obligated Group Members has significant holdings in a broad range of investments. Market fluctuations may affect the value of those investments and those fluctuations may be material. For a discussion of the Obligated Group Members' investments, see APPENDIX A – "INFORMATION REGARDING CEDARS-SINAI HEALTH SYSTEM AND ITS AFFILIATES—SUMMARY OF FINANCIAL INFORMATION—Liquidity and Capital Resources."

Negative Rankings Based on Clinical Outcomes, Cost, Quality, Patient Satisfaction and Other Performance Measures. Health plans, Medicare, Medicaid, Medi-Cal, 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 providers. The ACA shifts payments from paying for volume to paying for value, based on various health outcome measures. 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, the members of their medical staffs and other providers and to influence the behavior of consumers and providers such as the Obligated Group Members. 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 or a provider negatively may adversely affect its reputation and financial condition.

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

Specialty hospital developments that attract away an important segment of an existing hospital's admitting specialists may be particularly damaging. For example, some large hospitals may have significant dependence on heart surgery programs, as revenue streams from those programs may cover significant fixed overhead costs. If a significant component of such a hospital's heart surgeons develop their own specialty heart hospital (alone or in conjunction with a growing number of specialty hospital operators and promoters), taking with them their patient base, the hospital could experience a rapid and dramatic decline in net revenues that is not proportionate to the number of patient admissions or patient days lost. It is also possible that the competing specialty hospital, as a for-profit venture, would not accept indigent patients or other payors and government programs, leaving low-pay patient populations in the full-service hospital. In certain cases, such an event could be materially adverse to the hospital. A variety of proposals have been advanced recently to permanently prohibit such investments. Nonetheless, specialty hospitals continue to represent a significant competitive challenge for full-service hospitals. Freestanding ambulatory surgery centers may attract significant commercial outpatient services traditionally performed at hospitals. Commercial outpatient services, currently among the most profitable services for hospitals, may be lost to competitors who can provide these services in an alternative, less costly setting. Full-service hospitals rely upon the revenues generated from commercial outpatient services to fund other less profitable services, and the decline of such business may result in the significant reduction of profitable income. Competing ambulatory surgery centers, more likely for-profit businesses, may not accept indigent patients or low paying programs and would leave these populations to receive services in the full-service hospital setting. Consequently, hospitals are vulnerable to competition from ambulatory surgery centers.

Additionally, scientific and technological advances, new procedures, drugs and appliances, preventive medicine and outpatient health care delivery may reduce utilization and revenues of hospitals in the future or otherwise lead to new avenues of competition. In some cases, hospital investment in facilities and equipment for capital-intensive services may be lost as a result of rapid changes in diagnosis, treatment or clinical practice brought about by new technology or new pharmacology.

Action by Purchasers of Hospital Services and Consumers. Major purchasers of hospital services could take action to restrain hospital 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 hospitals' 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.

Professional Liability Claims and General Liability Insurance. In recent years, the number of professional and general liability suits and the dollar amounts of damage recoveries have increased in health care nationwide, resulting in substantial increases in malpractice insurance premiums, higher deductibles and generally less coverage. Professional liability and other actions alleging wrongful conduct and seeking punitive damages are often filed against health care providers. Insurance does not provide coverage for judgments for punitive damages.

CMS will not reimburse hospitals for medical costs arising from certain "never events," which include specific preventable medical errors. Certain private insurers and HMOs followed suit. The occurrence of "never events" is more likely to be publicized and may negatively impact a hospital's reputation, thereby reducing future utilization and potentially increasing the possibility of liability claims.

Litigation also arises from the corporate and business activities of hospitals, from a hospital's status as an employer or as a result of medical staff or provider network peer review or the denial of medical staff or provider network privileges. As with professional liability, many of these risks are covered by insurance, but some are not. For example, some antitrust claims or business disputes are not covered by insurance or other sources and may, in whole or in part, be a liability of the hospital or other health care provider if determined or settled adversely.

There is no assurance that hospitals will be able to maintain coverage amounts currently in place in the future, that the coverage will be sufficient to cover malpractice judgments rendered against a hospital or that such coverage will be available at a reasonable cost in the future. See APPENDIX A – "INFORMATION REGARDING CEDARS-SINAI HEALTH SYSTEM AND ITS AFFILIATES—INSURANCE AND CYBERSECURITY."

Information Systems. The ability to adequately price and bill health care services and to accurately report financial results depends 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.

Electronic media are also increasingly being used in clinical operations, including the conversion from paper to electronic medical records, computerization of order entry functions and the implementation of clinical decision-support software. 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. See "—Regulatory Environment—HIPAA and Other Privacy Requirements" above. 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 Members to implement new technology. Such implementation could be costly and is subject to cost overruns and delays in application, which could negatively affect the financial condition of the Obligated Group.

Increasing Cost of Modern Technology. Technological advances in recent years have forced hospitals to acquire sophisticated and costly equipment to remain competitive. Moreover, the growth of e-commerce also may result in a shift in the way that health care is delivered, *i.e.*, from remote locations. For example, physicians are able to provide certain services over the internet and pharmaceuticals and other health services may be purchased online. If, due to financial constraints, the Obligated Group Members were less able to acquire new equipment required to remain competitive, the Obligated Group Members

could lose market share, and the financial condition of the Obligated Group could be materially adversely affected.

Cybersecurity Risks. Despite the implementation of network security measures by the Obligated Group Members, its information technology systems may be vulnerable to breaches, hacker attacks, random attacks, computer viruses, physical or electronic break-ins and other similar events or issues. In the past several years, hospitals also have been targeted for so-called "ransomware" attacks, which can render clinical and operating systems unusable pending payment of a substantial monetary sum. Such events or issues could lead to the inadvertent disclosure of protected health information or other confidential information or could have an adverse effect on the ability of the Obligated Group Members to provide health care services. Health care providers are highly dependent upon integrated electronic medical record and other information technology systems to deliver high quality, coordinated and cost-effective health care. These systems necessarily hold large quantities of highly sensitive protected health information that is highly valued on the black market. As a result, the electronic systems and networks of health care providers are considered likely targets for cyberattacks and other potential breaches. In addition to regulatory fines and penalties, the health care entities subject to the breaches may be liable for the costs of remediating the breaches, damages to individuals (or classes) whose information has been breached, reputational damage and business loss, and damage to the information technology infrastructure. The Obligated Group has taken, and continues to take measures to protect its information technology system against such cyberattacks, but there can be no assurance that the Obligated Group will not experience a significant breach. If such a breach occurs, the financial consequences of such a breach could have a material adverse impact on the Obligated Group.

Payment Card Industry Security Standards. Health care providers have seen significant changes in the method, amount of transactions and dollar amount of patient payments. Health care providers recognize that financial data security is a paramount concern as is continuing to protect and secure patient information. The Payment Card Industry Data Security Standard ("PCI DSS") establishes requirements for the processing of payment card information. For example, PCI DSS requires merchants who accept credit card payments, including health care providers, to maintain payment card information only in encrypted storage and for certain maximum retention periods, and to complete and maintain a self-assessment questionnaire that shows that the merchant's process for accepting payment cards meets the requirements. While the PCI DSS requirements generally do not have the force of law, failure to meet these requirements can result in the major card brands refusing to process payments to the merchant.

Additionally, chip cards used at Europay, MasterCard and Visa ("EMV") terminals protect against counterfeit transactions by replacing static data with dynamic data. Beginning October 1, 2015, the liability for card-present fraud shifted to whichever party is the least EMV-compliant in a fraudulent transaction. This means in practice that if a health care provider has not updated its system to accept chip cards and fraud occurs when a chip card is read by a terminal, the health care provider would be liable for the costs. It is not mandatory to begin using EMV compliant terminals on or after October 1, 2015 and there are no fines or other penalties. However, a health care provider that does not use EMV-compliant terminals may face much higher costs in the event of a large data breach. Today, a majority of credit cards have EMV chip card technology to improve the security of the card-present payments infrastructure.

Affiliations, Merger, Acquisition and Divestiture. The Obligated Group evaluates and pursues potential acquisition, merger and affiliation candidates as part of the overall strategic planning and development process. As part of its ongoing planning and property management functions, the Obligated Group reviews the use, compatibility and business viability of many of the operations of the Obligated Group, and from time to time the Obligated Group may pursue changes in the use of, or disposition of, its facilities. Likewise, the Obligated Group occasionally receives offers from, or conducts discussions with, third parties about the potential acquisition of operations and properties which may become subsidiaries or

affiliates of the Obligated Group in the future, or about the potential sale of some of the operations or property which are currently conducted or owned by the Obligated Group. Discussion with respect to affiliation, merger, acquisition, disposition or change of use of facilities, including those which may affect the Obligated Group, are held from time to time with other parties. These may be conducted with acute care hospital facilities and may be related to potential affiliation with the Obligated Group. As a result, it is possible that the current organization and assets of the Obligated Group may change from time to time.

In addition to relationships with other hospitals and physicians, the Obligated Group may consider investments, ventures, affiliations, development and acquisition of other health-care related entities. These may include home health care, long-term care entities or operations, infusion providers, pharmaceutical providers, and other health care enterprises that support the overall operations of the Obligated Group. In addition, the Obligated Group may pursue transactions with health insurers, HMOs, preferred provider organizations, third-party administrators and other health insurance related businesses. Because of the integration occurring throughout the health care field, Management will consider these arrangements if there is a perceived strategic or operational benefit for the Obligated Group. Any initiative may involve significant capital commitments and/or capital or operating risk (including, potentially, insurance risk) in a business in which the Obligated Group may have less expertise than in hospital operations. There can be no assurance that these projects, if pursued, will not lead to material adverse effect on the Obligated Group.

Earthquakes. Many hospitals in California are in close proximity to active earthquake faults. A significant earthquake in California could damage or destroy or disable the hospital facilities of the Obligated Group.

California law requires each acute care hospital in the State to evaluate and upgrade its patient care facilities to meet stated seismic standards by 2008 or, in certain cases, by 2030; ultimate deadlines depend on each acute hospital building's structural performance category. In response to Senate Bill 1953, which was signed into law on September 21, 1994, HCAI (formerly known as OSHPD) developed regulations for structural and non-structural performance of buildings and their contents during strong earthquakes; these regulations have been regularly modified as new construction technologies have been developed. One such technology is HAZARDS U.S. ("HAZUS") earthquake loss estimation methodology, a state-of-the-art methodology to reassess the seismic risk of collapse-hazard buildings. The HAZUS Reassessment Program is a voluntary program to re-evaluate the seismic risk of hospital buildings classified as Structural Performance Category 1 ("SPC-1"). These buildings are considered hazardous and at risk of collapse in the event of an earthquake and must be retrofitted, replaced or removed from providing acute care services by 2008. Reevaluation under HAZUS may result in buildings not being required to meet any new seismic standards until 2030. California law has been amended to allow various types of extensions of the 2008 deadline to 2013, 2015, 2016, 2018 or 2020, provided that the facility qualifies for such extension and certain requirements are met in enumerated time periods, including demonstrating to OSHPD reasonable progress towards meeting the ultimate deadlines. The Obligated Group Members have not applied for any of these extensions because the Obligated Group's facilities are currently in compliance with hospital seismic safety standards through 2030. See APPENDIX A – "INFORMATION REGARDING CEDARS-SINAI HEALTH SYSTEM AND ITS AFFILIATES—CONFORMANCE WITH SB 1953 SEISMIC STANDARDS."

Risks Related to Variable Rate Obligations. The Obligated Group Members may issue Obligations under the Master Indenture to secure securities that are variable rate obligations, the interest rates on which could rise. Such interest rates vary on a periodic basis and may be converted to a fixed interest rate. This protection against rising interest rates is not unrestricted, however, because the Obligated Group Members would be required to continue to pay interest at the variable rate until it is permitted to convert the obligations to a fixed rate pursuant to the terms of the applicable transaction documents.

The Obligated Group Members may enter into interest rate swap agreements related to indebtedness of the Obligated Group Members (the "Swaps"). The Swaps would be subject to periodic "mark-to-market" valuations and at any time may have a negative value to the Obligated Group. The Swaps counterparty may terminate the Swaps upon the occurrence of certain "termination events" or "events of default." The Obligated Group Members may terminate the Swaps at any time. If either the counterparty to the Swaps or an Obligated Group Member terminates any of the Swaps during a negative value situation, the Obligated Group Member may be required to make a termination payment to such Swaps counterparty, and such payment could be material. Pursuant to the Swaps, the counterparty would be obligated to make payments to the Obligated Group Member, which payments may be more or less than the interest rates the Obligated Group Member is required to pay with respect to a comparable principal amount of the related indebtedness. The Swaps may be secured under the Master Indenture. The Members of the Obligated Group may in the future enter into other financial product and hedge devices that also may be secured under the Master Indenture.

Upon the date of issuance of the Series 2021 Bonds, the Obligated Group Members will have no outstanding variable rate bond indebtedness and have no existing Swaps.

Other Potential Risks. In the future, the following factors, among others, may adversely affect the operations of health care providers, including the Obligated Group Members, or the market value of the Bonds, to an extent that cannot be determined at this time.

- Adoption of legislation or implementation of regulations that would establish a national or statewide single-payor health program or that would establish national, statewide or otherwise regulated rates applicable to hospitals and other health care providers.

- Reduced demand for the services of any Member of the Obligated Group that might result from decreases in population or loss of market share to competitors.

- Bankruptcy of an indemnity/commercial insurer, managed care plan or other payor.

- Efforts by insurers and governmental agencies to limit the cost of health care services, to reduce the number of beds and to reduce the utilization of hospital facilities by such means as preventative medicine, improved occupational health and safety and outpatient care, or comparable regulations or attempts by third-party payors to control or restrict the operations of certain health care facilities.

- Cost and availability of any insurance, such as professional liability, fire, automobile and general comprehensive liability coverages, which health care facilities of a similar size and type generally carry.

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

- Limitations on the availability of, and increased compensation necessary to secure and retain, nursing, technical and other professional personnel.

ABSENCE OF MATERIAL LITIGATION

The Obligated Group

There is no controversy or litigation of any nature now pending against any Obligated Group Member or, to the knowledge of its officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds, any proceedings of any of the Obligated Group Members taken concerning the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds or the collection of Gross Receivables pledged under the Master Indenture.

The Obligated Group Members are involved in legal actions in the normal course of business, some of which seek substantial monetary damages or include claims which may not be covered by insurance. Management of the Obligated Group believes that such litigation would not or will not have any material adverse effect on any Obligated Group Member's financial condition or results of operations, other than matters that have been disclosed under "LITIGATION" in APPENDIX A – "INFORMATION REGARDING CEDARS-SINAI HEALTH SYSTEM AND ITS AFFILIATES." There can be no assurance, however, that future litigation will not have a material adverse effect on the Obligated Group.

The Authority

To the knowledge of the officers of the Authority, there is no litigation of any nature now pending (with service of process having been accomplished) or threatened against the Authority, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds, any proceedings of the Authority taken concerning the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, or the existence or powers of the Authority relating to the issuance of the Bonds.

CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Bonds, and the Authority will not provide any such information. The System, as Credit Group Representative on behalf of the Obligated Group, has undertaken all responsibilities for any continuing disclosure to Holders of the Bonds as described below, and the Authority shall have no liability to the Holders or any other person with respect to such disclosure.

The System, as Credit Group Representative, has covenanted for the benefit of Holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the System (collectively, the "Annual Report") in accordance with Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission pursuant to the Securities and Exchange Act of 1934, as amended. The System has also covenanted to provide notices of the occurrence of certain enumerated events. The specific nature of the information to be contained in the Annual Report and the notices of such enumerated events is described in APPENDIX E – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

The Bond Trustee will file the Annual Report on behalf of the System, in readable PDF or other acceptable electronic form, with the Municipal Securities Rulemaking Board ("MSRB"), through its electronic municipal market access system ("EMMA"), within 150 days after the end of the System's fiscal year (which fiscal year currently ends on June 30), commencing with the report for the fiscal year ending June 30, 2022. Notices of material events also will be filed by the Bond Trustee on behalf of the System with the MSRB through EMMA.

In addition to the Annual Report, the Bond Trustee will file on behalf of the System unaudited financial information for the System not later than 45 days after the end of each fiscal quarter (except the fourth fiscal quarter, which must be delivered within 90 days), beginning with the second fiscal quarter of the fiscal year ending June 30, 2022, for such fiscal quarter, with the MSRB through EMMA. The unaudited financial information will include a balance sheet, a statement of changes in net assets and a statement of operations. See APPENDIX E – "FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriters in complying with the Rule.

During the five years immediately preceding the date hereof, each of the System and the other Obligated Group Members has been in compliance in all material respects with any previous undertaking with regard to said Rule to provide annual and quarterly reports or notices of certain enumerated events other than as described as follows. TMMC did not include the statements required pursuant to its continuing disclosure undertakings as to whether TMMC's obligated group incurred any obligations and did not include descriptions of such obligations in its annual reports for the fiscal years ended June 30, 2016, 2017 and 2018. TMMC's annual reports for the fiscal years ended June 30, 2016 and 2018 also did not include the updated annual debt service requirements table required to be provided for those fiscal years. Following the issuance of the Bonds, the System will be responsible for filing, or causing to be filed, the Annual Reports, the quarterly unaudited financial information and the notices of the occurrences of certain enumerated events on behalf of all of the Obligated Group Members. The System has procedures and policies in place to ensure the Obligated Group's compliance with the requirements of the Continuing Disclosure Agreement for the Bonds and its other continuing disclosure undertakings.

The Holders are deemed to have consented to the Continuing Disclosure Agreement being amended at the time of the release and substitution of Obligation No. 17 to conform to the continuing disclosure undertaking for the new obligated group. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Release and Substitution of Obligation No. 17 Upon Delivery of Replacement Master Indenture."

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of the opinion of Bond Counsel is set forth in Appendix D hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax

consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

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 Bonds. The Authority and the System have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes 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 Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

In addition, Bond Counsel has relied, among other things, on the opinion of McDermott Will & Emery LLP, Counsel to the Obligated Group Members, regarding the current qualification of each Obligated Group Member as an organization described in Section 501(c)(3) of the Code. Such opinion is subject to a number of qualifications and limitations. Bond Counsel has also relied upon representations of the System, on behalf of itself and the other Obligated Group Members concerning the Members' "unrelated trade or business" activities as defined in Section 513(a) of the Code. Neither Bond Counsel nor Counsel to the Obligated Group Members has given any opinion or assurance concerning Section 513(a) of the Code and neither Bond Counsel nor Counsel to the Obligated Group Members, can give or has given any opinion or assurance about the future activities of the Obligated Group Members, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the IRS. Failure of an Obligated Group Member to be organized and operated in accordance with the IRS's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code or to operate the facilities financed or refinanced by the Bonds in a manner that is substantially related to the Obligated Group Members' charitable purposes under Section 513(a) of the Code may result in interest payable with respect to the Bonds being included in federal gross income, possibly from the date of the original issuance of the Bonds.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends 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.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state 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 legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express 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 Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority, the Obligated Group Members, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the System have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the Obligated Group Members or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the Obligated Group Members and their appointed counsels, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the Obligated Group Members legitimately disagree, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Authority, the Obligated Group Members or the Beneficial Owners to incur significant expense.

RATINGS

The System has received ratings of "Aa3" (stable outlook), "AA-" (stable outlook) and "AA-" (stable outlook), respectively, from Moody's Investors Service, Inc. ("Moody's"), S&P Global Ratings, a division of Standard and Poor's Financial Services, LLC ("S&P") and Fitch Ratings ("Fitch") for the Bonds. Any explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. Certain information and materials not included in this Official Statement were furnished to the rating agencies concerning the Bonds. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions by the rating agencies. There is no assurance that the ratings mentioned above will remain for any given period of time or that the ratings might not be lowered or withdrawn entirely by Moody's, S&P or Fitch, if in their judgment circumstances so warrant. Although the Underwriters have no responsibility to bring to the attention of the Bondholders any proposed revision or withdrawal of the rating on the Bonds, the System is required to make such disclosure pursuant to continuing disclosure agreements consistent with Rule 15c2-12 promulgated by the Securities and Exchange Commission it has entered into. Any such downward change in or withdrawal of such rating might have an adverse effect on the market price for and marketability of the Bonds.

APPROVAL OF LEGALITY

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A complete copy of the proposed form of Bond Counsel opinion is contained at Appendix D hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Approval of certain other legal matters will be passed upon for the Obligated Group by McDermott Will & Emery LLP, Los Angeles, California, counsel to the Obligated Group, which undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement, and for the Authority by the Attorney General of the State of California, which undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain other matters will be passed upon for the Underwriters by Norton Rose Fulbright US LLP, San Francisco, California, which also undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

INDEPENDENT AUDITORS

The consolidated financial statements of the System as of June 30, 2021 and 2020, and for the years then ended, included in Appendix B-1 to this Official Statement, have been audited by Ernst & Young LLP, independent auditors, as stated in their report appearing herein.

The consolidated financial statements of Collis P. and Howard Huntington Memorial Hospital Trust, Pasadena Hospital Association, Ltd. and Affiliates as of December 31, 2020 and 2019, and for the years then ended, included in Appendix B-2 to this Official Statement, have been audited by Ernst & Young LLP, independent auditors, as stated in their report appearing herein.

FINANCIAL ADVISOR

The System has retained Kaufman, Hall & Associates, LLC. ("Kaufman Hall"), Skokie, Illinois, a municipal advisory firm registered with the U.S. Securities and Exchange Commission ("SEC") and the MSRB, as financial advisor in connection with the issuance of the Bonds. Although Kaufman Hall has assisted in the preparation of this Official Statement, Kaufman Hall was not and is not obligated to undertake, and has not undertaken to make, an independent verification and assumes no responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

VERIFICATION AGENT

Concurrently with the issuance of the Bonds, Causey Demgen & Moore P.C., as verification agent, will deliver a report with respect to the mathematical accuracy of certain computations, contained in schedules provided to it, which were prepared by the Underwriters, relative to (a) the sufficiency of moneys and securities deposited into the escrow fund established pursuant to the escrow agreement to pay, when due, the principal, whether at maturity or upon prior redemption and interest of the Huntington Prior Bonds and (b) the yields of the Bonds and the securities in the escrow fund which support the opinions of Bond Counsel, that the interest on the Bonds is excluded from gross income for federal income tax purposes. The report of Causey Demgen & Moore P.C. will include the statement that the scope of its engagement is limited to verifying the mathematical accuracy of the aforesaid computations and that it has no obligation to update its report because of events occurring, or data or information coming to its attention, subsequent to the date of the report.

UNDERWRITING

Barclays Capital Inc., as representative on behalf of itself, BofA Securities, Inc. and Citigroup Global Markets Inc. (collectively, the "Underwriters"), has agreed to purchase the Bonds at an aggregate purchase price of $_____ (which represents the par amount of the Bonds plus/less an original issue premium/discount of $_____). The Bond Purchase Agreement for the Bonds provides that the System will pay the Underwriters a fee of $_____ as compensation for underwriting the Bonds from its own funds. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Bonds, if any are purchased. The obligation of the Underwriters to accept delivery of the Bonds is subject to various conditions contained in the Bond Purchase Agreement. The Bond Purchase Agreement provides that the fees of counsel for the Underwriters will be paid by the System.

The Underwriters may offer and sell the Bonds to certain dealers and others at prices or yields different from the prices or yields stated on the inside cover page and immediately succeeding page of this Official Statement. The initial public offering prices set forth in the inside cover page and immediately succeeding page of this Official statement may be changed without notice from time to time by the Underwriters.

The Underwriters and their 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. From time to time the Underwriters and their affiliates have performed, and it or they may in the future perform, various investment banking services for the Authority, the Obligated Group Members, and/or their respective affiliates, for which they may have received or will receive customary fees and expenses.

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

The Underwriters and their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The System intends to use a portion of the proceeds of the Bonds to refinance the Refinanced Bonds. To the extent an Underwriter or an affiliate thereof is an owner of any Refinanced Bonds, such Underwriter or its affiliate, as applicable, would receive a portion of the proceeds from the issuance of the Bonds contemplated herein in connection with the refinancing of such Refinanced Bonds.

BofA Securities, Inc., one of the Underwriters of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

Citigroup Global Markets Inc., one of the Underwriters of the 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.

MISCELLANEOUS

The foregoing and subsequent summaries or descriptions of provisions of the Bonds, the Original Master Indenture, the Amended and Restated Master Indenture, Supplement No. 17, Obligation No. 17, the Bond Indenture, the Loan Agreement, the Continuing Disclosure Agreement and all references to other materials not purporting to be quoted in full, are only brief outlines of some of the provisions thereof. Reference is made to said documents for full and complete statements of provisions of such documents. The appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Bond Indenture, the Original Master Indenture, the Loan Agreement, and the Continuing Disclosure Agreement may be obtained during the offering period from the Underwriters and thereafter upon request to the principal corporate trust office of the Bond Trustee. The forms of the Amended and Restated Master Indenture and Supplement No. 17 are included in APPENDIX G hereto.

The information contained in this Official Statement has been compiled or prepared from information obtained from the Obligated Group Members, and officials and other sources deemed to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct as of the date of this Official Statement. The Authority furnished only the information contained under the captions "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION—The Authority" and, except for such information, makes no representation as to the adequacy, completeness or accuracy of this Official Statement or the information contained herein. Any statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

This Official Statement has been delivered by the Authority and approved by the System, acting as Credit Group Representative. This Official Statement is not to be construed as a contract or agreement among any of the Authority, the Obligated Group Members and the purchasers or Holders of the Bonds.

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

By: _____
Executive Director

CEDARS-SINAI HEALTH SYSTEM, as Credit Group Representative

By: _____
Edward M. Prunchunas
Chief Financial Officer

By: _____
David M. Wrigley
Chief Financial Officer of
Cedars-Sinai Medical Center

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APPENDIX A

INFORMATION REGARDING
CEDARS-SINAI HEALTH SYSTEM AND ITS AFFILIATES

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INTRODUCTION

Cedars-Sinai Health System ("CSHS"), a California nonprofit public benefit corporation, is tax-exempt under Section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code"), as an organization described in Section 501(c)(3) of the Code. CSHS was established in 2017 to serve as the parent of various organizations that operate primarily in Los Angeles County and are directly or indirectly (through one or more intermediaries) controlled by, or under common control with, CSHS (the "Health System").

CSHS is the sole corporate member of Cedars-Sinai Medical Center ("CSMC"), Torrance Health Association, Inc. ("THA") and Pasadena Hospital Association, Ltd. ("PHA"). (See "CORPORATE STRUCTURE," herein.) PHA completed an affiliation with CSHS on August 4, 2021, becoming a part of the Health System. Unless otherwise described herein, information for the Health System, for all periods noted, includes PHA, as if it were a part of the Health System for all periods. The Health System strategically focuses on excellence in clinical quality outcomes, comprehensive access to value-based and equitable care, innovative translational research and discovery, outstanding patient experiences, strong community and employee engagement and member brand recognition. CSHS was created to develop a health system which will: develop and coordinate strategy among the members of the Health System to address emerging challenges; attract new members to the Health System to create economies of scale and capabilities; support member organizations with governance and management responsibilities; and preserve the strong governance and community roots at member organizations. The hospitals in the Health System earned twelve (12) national rankings in 2021 from U.S. News & World Report in specialties including Cancer, Cardiology & Heart Surgery, Diabetes & Endocrinology, Ear, Nose & Throat, Gastroenterology & GI Surgery, Geriatrics, Gynecology, Neurology & Neurosurgery, Orthopedics, Pulmonology & Lung Surgery and Urology.

The Health System includes five acute-care hospitals described below, including Tarzana Medical Center, whose owner, Tarzana Medical Center, LLC ("Tarzana"), is not controlled by CSHS. Also, the Health System has a joint venture with a rehabilitation hospital, California Rehabilitation Institute, LLC (the "Rehab Institute") as described herein under "CORPORATE STRUCTURE." Across Los Angeles County, the Health System has approximately 400 sites of service, which includes 20 surgery centers and locations, 27 imaging and laboratory offices, 6 urgent care centers and 2 endoscopy centers. Unless otherwise noted herein, financial and operating information for the Health System excludes information related to Tarzana and the Rehab Institute.

CSHS, CSMC, PHA, Torrance Memorial Medical Center ("TMMC") and CFHS Holdings, Inc. ("CFHS") (d/b/a Cedars-Sinai Marina del Rey Hospital) are Members of the Obligated Group as described herein under "CORPORATE STRUCTURE—Obligated Group." The Obligated Group Members represented approximately 86% of the consolidated total pro forma revenue and 94% of consolidated total pro forma assets of the Health System as of and for fiscal year ended June 30, 2021 as presented in "SUMMARY OF FINANCIAL INFORMATION." Only the Obligated Group Members are obligated to make payments on each Obligation incurred under the Master Indenture. The other Health System organizations that are not Obligated Group Members have not assumed any financial obligation related to the payment or security for any of

the Series 2021 Bonds or any other Obligations incurred under the Master Indenture. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" in the forepart of this offering document.

With the affiliation with PHA in August 2021, the Health System's comprehensive team has a medical staff of over 5,300 physicians, 24,500 employees and 5,000 volunteers who primarily serve the communities of Los Angeles County. For the twelve months ended June 30, 2021, the Health System, through its provider affiliates, on a pro forma basis, performed over 1.5 million outpatient visits, 95,000 inpatient admissions, 240,000 emergency department visits, 56,000 surgeries, 11,000 deliveries and over 560 solid organ transplants, including over 130 heart transplants. Additionally, the Health System has played an integral role for its communities during the COVID-19 pandemic. Since the beginning of the pandemic, the Health System, as currently composed, served more than 8,000 inpatient admissions with higher survival rates than national averages, provided over 280,000 tests and administered over 156,000 vaccines. See "COVID-19 IMPACT AND RESPONSE" herein. The Health System also oversees one of the country's leading institutes for research. In the fiscal year ended June 30, 2021, over 690 researchers at Health System affiliates worked on 2,300 research projects with expenditures of over $215 million, of which $106 million was competitive research funding from the National Institutes of Health. See "RESEARCH" herein.

In the fiscal year ended June 30, 2021, the Health System members, including PHA and affiliates, provided over $900 million in community benefits, including over $25 million in grants to support more than 200 community-based organizations serving vulnerable populations. The Health System continues to keep the needs of its communities in mind as it seeks to improve the quality of health within these communities, develop operational efficiencies, enhance and diversify its tertiary programs, create collaborative clinical programs and expand access to research and clinical trials. See "COMMUNITY SERVICE PROGRAMS" herein.

HEALTH SYSTEM

Organization

The Health System operates primarily in Los Angeles County and organizes most operations into five geographic areas: the Los Angeles Metropolitan area, the South Bay area, the North and South Coastal area, the San Fernando Valley area, and the San Gabriel Valley area. See "SERVICE AREA AND COMPETITION" for a description of the five geographic areas. Management believes this organizational structure aligns with how today's patients seek and access care and streamlines decision-making while keeping the Health System flexible.

The key organizations of the Health System are identified below:

CSMC. CSMC is a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Code. CSMC owns and operates a major academic quaternary medical center (the "CS Medical Center") in Los Angeles, California. The CS Medical Center is located on an approximately 25-acre site that includes a 2.1 million square foot medical center complex. The CS Medical Center complex includes inpatient and outpatient facilities as well as physician and CS Medical Center administrative offices. The CS Medical Center complex is

supported by an additional approximately 1.3 million square-feet of space that is used for research and ancillary purposes. The CS Medical Center is currently licensed for 889 general acute care beds. The CS Medical Center is located in the Los Angeles Metropolitan area.

CSMC is the sole corporate member of CFHS, a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Code, which owns and operates Cedars-Sinai Marina del Rey Hospital ("MDRH") located in Marina del Rey, California. MDRH is currently licensed as a 133-bed acute care hospital. MDRH is an approximately 96,000-square-foot hospital building and sits on a 7-acre site. CFHS plans to build a new approximately 269,000 square-foot main hospital building by 2026 adjacent to the existing hospital building to replace the current MDRH facility that will expand capacity to 160 acute care beds and offer new or enhanced services and programs. Upon completion of the replacement facility, the existing building will be demolished. See "PLAN OF FINANCE—The Project" in the forepart of this offering document. MDRH is located in the North and South Coastal area.

CSMC is also the sole corporate member of Cedars-Sinai Medical Care Foundation ("CSMCF") a California nonprofit, public benefit corporation and an organization described in Section 501(c)(3) of the Code. CSMCF operates, manages, and maintains primary care and specialty clinics exempt from licensure under Section 1206(l) of the California Health & Safety Code ("Section 1206(l)"), as well as multi-specialty clinics, holds payor contracts, holds the assets of acquired physician and physician group practices and independent practice associations and contracts for physician services pursuant to professional services agreements.

THA. THA is the sole corporate member of TMMC, a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Code which owns and operates a 610-bed acute care hospital located in Torrance, California in the South Bay area of southwest Los Angeles County ("Torrance Memorial Medical Center"). Torrance Memorial Medical Center sits on an approximately 22-acre site with an adjacent 16-acre employee parking lot. There are more than eighteen (18) buildings on its campus totaling an estimated 1.7 million square-feet of space. THA affiliates also include Torrance Memorial Medical Center Health Care Foundation ("TMMCF"), a California nonprofit public benefit corporation organized to raise funds for the support of TMMC, and a network of ambulatory care and treatment centers, as described further under "CORPORATE STRUCTURE—Key Corporate Organizations." Torrance Memorial Medical Center is located in the South Bay area.

PHA. PHA is a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Code doing business as Huntington Hospital. It owns and operates Huntington Hospital ("Huntington Hospital"), a 619-bed acute care hospital located on an approximately 28-acre campus in Pasadena, California that includes more than fifteen (15) structures totaling an estimated 1.4 million square feet of space. PHA also operates affiliated ambulatory, diagnostic and treatment centers, as described further under "CORPORATE STRUCTURE—Key Corporate Organizations." In August 2021, CSHS became the sole corporate member of PHA as part of an affiliation that includes commitments to continue investment in Huntington Hospital through enterprise information technology, growth of ambulatory services and physician development. The affiliation will also enable collaborations with the other entities in the Health System to ensure access to high-quality, accessible and affordable care throughout

the region. See "Affiliation with PHA" below. Huntington Hospital is located in the San Gabriel Valley area.

Tarzana. Tarzana, doing business as Providence Cedars-Sinai Tarzana Medical Center, was formed in 2019 by CSMC and Providence St. Joseph Health ("Providence"). Tarzana owns and operates a 246-bed general acute care hospital located in Tarzana, California ("Tarzana Medical Center"). CSMC owns a 49% membership interest in Tarzana (see "Timeline of Growth") and has three of seven representatives on the Board of Managers. Providence owns a 51% membership interest and has four representatives on the Board of Managers. As such, CSMC's interests in Tarzana are accounted for using the equity method and its results of operations and financial position are not consolidated with CSMC. Tarzana Medical Center is located in the San Fernando Valley area. CSHS considers Tarzana to be a part of the Health System even though it does not control Tarzana. CSMC committed $300 million toward its 49% interest in Tarzana to construct a new, seismically compliant facility and has funded $153 million of that amount as of September 30, 2021. Unless otherwise described herein, information regarding the Health System excludes Tarzana. **Tarzana will not be a member of the Obligated Group and will not be obligated on the Series 2021 Bonds.**

Affiliation with PHA

PHA was founded in 1892 with the goal of providing a hospital for the residents of Pasadena, California and its neighboring communities. The Collis P. and Howard Huntington Memorial Hospital Trust (the "Huntington Trust") is a charitable trust which was created in 1932 pursuant to the terms of the will of Henry E. Huntington, exists solely to support the work of PHA. Since 1936, it has provided the realty upon which Huntington Hospital operates. Title to the hospital real estate was transferred to PHA in February 2021, prior to the affiliation with CSHS. By court order, the five trustees of the Huntington Trust are ex officio members of the PHA board of directors.

PHA and the Huntington Trust are members of an obligated group (the "PHA Obligated Group") under the terms of a master trust indenture, dated as of November 1, 2014, as amended to date (the "PHA Master Indenture"). Pursuant to the terms of the PHA Master Indenture, PHA and the Huntington Trust are jointly and severally obligated to repay all indebtedness secured thereunder. At December 31, 2020, the PHA Obligated Group had approximately $320 million of debt outstanding and a $50 million revolving line of credit outstanding, all secured under the PHA Master Indenture.

In July 2020, CSHS, PHA, and the Huntington Trust entered into an affiliation agreement (the "Affiliation Agreement") pursuant to which PHA would become part of the Health System.

The Affiliation Agreement provided, among other things, that:

(i) CSHS would become the sole corporate member of PHA;

(ii) the Huntington Trust would transfer the land associated with Huntington Hospital to PHA;

(iii) the Huntington Trust will continue to exist solely to support PHA;

(iv) PHA nominates three (3) of the fifteen (15) members of the CSHS Board of Directors (as defined herein);

(v) the Huntington Trust will continue to be obligated for debt incurred under the PHA Master Indenture until it is refinanced by CSHS under the Master Indenture; and

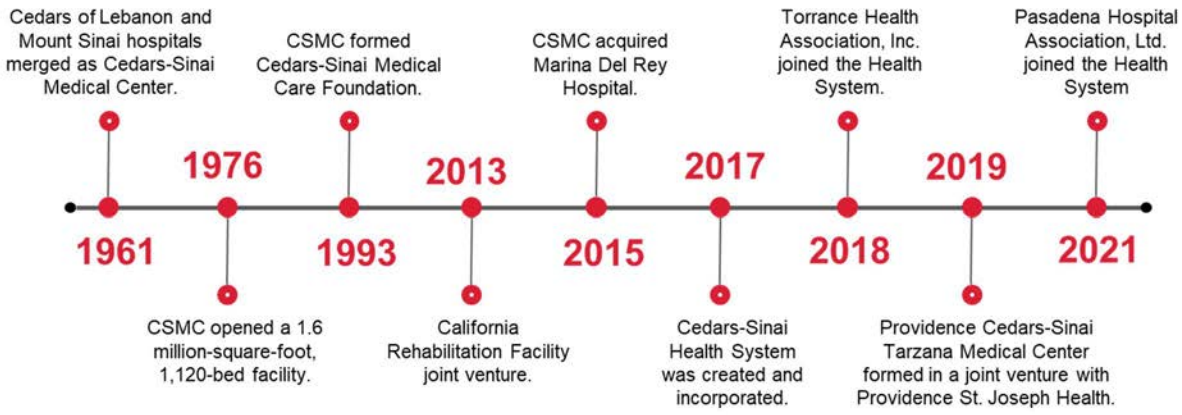
(vi) CSHS approved PHA's $560 million Strategic Capital plan for the ten year period ending in 2029 and agreed to make up to $300 million available for such purpose from such sources as CSHS determines, if needed.

The affiliation closed on August 4, 2021. It is expected that all indebtedness outstanding under the PHA Master Indenture will be refinanced or transferred to the Obligated Group as part of the financing described under "PLAN OF FINANCE—The Refinancing Plan" in the forepart of this offering document and the line of credit will be cancelled. As a result, the Huntington Trust will be relieved of any liability for debt secured under the PHA Master Indenture. The Huntington Trust will not be a member of the Obligated Group and its assets will remain with the Huntington Trust and will continue to be held for the sole benefit of PHA.

Timeline of Growth

Since its predecessors merged in 1961, the Health System has evolved and become internationally renowned for its commitment to providing superior patient care, breakthrough biomedical research, graduate and undergraduate medical education and community service. The Health System continually reviews the strategic and business value of its existing and new relationships and explores a wide variety of potential business relationships, including acquiring medical centers, entering into joint ventures with medical centers, contracting with health maintenance organizations and other third-party payors, jointly developing clinical specialty services, and acquiring interests in ambulatory surgery centers and endoscopy centers which are owned jointly with physicians.

The evolution of the Health System has had numerous key milestones and is summarized below:



In 1961, Cedars of Lebanon and Mount Sinai hospitals merged to create Cedars-Sinai Medical Center.

In 1976, CSMC opened a 1.6 million-square-foot and 1,120-bed medical center.

In 1993, CSMC formed and became the sole corporate member of the CSMCF, a medical practice foundation, for the purpose of establishing and operating outpatient medical care clinics as part of an integrated health care delivery system and to better serve the community.

In 2013, CSMC partnered with UCLA Health and Select Medical Holdings Company, Inc. to form the California Rehabilitation Institute, LLC (the "Rehab Institute"). CSMC owns 38.1% of the Rehab Institute. The Rehab Institute is a 138-bed acute rehabilitation hospital located in the Century City neighborhood of Los Angeles and began operations in July 2016.

On September 1, 2015, CSMC acquired 100% of the stock of CFHS, which owns and operates MDRH. Upon acquisition, CFHS was converted to a nonprofit public benefit corporation, which resulted in an enhanced mission to serve the healthcare needs of Marina del Rey and surrounding beach communities, including the provision of community benefit programs. A replacement hospital for MDRH is planned and is described herein under "PLAN OF FINANCE—The Project" in the forepart of this offering document.

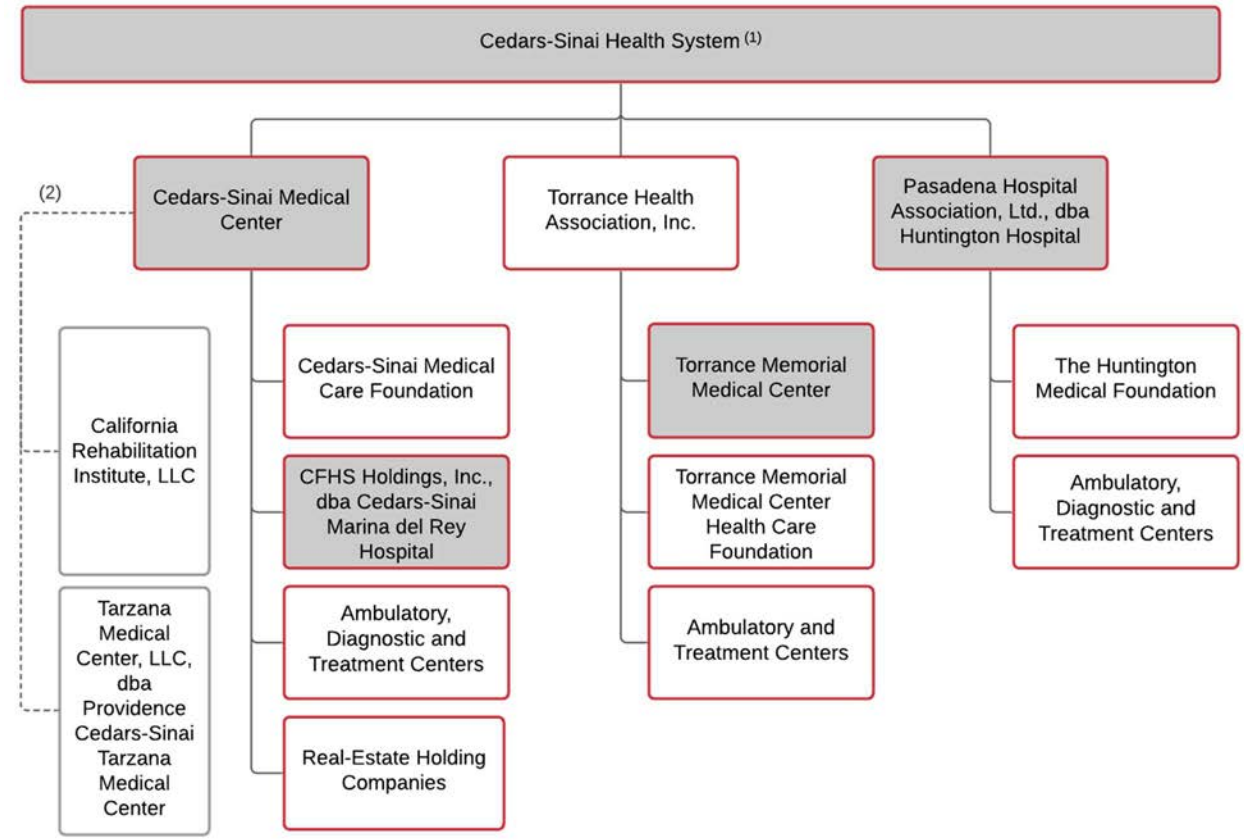
On May 1, 2017, CSHS was created as the parent organization of the Health System to facilitate an affiliation between CSMC and THA, creating an expanded integrated healthcare delivery system to improve the quality of health in the communities served, advance quality of care and further charitable services. CSHS became the sole corporate member of THA in early 2018.

On March 12, 2019, CSMC and Providence formed Tarzana. This joint venture expands primary and specialty care services and enhances other programs for the community. Providence and CSMC intend to jointly continue building-out the Tarzana Medical Center campus, including a new patient-care tower with all private rooms, an expanded Emergency Department, new diagnostic and treatment services, and enhanced outpatient and ambulatory services.

On August 4, 2021, CSMC became the sole corporate member of PHA. See "Affiliation with PHA" herein.

CORPORATE STRUCTURE

Organization Structure



(1) The Organization Structure excludes non-hospital joint ventures, non-operating subsidiaries and fundraising foundations.
(2) Dotted lines indicate minority ownership interests.

Key Corporate Organizations

Cedars-Sinai Health System is organized as the parent of the Health System.

Cedars-Sinai Medical Center. In addition to interests in CSMCF, CFHS, the Rehab Institute and Tarzana, CSMC has interests in the following organizations, which are not members of the Obligated Group, which provide outpatient services:

- **ISS ASC Holdings, LLC.** is a California limited liability company. CSMC owns a majority interest in this entity and the remainder is owned by physicians. ISS ASC Holdings, LLC directly owns and operates the Kerlan-Jobe Surgery Center, LLC and Santa Monica Surgical Partners, LLC dba Surgery Center of the Pacific.

- **CS-BH ASC Holdings, LLC.** is a California limited liability company. CSMC owns a majority interest in this entity, and the remainder is owned by physicians. CS-BH ASC Holdings, LLC indirectly owns and operates 90210 Surgery Medical Center, LLC, Precision Ambulatory Surgery Center, LLC and Spalding Triangle Surgery Center, LLC through BH ASC Venture, LLC.

Torrance Health Association, Inc. In addition to its interests in TMMC and TMMCF, THA is the sole corporate member of the following organizations that are not members of the Obligated Group:

- **Torrance Memorial Physician Network** ("TMPN") operates, manages, and maintains primary care and specialty clinics exempt from licensure under Section 1206(l) throughout the South Bay region, including over 170 primary care and specialty care providers.

- **Torrance Memorial Independent Physician Association** is a nonprofit, multi-specialty physician network of TMMC that contracts for professional services with HMO health plans and offers its members access to a network of over 300 physicians and healthcare providers, hospital services, and urgent care centers.

- **Torrance Memorial Integrated Physicians, LLC** is an accountable care organization that is owned 50% by THA and 50% owned by over 300 physician investors. It is comprised of a group of physicians and healthcare providers voluntarily working together with Medicare to provide quality healthcare services to Medicare fee-for-service beneficiaries. Torrance Memorial Integrated Physicians is participating in Track 3 of the Medicare Shared Savings Program.

Pasadena Hospital Association, Ltd. PHA is affiliated with the following organizations that are not members of the Obligated Group:

- **The Huntington Medical Foundation** ("Huntington Foundation") is a California nonprofit tax-exempt corporation that operates, manages, and maintains primary care and a multi-specialty clinic exempt from licensure under Section 1206(l) throughout Pasadena and the San Gabriel Valley.

- **Congress Services Corporation** ("CSC") was incorporated in 1985 as a California for-profit corporation and is a wholly-owned subsidiary of PHA. CSC oversees PHA's interest in several joint ventures.

- **Huntington Ambulatory Surgery Center** ("HASC") was organized in 2010 and is a California limited liability company which is owned 99.8% by PHA and otherwise by physician investors.

- **The Collis P. and Howard Huntington Memorial Hospital Trust** is a charitable trust which was created by the Estate of Henry E. Huntington with the sole purpose to provide funding for PHA. The Huntington Trust has 5 court appointed trustees, and under court orders that govern the Huntington Trust and PHA's bylaws, each of the 5 trustees are ex officio members of the PHA board of directors. **The Huntington Trust**

will not be a member of the Obligated Group and will not be obligated on the Series 2021 Bonds.

Obligated Group

Upon the issuance of the Series 2021 Bonds, the members of the Obligated Group will be CSHS, CSMC, CFHS, TMMC and PHA. The Obligated Group Members represented approximately 86% of the consolidated total pro forma revenue and 94% of consolidated total pro forma assets of the Health System as of and for fiscal year ended June 30, 2021 as presented in "SUMMARY OF FINANCIAL INFORMATION" below. Financial and operating information about each of these entities is included throughout Appendix A (See "CORPORATE STRUCTURE" and "SUMMARY OF FINANCIAL PERFORMANCE.")

STRATEGIC INITIATIVES

Mission

CSHS seeks to advance the delivery of high-quality health care in support of each member organization's nonprofit mission to:

- Serve as a leader in the delivery of quality patient care
- Implement innovative approaches in medicine and population health
- Expand medical knowledge through supporting biomedical research and discovery
- Educate and train physicians and other health care professionals
- Expand patient access to high quality and cost-effective services throughout the region
- Preserve and promote the historical culture and values of each member organization
- Meet the needs of each member's community and provide for substantial community benefit

Strategic Vision

CSHS, building on the strengths of its members, strives to be the leading health care organization in the region and recognized nationally for:

Strategy for New Access Points and Physicians

Ambulatory Network Across the Health System

The Health System has developed a strong ambulatory network around each of its hospital facilities to serve communities in their primary service area. These include primary care offices, specialty clinics, urgent care centers, imaging centers, and ambulatory surgery centers. The network spans the service area as described in "SERVICE AREA AND COMPETITION."

Physician Networks

The Health System is deeply invested in physician relations, practice management, and network development and brings a strong, collaborative, and physician-centric perspective to the changing demands of the healthcare environment. The three physician networks are described below.

Cedars-Sinai Medical Network

The Cedars-Sinai Medical Network ("CS Medical Network") has robust primary care and specialty care services, comprised of over 1,870 full-time supporting staff, 632 employed physicians and advanced practice nurses and physician assistants ("APPs"), and over 600 community physicians.

In the fiscal year ended June 30, 2021, the CS Medical Network cared for more than 245,000 patients and had over 750,000 outpatient visits, servicing patients of CS Medical Center and MDRH.

The CS Medical Network includes 10 affiliated outpatient facilities/ancillary support services including endoscopy, imaging, and ambulatory surgery centers. It has 11 affiliated specialty and subspecialty medical groups across the regions.

Patient satisfaction measures for the CS Medical Network for timely access to care and communication rank amongst the highest nationally with an average score of 91%.

Torrance Memorial Physician Network

Torrance Memorial Physician Network ("TMPN") has robust primary care and specialty care services, comprised of over 438 support staff and 170 employed physicians and APPs. There are 35 clinic locations that provide primary care and 16 additional specialties.

In the fiscal year ended June 30, 2021, TMPN cared for more than 106,000 patients and had over 540,000 outpatient visits.

TMPN patient satisfaction measures for timely access to care are collected through its affiliated Accountable Care Organization and Independent Physician Association. The affiliated physician groups work closely and collaboratively to improve year over year.

Huntington Health Physician Network

Huntington Health Physicians ("HHP") provides primary care and specialty care services with approximately 80 employed physicians and APPs and 140 support staff.

Ambulatory care occurs in eight office locations in the San Gabriel Valley with over 58,000 attributed lives and 130,000 annualized visits based on January to September of calendar year 2021.

HHP ranks high relative to peers in patient satisfaction and has consistent high demand for its services.

Digital Access and Engagement

The Health System maintains a strong focus on the digital offerings for its patients, team members, and physicians to improve access and heighten engagement. It has a goal to support a simple and connected experience, allowing patients to engage anytime or from anywhere. The current digital roadmap is focused on driving streamlined patient experiences and personalized interactions that will drive loyalty and improve outcomes.

Currently, the Health System's digital care continuum focuses on enhancing patient efficiency and delivering the highest quality care along all steps of the patient experience journey; creating awareness, enabling search functions, optimizing scheduling and pre-care, enhancing how patients receive care, and how they maintain their health. A suite of digital services for patients includes an expanded patient portal, options for online scheduling, video visits for multiple specialties, digital interactions with eConsents and eCheck-ins, and price estimate tools.

In the future, the Health System's digital strategic plan is to continue to expand access with new tools, enhance and spread existing tools to patients, such as online scheduling, fast pass usage, wait lists, video visits enhancements, bi-directional electronic messages and chat. This is intended to improve patient ease of finding and scheduling with physicians of choice and expert care teams.

Regional Growth and Expansion Across Key Targeted Geographies

The Health System expects to continue to grow primary and specialty care in its strategic regions to build a comprehensive network of services in the greater Los Angeles area.

Strategic focus for the Health System includes:

- Integrating services across the Health System to support efficiency, patient experience, physician engagement, branding and quality

- Growing the physician network across the Health System while evaluating the potential for combined population health and payor strategy, such as Medicare Advantage, commercial payors and Accountable Care Organizations

- Enhancing patient access to quality care through a continuous focus on quality and safety dashboards to assess performance and create consistent access and patient experiences across affiliates

- Developing and implementing strategies to support clinically integrated services and management

Over the next five years, the Health System expects to invest in expanding services with a particular focus on the San Fernando Valley, San Gabriel Valley and North and South Coastal regions. In the North and South Coastal area, the Health System is focused on expanding its ambulatory presence to support the growth that is anticipated with the new MDRH facility. In the San Gabriel Valley area, the Health System is working towards adding physicians to further support Huntington Hospital and expand upon its current physician network.

Environmental, Social and Governance ("ESG") Initiatives

Environmental Initiatives

The Health System continues its commitment to keep not only its patients healthy, but also the environment. It owns several buildings with Leadership in Energy and Environmental Design ("LEED") Gold ratings, and the new MDRH facility is anticipated to have a LEED Gold rating.

The Health System has numerous sustainable projects and installations. The groundwater efficiency project at CS Medical Center saves approximately 27 million gallons of water per year, the equivalent of supplying 267 single-family homes with water for a year. The Health System has also implemented other measures to continue its sustainability efforts:

- Carpooling and vanpooling programs and incentives
- Hybrid and remote work strategies
- Recycling and compost programs
- Eliminated purchasing of single-use coffee pods
- Office supply swaps and sharing
- Drought tolerant landscaping
- Linen program to reduce use/replacement and washing
- E-waste and battery disposal program

Social Initiatives

Health Equity: CSHS is committed to creating a dynamic, inclusive environment that fuels growth and innovation. It is committed to pursuing health equity for its patients, employees, members of the medical staff and the communities served. A key initiative is to engage the organization to promote an equitable, diverse and inclusive environment where there is opportunity for all to thrive. The Office of Health Equity provides patient and community data and analytics, assesses patient outcomes in diseases and health status indicators where local and national data indicate disparities, contributes to community-wide efforts to close health disparity gaps, and impacts social determinants of health and care equity community partnerships. An interdisciplinary Health Equity Council (the "Council") was created to provide support for health

equity programs and projects. The Council works across the Health System to promote health equity. The Council produces health equity webinars featuring internal and external speakers.

Diversity and Inclusion: Through the Office of Diversity & Inclusion ("ODI"), CSHS embraces diversity and inclusion and value for each member of the organization with the goal of enabling a workforce and creating the culture to reflect and support equitable healthcare and innovative research. CSHS ensures the full acknowledgement of race, ethnicity, age, gender, religion, gender identity, sexual orientation, disabilities, primary language, veteran status and other unique traits that individuals bring to the Health System. The ODI provides workforce data and analytics, ensures leadership and employee engagement and accountability, develops diversity and inclusion strategies, and provides education. The Cedars-Sinai Executive Diversity & Inclusion Council works across the Health System to provide support for all ODI programs and projects.

AWARDS AND RECOGNITION

Recently, Health System member organizations earned the following awards and designations:

- The hospitals in the Health System were recognized by the 2021 *U.S. News & World Report*, earning 12 national hospital rankings in specialties, including Cancer, Cardiology & Heart Surgery, Diabetes & Endocrinology, Ear, Nose & Throat, Gastroenterology & GI Surgery, Geriatrics, Gynecology, Neurology & Neurosurgery, Orthopedics, Pulmonology & Lung Surgery and Urology. CS Medical Center was nationally ranked in 11 of the above listed specialties, Torrance Memorial Medical Center was ranked in seven and Huntington Hospital was nationally ranked in one specialty. CS Medical Center was also ranked number two in California and number six in the nation on the Best Hospitals Honor Roll.

- CS Medical Center was recognized as number 50 in *Newsweek's* World's Best Hospitals in 2021. Torrance Memorial Medical Center was also among *Newsweek's* top 200 hospitals in the world. The Smidt Heart Institute and The Diabetes Center were each ranked number seven among the World's Best Specialties.

- *Newsweek* ranked CS Medical Center number seven in the World's Best Smart Hospitals and was highlighted as being well positioned to weather the pandemic crisis by integrating new technologies and data-driven opportunities to be a differentiator in the health care market.

- Healthgrades bestowed America's 100 Best Hospitals for superior clinical outcomes to CS Medical Center in Cardiac Care, Coronary Intervention, Critical Care, Pulmonary

Care, Stroke Care, to TMMC in Prostate Surgery and to PHA in Cardiac Care and Coronary Intervention. Additionally, in 2021, CS Medical Center was awarded for excellence in Neurosciences and Coronary Intervention by Healthgrades and was ranked in the top 1% of the nation by Healthgrades for clinical quality care with the America's 50 Best Hospitals award.

- Healthgrades patient experience measures show that the hospitals in the Health System were 10% to 15% higher than the national average for patient ratings. TMMC was awarded with the Outstanding Patient Experience and Patient Safety Excellence in 2021.

- CS Medical Center was recognized in Becker's 2020 Hospital Review of 100 great hospitals in America for being an industry innovator with excellence in clinical care, patient outcomes and staff and physician satisfaction.

- For the 20th year in a row, CS Medical Center has won the National Research Corporation ("NRC") Health's Consumer Choice Award for providing the highest-quality medical care in the Los Angeles region based on a survey of area households.

- CS Medical Center, Torrance Memorial Medical Center and Huntington Hospital are all currently designated by the coveted Magnet Recognition Program® for nursing excellence from the American Nurses Credentialing Center. CS Medical Center has received the recognition five times, becoming the hospital with the longest-running Magnet designation in California, since 2000. Torrance Memorial Medical Center and Huntington Hospital have each received the designation twice.

- The Blue Cross Blue Shield Association recognizes high-quality healthcare facilities with the Blue Distinction Center designations, which were given to the hospitals within the Health System in recognition of expertise in delivering specialty care and meeting quality measures. CS Medical Center, MDRH, Torrance Memorial Medical Center and Huntington Hospital received designations in Bariatric Surgery; MDRH, Torrance Memorial Medical Center and Huntington Hospital received designations in Knee and Hip Replacement; CS Medical Center and Huntington Hospital received designations in Maternity Care; and Torrance Memorial Medical Center received a designation in Spine Surgery.

- CS Medical Center was named on the 2018 Top Hospitals for Diversity List by BlackDoctor.org, cited for its strong commitment in promoting equity and inclusion in its operations, programs, services and staffing.

- For the second consecutive year, CS Medical Center achieved a score of 100 on the Human Rights Campaign Foundation's 2020 Health Care Equality Index, highlighting it as a leader in LGBTQ Health Care Equality.

- The Health System was awarded in 2021 as an Age-Friendly Health System through an initiative by the John A. Hartford Foundation, the Institute for Healthcare Improvement, the American Hospital Association, and the Catholic Health Association of the United States.

- CS Medical Center currently has five stars from the Centers for Medicare and Medicaid Services ("CMS") which is the highest quality ranking in their rating system. Only 9% of hospitals in the nation receive a 5-star rating.

GOVERNANCE AND MANAGEMENT

Role of Cedars-Sinai Health System

CSHS is organized and operated to provide oversight and support for CSMC, THA, and PHA and their respective affiliates. Only CSHS may elect CSMC, THA and PHA board members with limited exceptions (*e.g.*, the five trustees of the Huntington Trust are ex officio members of the PHA board and the Chief Executive Officers of CSMC, THA and PHA are ex officio members of their respective boards). In addition to electing board members, through reserved powers over CSMC, THA and PHA and their affiliates, CSHS has the ultimate authority over strategy and finance for the entire Health System.

Key reserved powers of the CSHS Board of Directors (the "Board") include:

- Approval of the strategic plans, capital budgets and operating budgets.
- Formation of an obligated group for credit purposes.
- Any transaction or series of related transactions involving a change in control.
- Any change to mission, vision or tax-exempt status.
- The closure, sale, lease, transfer, exchange, disposition or change in use of all or substantially all assets.
- Election and removal of individuals from hospital entity boards.
- Right to incur and approve debt.

Governance

Each hospital is owned and operated by a separate legal entity, which must, by law, maintain its own fiduciary board. Board size varies from entity to entity. CSMC, THA and PHA board members are elected by CSHS, with limited exceptions (*e.g.*, the five (5) trustees of the Huntington Trust are ex officio members of the PHA board, and the Chief Executive Officers of CSMC, THA, and PHA are ex officio members of their respective boards). CSMC, as the sole member of CFHS, elects the board members of CFHS. Similarly, THA, as the sole member of TMMC, elects the board members of TMMC. There is little overlap among hospital entity boards. Three (3) PHA board members and three (3) THA board members are on the CSHS board, and the remaining nine (9) members of the CSHS board are CSMC board members or officers.

The CSHS Board includes fifteen (15) Directors, including the President and Chief Executive Officer of CSHS. No director is compensated for serving as a director. While CSHS has no term limits, directors may be removed for cause or after attaining age 72. CSHS retains

extensive reserved powers over the hospital entities and other affiliates that allow it to take actions on behalf of and for the benefit of the Health System when necessary and that require its approval for material decisions. Among other functions, the Board conducts succession planning for senior management positions in the Health System. In addition to state law and regulatory requirements, the subsidiary boards exist and act to oversee quality and responsiveness to mission and community needs.

Cedars-Sinai Health System – Board of Directors

Name	Occupation	Board Service Since[1]
Laura W. Brill	Partner at Kendall Brill & Kelly LLP	2019
William H. Collier, Jr.	Attorney	2018[4]
Wm. Gregory Geiger, Secretary	Principal and founding member of Westport Capital Partners LLC	2018[4]
David Kirchheimer	Advisory partner at Oaktree Capital Management, L.P.	2021[2]
Vera Guerin, Chair	President of Shapell-Guerin Foundation	2017[3]
Craig Leach	President and Chief Executive Officer of Torrance Memorial Medical Center	2018[4]
James Lippman	Founder and Chairman of JRK Property Holdings	2017[3]
Lori Morgan, MD	President & Chief Executive Officer of Huntington Hospital	2021[2]
Lawrence B. Platt, Vice Chair	Previously the President and Chief Executive Officer of Cal-Marble Furniture Manufacturing Corp.	2017[3]
Thomas M. Priselac	President & Chief Executive Officer of Cedars-Sinai Health System	2017[3]
Marc H. Rapaport	Private Investor	2017[3]
Steven Romick	Managing Partner of First Pacific Advisors, LP	2017[3]
Mark S. Siegel	Founder & President of ReMY Investors & Consultants, Inc.	2017[3]

Name	Occupation	Board Service Since[1]
Jaynie Studenmund	Corporate Director and Advisor and Trustee of the Huntington Trust	2021[2]
Leslie F. Vermut	Founder and senior adviser to Weinberger Asset Management, Inc.	2017[3]

Notes

(1) Directors, other than the CSHS President (who serves ex-officio), are elected for 1 or 2-year terms, with no term limits. The dates above indicate when the director first began service on the board.

(2) The three directors nominated by PHA were elected to serve starting on the effective date of the affiliation, August 4, 2021, for terms ending December 31, 2022.

(3) All but one CSMC nominated director has served since CSHS was formed in 2017, in anticipation of the affiliation with TMMC, which closed in February 2018.

(4) The three directors nominated by TMMC were first elected to serve starting on the effective date of the affiliation with TMMC on February 1, 2018.

Management

Thomas M. Priselac, President and Chief Executive Officer of CSHS and President and Chief Executive Officer of CSMC has served as the President and Chief Executive Officer of CSHS since its inception on May 1, 2017. Mr. Priselac has been associated with CSMC since 1979, becoming President and Chief Executive Officer of CSMC in January 1994. Prior to being named President and Chief Executive Officer, he was Executive Vice President of CSMC from 1988 to 1993. Before joining CSMC, he was on the executive staff of Montefiore Hospital in Pittsburgh, Pennsylvania. Mr. Priselac is a past Chair of the American Hospital Association Board of Trustees and also a past Chair of the Association of American Medical Colleges. Prior to those roles, he chaired the Hospital Association of Southern California, the California Healthcare Association, and the Association of American Medical Colleges Council of Teaching Hospitals. Mr. Priselac is the holder of the Warschaw/Law Endowed Chair in Healthcare Leadership at CSMC and also serves as an adjunct professor at the UCLA School of Public Health. Mr. Priselac earned a B.A. in Biology from Washington and Jefferson College and a Master of Public Health, Health Services Administration and Planning from University of Pittsburgh.

Edward M. Prunchunas, Chief Financial Officer of CSHS and Executive Vice President of Finance of CSMC, assumed the role of Chief Financial Officer for CSHS upon its formation on May 1, 2017. Mr. Prunchunas also now serves as the Executive Vice President of Finance for CSMC. Previously, since February 1998, he had served as the Senior Vice President and Chief Financial Officer of CSMC. Prior to this position, Mr. Prunchunas was Vice President for Finance of CSMC from 1993-98 and Chief Financial Officer at Northridge Hospital Medical Center, Northridge, California from 1989-93. Mr. Prunchunas had been previously affiliated with CSMC from 1981-89, first as an Associate Director of Finance (1981-83) and later as a Director of Finance (1983-89). He has also worked on the consulting staff of the accounting firm of Ernst & Ernst (now Ernst & Young LLP) (1976-80). He began his career at Blue Cross-Blue Shield of Illinois and Blue Cross of California. Mr. Prunchunas is a past Fellow of the Healthcare Financial Management Association and has held both regional and national positions with that organization. Mr. Prunchunas earned a Bachelor of Science degree in Accounting from University of Illinois-

Chicago. He leads the Health System's financial operations, ensuring the generation of resources necessary to serve the community, conduct biomedical research and provide training and education for healthcare professionals. Among the areas he oversees are financial planning and reporting, capital planning and risk management.

David M. Wrigley, Senior Vice President of Finance & Chief Financial Officer of CSMC, joined as Vice President of Finance in 2014 and was promoted to Senior Vice President and Chief Financial Officer of CSMC in July 2017. Previously, he spent nearly a decade serving in leadership positions at Presence Health, the largest Catholic health system in Illinois. Earlier in his career, he was manager of the Healthcare Practice at the accounting firm KPMG during which time he earned his Certified Public Accountant certification. He earned a Bachelor of Science degree in accounting from Illinois State University. His responsibilities comprise financial operations, including accounting, internal and external reporting, financial decision support and analysis, long range strategic financial planning, revenue cycle, cost reporting and regulatory compliance, capital structure and debt issuance, cash operations, accounts payable, payroll and taxes. He also has a key role managing strategic financial aspects of CSMC's growth so that it can meet the community's demand for its services.

Craig Leach, President and Chief Executive Officer of TMMC, became Chief Executive Officer of TMMC in January 2006. He began his career with TMMC in early 1984. He served as both the Chief Financial Officer and Chief Operating Officer of TMMC prior to being named the organization's Chief Executive Officer. Mr. Leach graduated from Loyola Marymount University in 1977 and became a Certified Public Accountant while working for Deloitte & Touche in Los Angeles. He was the Controller and Assistant Administrator of Finance at Centinela Hospital from 1981 to 1984 prior to his move to TMMC. He is involved as a Board member with various health care related organizations including the Hospital Council of Southern California, Vivity Health Network and the Torrance YMCA.

Lori J. Morgan, MD, President & Chief Executive Officer of PHA, has over 30 years of clinical care and health administration experience with a substantial track record across her leadership roles. She became Chief Executive Officer of PHA in 2017 after spending eight years as corporate vice president of Portland, Oregon-based Legacy Health, a seven-hospital system. She also served as president of Legacy Health's largest facility in Portland, the 554-bed Legacy Emanuel Medical Center. She is a board-certified trauma surgeon and intensivist. Dr. Morgan holds a Bachelor of Arts from Hampshire College and a Doctor of Medicine from the University of Washington. She completed her General Surgery Residency at Stanford University and a Trauma and Critical Care Fellowship at the University of Pennsylvania. She also earned a Master of Business Administration from Pacific Lutheran University.

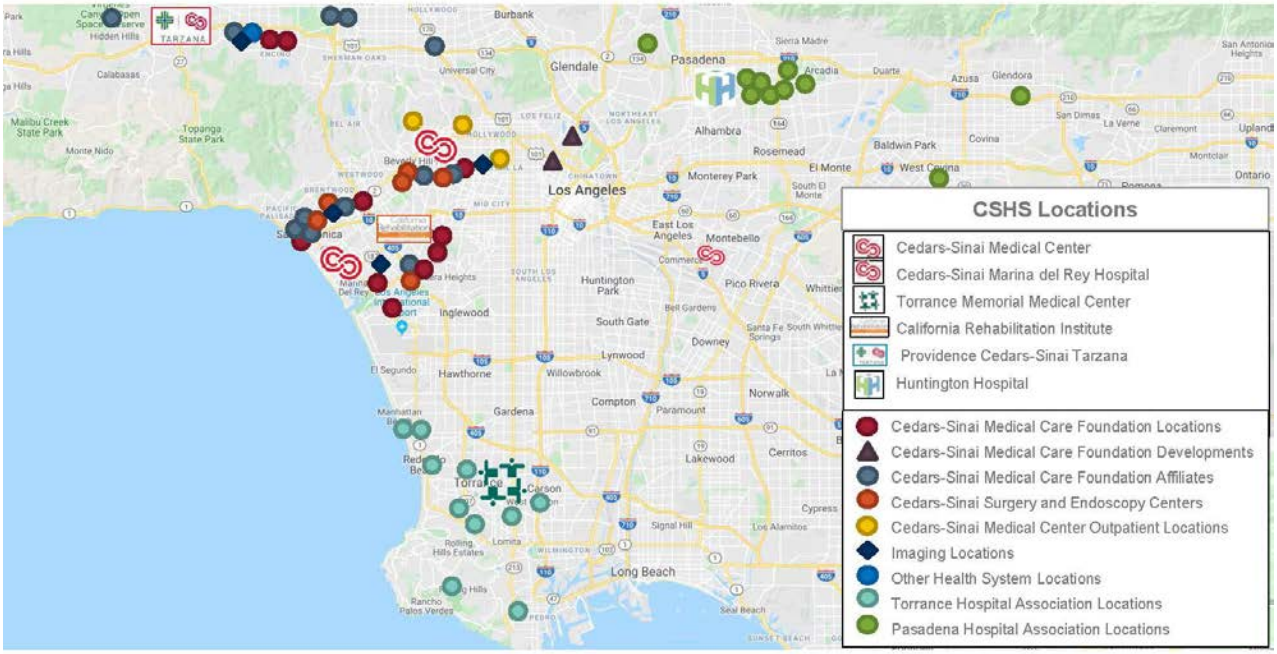
William Larson, Vice President, Finance & Chief Financial Officer of TMMC, joined TMMC in May 2007 initially serving as Controller. In January 2011, he became the Vice President and Chief Financial Officer of TMMC. Mr. Larson has over 33 years of experience in healthcare finance, including Controllership experience at both Centinela Hospital and Providence Little Company of Mary. He became a Certified Public Accountant in 1992, while working at Deloitte & Touche in Los Angeles. He holds a degree in Accounting from Brigham Young University, where he graduated Magna Cum Laude in 1988.

Steven L. Mohr, Senior Vice President & Chief Financial Officer of PHA, joined PHA in 2019. He has over 24 years of healthcare finance and administrative experience with a record of past successes as Chief Financial Officer of Loma Linda University Medical Center and Providence St. Joseph Health – Los Angeles Market. Mr. Mohr is a Certified Public Accountant and has a Master of Business Administration from the Marshall School of Business at the University of Southern California. He has been responsible for implementing change management in Huntington Hospital's revenue cycle, supply chain and construction management to rebuild processes and optimize outcomes.

FACILITIES AND SERVICES

Facilities

The map below shows the location of the Health System's five (5) acute care hospitals as well as ancillary ambulatory facilities that support the Health System's health care delivery network.



Services

The Health System provides a wide array of services to patients of all ages from newborns and young children to adolescents, adults and the elderly. As the Health System grows, a key service line trend is increasing regionalization as leaders look to retain volume and effectively deploy limited resources. Currently, regionalized service lines include Cancer and Neurosurgery.

Cancer

- **Samuel Oschin Comprehensive Cancer Institute** (the "Oschin Cancer Institute"), located at the CS Medical Center, is one of the largest centers of its kind in Southern California, dedicated to the treatment of adult and pediatric cancer patients with 24/7 outpatient support. The Oschin Cancer Institute was honored with a 3-year accreditation with commendation from the American College of Surgeons ("ACS").

- **Donald and Priscilla Hunt Cancer Institute**, located at Torrance Memorial Medical Center, is a fully accredited cancer program by the ACS.

- **Huntington Cancer Center**, located at Huntington Hospital, provides comprehensive screening, diagnosis and treatment for the most prevalent cancers, including longer-term survivorship care plans. Additionally, it hosts clinical trials for cancer research. It is also accredited by the ACS and has received the Outstanding Achievement Award from the ACS Commission on Cancer.

Neurosurgery

- Neurosciences services offers a full range of diagnostic and therapeutic services. The CS Medical Center and Huntington Hospital are designated as Comprehensive Stroke Centers by The Joint Commission and Torrance Memorial Medical Center is certified as a Comprehensive Stroke Center by Det Norske Veritas ("DNV"). The CS Medical Center, Torrance Memorial Medical Center and Huntington Hospital have earned the highest possible honors from The Joint Commission and the American Heart Association and American Stroke Association, including the Get With The Guidelines Gold Plus and Target: Stroke Honor Roll awards. MDRH earned the Stroke Silver Plus award. The CS Medical Center was ranked number 11 in the nation for neurology and neurosurgery by the 2021 *U.S. News & World Report* on hospitals. Additionally, neurosciences research at the CS Medical Center includes vaccines to battle brain tumors and brain cooling to reverse the harms of stroke.

Other Services

The Health System includes the talent of patient care specialists and internationally recognized researchers around dedicated specialty centers:

- Emergency services at all Health System hospitals provide comprehensive emergency care to a diverse adult and pediatric population 24 hours per day, seven days per week. Across the Health System, the emergency services provide care to more than 240,000 patients annually.

- The CS Medical Center is certified as a Level I Trauma Center, a Pediatric Critical Care Center and an American Heart Association First-Hour STEMI Center for treatment of heart attacks and has a designated paramedic base station.

- Torrance Memorial Medical Center is a STEMI-receiving center.

- Huntington Hospital is designated as a Level II Trauma Center, a STEMI receiving center and has a designated paramedic base station.

- The Digestive Disease Center at the CS Medical Center is ranked number 2 by *U.S. World & News Report*, and it leads the field in treating an extensive range of conditions, including inflammatory bowel disease, digestive tract disorders, fatty liver, pancreatic and biliary diseases.

- The Comprehensive Transplant Center at the CS Medical Center conducts solid organ transplants (kidney, heart, liver, lung and pancreas), with excellent one- and five-year survival rates, and aids prospective patients who are highly antibody-sensitized to undergo successful procedures.

- Cardiology and Cardiovascular Surgery – The Smidt Heart Institute at the CS Medical Center has been recognized by *U.S. News & World Report* as one of the nation's top three programs for cardiology and heart surgery. The Barbra Streisand Women's Heart Center at the CS Medical Center plays a leading role in identifying female-pattern heart disease, developing new diagnostic tools and advancing specialized care for women. The Lundquist Cardiovascular Institute at Torrance Memorial Medical Center is equipped with state-of-the-art technology and performs over 300 open heart surgeries per year. In 2020, Torrance Memorial Medical Center was the only hospital in California to receive 7 out of 8 awards from the American Heart Association. The Helen and Will Webster Heart & Vascular Center at Huntington Hospital provides a comprehensive range of cardiovascular services, utilizing the latest technology.

- Orthopedic services are provided by renowned sports medicine specialists, several of whom also serve as team physicians for many professional sports teams and athletes in the region and nationwide.

- Pediatric services and subspecialties offer expertise including general surgery, neurosurgery, cardiology, neonatology, oncology and medical genetics.

- Surgery services range from minimally invasive to complex procedures in adults and children, including minimally invasive procedures, such as video-assisted thoracoscopic surgery, laparoscopic live-donor nephrectomy, laparoscopic gallbladder, colon and spleen procedures, bariatric surgery, stereotactic image-guided neurosurgery, direct coronary artery bypass, robotic assisted procedures, neuro MRI (neurovascular and brain tumors) and minimally invasive pediatric surgery.

- Women's Health has long been a focus of the Health System, which treats the unique physical and emotional needs of women of all ages, including care for high-risk pregnancies, programs for heart, breast health, continence, reproductive endocrinology, mammography, mental health, and gynecologic oncology.

- Pain Management services are provided for acute, chronic and cancer pain. These services complement all other programs and services. In addition, support services are offered through palliative care and rehabilitation.

- Additionally, the CS Medical Center has unique service offerings and programs, including:
    - Transgender Community Care at the CS Medical Center offers services such as gender-affirming surgery, hormone management and mental health counseling.
    - The Regenerative Medicine Institute at the CS Medical Center brings together research faculty and clinicians to provide a true "bench to bedside" organization with five key program areas: brain, eye, pancreas and liver, blood and skeletal.
    - The Advanced Eye Disease program, which provides a multi-specialty, highly specialized clinic to care for patients with thyroid eye disease and other complex orbital conditions such as cancer and trauma. The program offers surgeons, orthoptists, neuro-ophthalmologists, dry eye specialists, endocrinologists and rheumatologists and leads research efforts on promising therapeutic agents that can interrupt the disease process.
    - The CS Medical Center is leading a revolution in Precision Medicine by translating genetic discoveries into therapies geared to each patient's individual needs and biology.
    - The CS Medical Center has a robust international services program that treated over 5,000 international patients, including diplomats, in the fiscal year ended June 30, 2021.

SERVICE AREA AND COMPETITION

The Health System utilizes its positive reputation for delivering high quality clinical care and developing cutting edge research to be one of the leading health systems in the greater Los Angeles area. The Health System, including Tarzana, has a combined strategic service area ("SSA") that is broad and spans Los Angeles County, including the Los Angeles Metropolitan area and four outposts from the South Bay area in the south, to the San Fernando Valley area in the north, the North and South Coastal areas in the West and the San Gabriel Valley in the East.

The Los Angeles Metropolitan portion of the SSA encompasses a 5-mile radius around the CS Medical Center that includes central Los Angeles and adjoining communities with the cities of Beverly Hills, West Hollywood and Los Angeles.

The South Bay portion of the SSA encompasses coastal areas in southwestern Los Angeles County and includes the cities of Long Beach, Rancho Palos Verdes, Torrance, El Segundo and Manhattan Beach. Torrance Memorial Medical Center is located in the South Bay area.

The San Fernando Valley portion of the SSA encompasses the inland area northwest of Los Angeles and includes the cities of Burbank, Thousand Oaks, Hollywood and Sherman Oaks. Tarzana Medical Center is located in the San Fernando Valley area.

The North and South Coastal portion of the SSA encompasses coastal areas west of Los Angeles and includes the cities of Marina del Rey, Santa Monica, Pacific Palisades and Malibu. MDRH is located in the North and South Coastal area.

The San Gabriel Valley portion of the SSA encompasses the area east and northeast of Los Angeles and includes the cities of Glendale, Pasadena, Alhambra and West Covina. Huntington Hospital is located in the San Gabriel Valley area.

In the SSA, hospitals within the Health System: the CS Medical Center, Huntington Hospital, MDRH, Torrance Memorial Medical Center and Tarzana Medical Center, accounted for a three-year average of 20% of the overall SSA inpatient discharges in the calendar years 2018, 2019 and 2020.

Institutions by Inpatient Discharges
Strategic Service Area
Calendar Year 2018, 2019 and 2020

Rank	Institution	2018	2019	2020
1	Cedars-Sinai Medical Center*	7%	7%	7%
2	UCLA Health (Ronald Reagan and Santa Monica)	5%	5%	5%
3	Huntington Hospital*	5%	5%	5%
4	Torrance Memorial Medical Center*	5%	5%	5%
5	Providence Little Company of Mary Medical Center - Torrance	3%	3%	3%
6	Los Robles Hospital & Medical Center	3%	3%	3%
7	Providence Saint Joseph Medical Center	3%	3%	3%
8	Kaiser Foundation Hospital - Los Angeles	3%	3%	3%
9	Methodist Hospital of Southern California	3%	3%	3%
10	Providence Holy Cross Medical Center	2%	3%	3%
	Subtotal Top Ten Institutions	**39%**	**40%**	**40%**
	Total Strategic Service Area	**100%**	**100%**	**100%**

Rank	Cedars-Sinai Health System	2018	2019	2020
1	Cedars-Sinai Medical Center	7%	7%	7%
3	Huntington Hospital	5%	5%	5%
4	Torrance Memorial Medical Center	5%	5%	5%
12	Providence Cedars-Sinai Tarzana Medical Center	2%	2%	2%
48	Cedars-Sinai Marina del Rey Hospital	1%	1%	1%
	Subtotal CSHS	**20%**	**20%**	**20%**
	Subtotal Other	**80%**	**80%**	**80%**
	Total Strategic Service Area	**100%**	**100%**	**100%**

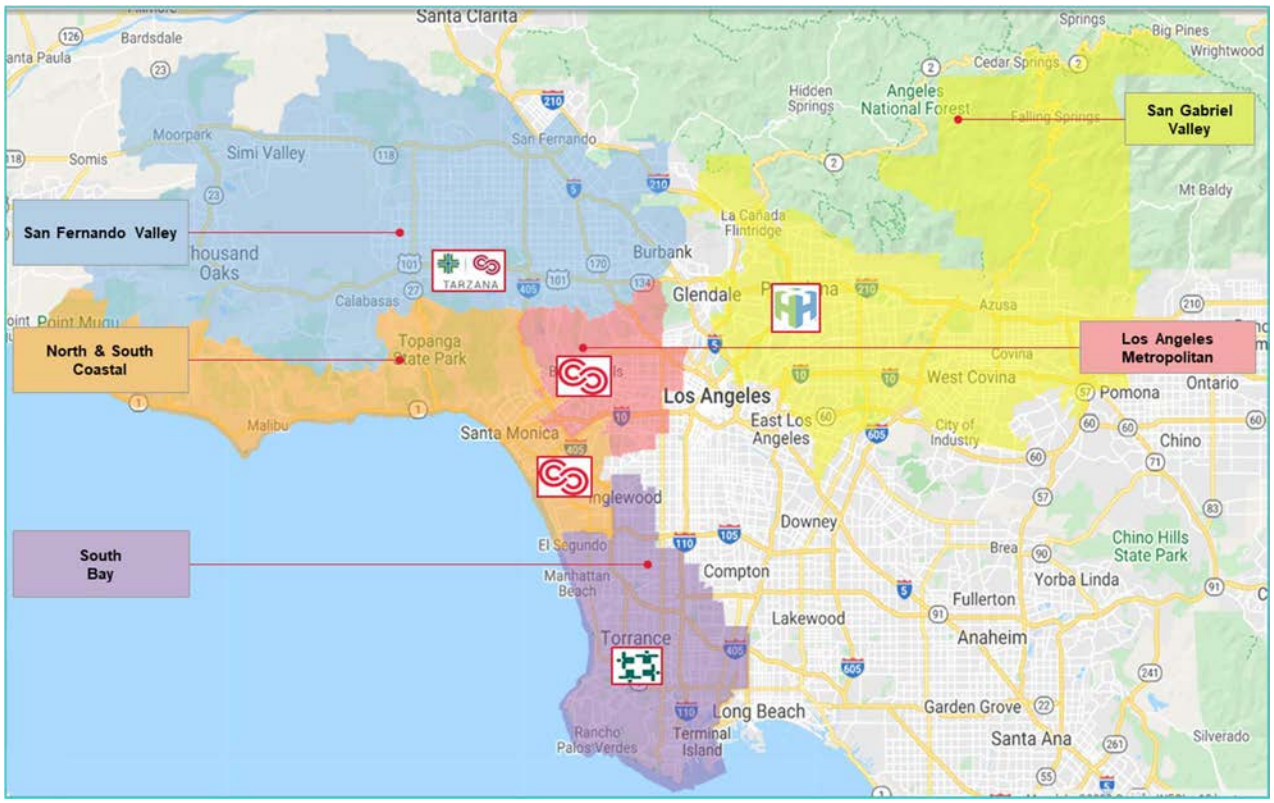
Note 1: Sorted by Calendar Year 2020 percent of total inpatient discharges in the Strategic Service Area.
Note 2: Asterisk (*) indicates Health System institution.

Source: California Office of Statewide Health Planning and Development ("OSHPD"), CA. Q1 2018 – Q4 2020

The hospitals within the Health System are leaders in numerous service lines within the SSA, as further discussed below, when compared to other health systems and based on MS-DRG service line definitions and inpatient discharges in 2020.

- In transplants, the Health System had 29% of the inpatient discharges.
- In burns, it had 24% of the inpatient discharges.
- In oncology surgery, it was ranked number 1 in the SSA and had 23% of the inpatient discharges.
- In thoracic surgery and spine surgery, it was ranked number 1 in the SSA and had 26% of inpatient discharges for each service line.
- In interventional cardiology, it was ranked number 1 in the SSA and had 24% of inpatient discharges.
- In cardiovascular surgery, orthopedic surgery, neurosurgery, trauma and neonatology, it was ranked number 1 and had 20% of inpatient discharges for each service line.
- In obstetrics, it had 17% of inpatient discharges.
- General Medicine was the largest service line in the SSA and the Health System had 14% of inpatient discharges.
- In the Los Angeles Metropolitan and North and South Coastal service areas, the Health System represented 9% of orthopedic surgery inpatient discharges and in the Los Angeles Metropolitan, San Fernando Valley, San Gabriel Valley and South Bay service areas, the Health System has 9% of the general surgery inpatient discharges.

The following table presents the SSA and identifies the Los Angeles Metropolitan area and the four outposts.



Note 1: The Strategic Service Area is represented by all highlighted areas. It is indicated in blue for the San Fernando Valley area, orange for the North and South Coastal area, pink for the Los Angeles Metropolitan area, yellow for the San Gabriel Valley area and purple for the South Bay area.

HISTORICAL UTILIZATION DATA

Obligated Group Pro Forma Historical Utilization[(1)]

The following table presents pro forma historical utilization of the Obligated Group for the twelve months ended June 30, 2019, 2020 and 2021. These figures include the historical utilization of Huntington Hospital, which became affiliated with CSHS on August 4, 2021.

	Twelve Months Ended June 30,		
	2019	**2020**	**2021**
Inpatient Admissions	109,165	101,260	95,182
Adjusted Admissions	170,397	156,507	147,568
Outpatient Visits	1,449,330	1,274,113	1,491,301
Observation Cases	26,178	26,643	27,182
Average Length of Stay (days)	4.7	5.0	5.4
Patient Days	513,073	503,413	514,994
Medicare Case Mix Index	1.79	1.86	1.96
Occupancy	70%	68%	70%
Deliveries	11,987	11,659	11,129
Emergency Room Visits			
Inpatient	64,525	63,624	64,278
Outpatient	222,099	203,883	176,391
Total	286,624	267,507	240,669
Surgeries			
Inpatient	30,007	27,161	27,130
Outpatient	31,706	28,081	28,635
Total	61,713	55,242	55,765
Beds			
Licensed	2,251	2,251	2,251
Available	2,007	2,009	2,012

(1) The historical utilization table includes CS Medical Center, MDRH, Torrance Memorial Medical Center and Huntington Hospital. It does not include Tarzana Medical Center.

Across the Obligated Group, there was a 6% decrease in inpatient admissions and adjusted admissions between the twelve months ended June 30, 2020 and 2021. Length-of-stay increased from 5.0 days in the twelve months ended June 30, 2020 to 5.4 days in the twelve months ended June 30, 2021. Surgeries were roughly the same as the prior year but decreased by 10% from the twelve months ended June 30, 2019. Deliveries decreased by 5% from the prior year. The area showing the greatest increase in volume was Outpatient visits, which increased by 17% from the twelve months ended June 30, 2020 to 2021 and which were 3% higher than the twelve months ended June 30, 2019.

Health System Net Patient Revenue by Payor

Following are summaries of pro forma net patient revenue of the Health System by payor for the twelve months ended June 30, 2019, 2020, and 2021. See "BONDHOLDERS' RISKS" in the forepart of this offering document for a discussion of the contracts with Medicare, Medi-Cal and commercial programs.

	Twelve Months Ended June 30,		
	2019	**2020**	**2021**
Commercial	55.3%	56.0%	55.1%
Medicare	29.9%	30.6%	29.4%
Medi-Cal	9.7%	10.0%	11.3%
All Other	5.1%	3.4%	4.2%
Total	100.0%	100.0%	100.0%

SUMMARY OF FINANCIAL INFORMATION

The financial information which follows includes: (i) consolidated results of operations and financial position of CSHS and affiliates as of and for the three fiscal years ended June 30, 2019, 2020, and 2021, and as of and for the three months ended September 30, 2020 and 2021, (ii) consolidated results of operations and financial position of PHA and affiliates, which excludes the Huntington Trust, as of and for the twelve months ended June 30, 2020 and 2021, and (iii) pro forma consolidated results of operations and financial position of CSHS and affiliates as of and for the fiscal years ended June 30, 2020 and 2021. Such pro forma financial information includes the addition of historical carrying values of CSHS and affiliates and PHA and affiliates balances as of and for the periods presented. No pro forma adjustments have been made to such balances to reflect the accounting for the affiliation as if it had taken place on an earlier date (prior to August 4, 2021). As such, investors are urged to consider the usefulness of such information as the historical carrying values of assets and liabilities for PHA and affiliates may not be reflective of their fair value as of the periods presented, in particular with respect to property and equipment, debt, and pension liabilities. Further, the pro forma information does not include PHA's beneficial interest in the Huntington Trust.

CSHS has completed a preliminary assessment of purchase accounting for its affiliation with PHA and affiliates which is reflected in the consolidated financial statements of CSHS and affiliates as of September 30, 2021 and for the period ended September 30, 2021 from the date of the PHA affiliation, which occurred on August 4, 2021. Such purchase accounting is subject to change as the preliminary assessment performed is finalized during the measurement period as permitted by GAAP. Note that this preliminary measurement includes items that are subject to a degree of subjectivity in their valuation which may change materially when finalized. Under accounting principles generally accepted in the United States ("GAAP"), PHA's beneficial interest in the Huntington Trust, while not an Obligated Group Member or member of the Health System, is included in the consolidated financial position of CSHS and affiliates as of September 30, 2021.

Summary Consolidated Statements of Operations and Consolidated Balance Sheets of CSHS and Affiliates

The following table summarizes the consolidated operating results for CSHS and affiliates, for the fiscal years ended June 30, 2019, 2020 and 2021 and the three months ended September 30, 2020 and 2021.

CSHS management has derived the financial data for CSHS and affiliates as of and for fiscal years ended June 30, 2019, 2020 and 2021 from the audited consolidated financial statements of CSHS and affiliates and as of and for the three months ended September 30, 2020 and 2021 from the internal unaudited financial records of the CSHS and affiliates. The results of operations for the three months ended September 30, 2021 are not necessarily indicative of the operating results to be expected for the entire fiscal year ending June 30, 2022. The following summaries should be read in conjunction with the audited financial statements and other supplementary information of CSHS and affiliates, together with the related notes, appearing in Appendix B-1 to this offering document.

Cedars-Sinai Health System
Consolidated Statements of Operations
(Dollar Amounts Expressed in Thousands)

	Fiscal Years Ended June 30,			Three Months Ended September 30,	
	2019	2020	2021	2020	2021*
				(unaudited)	(unaudited)
Net assets without donor restrictions					
Net patient service revenues before Medi-Cal Fee Program	$4,354,791	$4,233,421	$4,851,104	$1,106,911	$1,391,825
Medi-Cal Fee Program revenue	132,625	113,755	119,427	29,857	61,550
Net patient service revenues	4,487,416	4,347,176	4,970,531	1,136,768	1,453,375
Premium revenues	263,941	283,811	310,988	77,250	81,377
Other operating revenues	134,295	278,751	296,855	36,587	57,087
Net assets released from restrictions	225,407	232,215	248,701	58,391	68,847
Total revenues, gains, and other support	5,111,059	5,141,953	5,827,075	1,308,996	1,660,686
Expenses:					
Salaries and related costs	2,367,078	2,523,297	2,718,979	623,501	727,796
Professional fees	349,357	369,876	476,932	99,254	134,596
Materials, supplies, and other	1,583,067	1,613,886	1,800,730	447,226	572,632
Medi-Cal Fee Program expense	129,849	127,658	133,338	33,334	69,750
Interest	45,165	37,974	37,309	8,049	11,453
Depreciation and amortization	239,881	231,307	254,086	56,553	76,853
Total expenses	4,714,397	4,903,998	5,421,374	1,267,917	1,593,080
Income from operations	396,662	237,955	405,701	41,079	67,606
Investment income	144,973	111,599	589,749	135,233	27,533
Income (loss) on equity method investments	5,264	(31,548)	52,115	1,476	2,783
Other components of net periodic benefit credit	7,082	12,149	11,169	2,131	7,727
Other nonoperating income	–	–	4,857	4,857	–
Excess of revenues over expenses before inherent contribution from affiliation	553,981	330,155	1,063,591	184,776	105,649
Inherent contribution from affiliation	-	-	-	-	428,432
(Excess) of revenues over expenses attributable to noncontrolling interests	2,687	(947)	(500)	(771)	(538)
Excess of revenues over expenses attributable to the Health System	$ 556,668	$ 329,208	$1,063,091	$ 184,005	$ 533,543

* The results of operations of PHA and affiliates, excluding the Huntington Trust, are included in the three months ended September 30, 2021 beginning on the affiliation date of August 4, 2021. The affiliation did not involve consideration and resulted in an excess of assets acquired over liabilities assumed under the business combination accounting guidance, which has been recorded as an inherent contribution from affiliation.

Source: CSHS

The following tables present the consolidated balance sheets of CSHS and affiliates as of June 30, 2019, 2020 and 2021 and as of September 30, 2020 and 2021.

Cedars-Sinai Health System
Consolidated Balance Sheets – Assets
(Dollar Amounts Expressed in Thousands)

	As of June 30,			As of September 30,	
	2019	2020	2021	2020	2021*
				(unaudited)	(unaudited)
Assets					
Current assets:					
Cash and cash equivalents	$ 662,468	$ 1,297,325	$ 1,248,138	$ 1,206,113	$ 1,277,557
Short-term investments	1,221,940	660,140	952,150	693,010	1,153,165
Board-designated assets	1,167,285	1,284,604	1,708,139	1,380,260	1,762,139
Current portion of assets limited as to use:					
Funds held by trustee	1,775	1,864	3,356	3,480	9,367
Pledges receivable	37,755	36,273	46,438	36,273	55,543
Managed care reserve fund	92,117	89,208	79,228	107,218	85,779
Patient accounts receivable	664,573	579,465	790,580	588,648	932,253
Due from third-party payers	6,583	–	–	–	–
Inventory	53,401	60,817	62,567	62,305	84,462
Prepaid expenses and other assets	218,866	264,045	291,758	308,241	422,947
Total current assets	4,126,763	4,273,741	5,182,354	4,385,548	5,783,212
Assets limited as to use:					
Investments	564,700	630,631	671,538	636,230	728,340
Pledges receivable, less current portion	190,535	197,854	283,477	194,025	308,714
Beneficial interest in net assets of Huntington Trust	–	–	–	–	473,262
	755,235	828,485	955,015	830,255	1,510,316
Property and equipment, net	3,238,479	3,409,600	3,496,371	3,410,915	4,136,099
Goodwill and other intangible assets	209,767	186,637	165,298	179,581	158,196
Equity method investments	100,013	127,066	230,540	147,319	256,338
Other noncurrent assets	184,590	253,202	256,979	255,420	296,603
Operating lease right-of-use asset	–	404,546	392,171	398,441	522,156
Financing lease right-of-use asset	–	6,614	13,790	6,073	22,846
Total assets	$ 8,614,847	$ 9,489,891	$10,692,518	$ 9,613,552	$12,685,766

* The financial position of PHA and affiliates is included as of September 30, 2021. The beneficial interest in the Huntington Trust represents the net assets in the Huntington Trust which will be used to support the operations of PHA. Such interest is donor restricted.

Source: CSHS

Cedars-Sinai Health System
Consolidated Balance Sheets – Liabilities and Net Assets
(Dollar Amounts Expressed in Thousands)

	As of June 30,			As of September 30,	
	2019	2020	2021	2020	2021*
				(unaudited)	(unaudited)
Liabilities and net assets					
Current liabilities:					
Accounts payable and other accrued liabilities	$ 505,357	$ 507,597	$ 555,690	$ 468,259	$ 672,412
Due to third-party payers	–	91,937	69,896	126,893	122,536
Accrued payroll and related liabilities	364,537	395,676	440,145	389,905	476,990
Risk pool liabilities	117,707	113,441	109,009	132,434	112,526
Current maturities of long-term debt	51,919	62,088	53,899	63,465	70,063
Current operating lease liabilities	–	79,477	78,986	80,365	92,136
Current financing lease liabilities	–	2,144	3,664	1,973	7,219
Total current liabilities	1,039,520	1,252,360	1,311,289	1,263,294	1,553,882
Long-term debt, less current maturities	1,455,014	1,402,397	1,343,656	1,363,393	1,665,434
Long-term operating lease liabilities	–	388,020	378,299	382,866	497,968
Long-term financing lease liabilities	–	4,331	10,345	3,957	15,877
Accrued workers' compensation and malpractice insurance claims, less current portion	167,271	176,654	177,919	176,533	205,179
Pension liability	183,411	243,405	68,062	210,535	143,639
Other liabilities	97,552	88,649	86,597	88,154	87,384
Net assets:					
Without donor restrictions:					
Controlling interests	4,786,704	4,981,843	6,212,310	5,165,883	6,746,274
Noncontrolling interests	53,123	51,085	47,855	51,759	47,414
With donor restrictions	832,252	901,147	1,056,186	907,178	1,722,715
Total net assets	5,672,079	5,934,075	7,316,351	6,124,820	8,516,403
Total liabilities and net assets	$ 8,614,847	$ 9,489,891	$10,692,518	$ 9,613,552	$12,685,766

* The financial position of PHA and affiliates is included as of September 30, 2021. The beneficial interest in the Huntington Trust represents the net assets in the Huntington Trust which will be used to support the operations of PHA. Such interest is donor restricted.

Source: CSHS

Summary Consolidated Statements of Operations and Consolidated Balance Sheets of PHA and Affiliates

The following table summarizes the unaudited consolidated statements of operations for PHA and affiliates, which excludes the Huntington Trust, for the twelve months ended June 30, 2020 and 2021. The audited consolidated financial statements of the Huntington Trust, PHA and affiliates as of and for the fiscal years ended December 31, 2019 and 2020 are included herein as Appendix B-2. The supplementary schedules included in such audit contain information for the Huntington Trust.

Pasadena Hospital Association, Ltd. and Affiliates [(1)]
Consolidated Statements of Operations
(unaudited)
(Dollar Amounts Expressed in Thousands)

	Twelve Months Ended June 30,	
	2020	**2021**
Net assets without donor restrictions		
Net patient service revenues before Medi-Cal Fee Program	$620,776	$653,115
Medi-Cal Fee Program revenue	43,001	43,929
Net patient service revenues	663,777	697,044
Other operating revenues	79,523	22,531
Net assets released from restrictions	4,997	5,921
Total revenues, gains, and other support	748,297	725,496
Expenses:		
Salaries and related costs	411,916	426,605
Professional fees	21,771	24,114
Materials, supplies, and other	252,598	263,004
Medi-Cal Fee Program expense	45,379	46,974
Interest	8,990	9,878
Depreciation and amortization	34,953	38,503
Total expenses	775,607	809,078
Loss from operations	(27,310)	(83,582)
Investment income	4,638	46,362
Deficit of revenues over expenses	(22,672)	(37,220)

(1) Does not include the Huntington Trust.

The following tables summarize the unaudited consolidated balance sheets of PHA and affiliates, which excludes the Huntington Trust, as of June 30, 2020 and 2021.

Pasadena Hospital Association, Ltd. and Affiliates [(1)]
Consolidated Assets
(unaudited)
(Dollar Amounts Expressed in Thousands)

	As of June 30,	
	2020	**2021**
Assets		
Current assets:		
Cash and cash equivalents	$ 186,445	$ 29,103
Short-term investments	130,131	205,648
Board-designated assets	63,501	64,043
Current portion of assets limited as to use:		
Funds held by trustee	44,777	11,901
Pledges receivable	8,166	9,077
Patient accounts receivable	76,978	90,826
Inventory	16,516	21,213
Prepaid expenses and other assets	51,976	37,664
Total current assets	578,490	469,475
Assets limited as to use:		
Investments	60,347	47,837
Pledges receivable, less current portion	22,618	25,087
	82,965	72,924
Property and equipment, net	540,806	610,036
Goodwill and other intangible assets	10,006	10,006
Other noncurrent assets	12,888	12,263
Operating lease right-of-use asset	56,242	50,147
Financing lease right-of-use asset	10,734	10,336
Total assets	$1,292,131	$1,235,187

(1) Does not include the Huntington Trust.

Pasadena Hospital Association, Ltd. and Affiliates [1]
Consolidated Liabilities and Net Assets
(unaudited)
(Dollar Amounts Expressed in Thousands)

	As of June 30,	
	2020	**2021**
Liabilities and net assets		
Current liabilities:		
Accounts payable and other accrued liabilities	$91,720	$76,854
Due to third-party payors	56,652	53,943
Accrued payroll and related liabilities	46,452	56,011
Current maturities of long-term debt	56,178	6,578
Current operating lease liabilities	7,133	7,909
Current financing lease liabilities	1,670	3,624
Total current liabilities	259,805	204,919
Long-term debt, less current maturities	313,251	307,684
Long-term operating lease liabilities	49,108	42,238
Long-term financing lease liabilities	9,064	6,712
Accrued workers' compensation and malpractice insurance claims, less current portion	20,036	19,480
Pension liability	99,948	86,621
Other liabilities	151	1,323
Net assets:		
Without donor restrictions	416,492	436,204
With donor restrictions	124,276	130,006
Total net assets	540,768	566,210
Total liabilities and net assets	$1,292,131	$1,235,187

(1) Does not include the Huntington Trust.

Summary Pro Forma Consolidated Statements of Operations and Pro Forma Consolidated Balance Sheets of CSHS and Affiliates

The following table summarizes the unaudited pro forma consolidated results of operations for CSHS and affiliates, for the twelve months ended June 30, 2020 and 2021. See the description of the pro forma financial information in the introduction to "SUMMARY OF FINANCIAL INFORMATION."

Cedars-Sinai Health System and Affiliates [(1)]
Pro Forma Consolidated Statements of Operations
(unaudited)
(Dollar Amounts Expressed in Thousands)

	Twelve Months Ended June 30,	
	2020	**2021**
Net assets without donor restrictions		
Net patient service revenues before Medi-Cal Fee Program	$4,854,197	$5,504,219
Medi-Cal Fee Program revenue	156,756	163,356
Net patient service revenues	5,010,953	5,667,575
Premium revenues	283,811	310,988
Other operating revenues	358,274	319,386
Net assets released from restrictions	237,212	254,622
Total revenues, gains, and other support	5,890,250	6,552,571
Expenses:		
Salaries and related costs	2,935,213	3,145,584
Professional fees	391,647	501,046
Materials, supplies, and other	1,866,484	2,063,734
Medi-Cal Fee Program expense	173,037	180,312
Interest	46,964	47,187
Depreciation and amortization	266,260	292,589
Total expenses	5,679,605	6,230,452
Income from operations	210,645	322,119
Investment income	116,237	636,111
(Loss) income on equity method investments	(31,548)	52,115
Other components of net periodic benefit credit	12,149	11,169
Other nonoperating income	–	4,857
Excess of revenues over expenses	307,483	1,026,371
(Excess) of revenues over expenses attributable to noncontrolling interests	(947)	(500)
Excess of revenues over expenses attributable to the Health System	$ 306,536	$1,025,871

(1) Does not include Huntington Trust.

The following tables summarize the pro forma unaudited consolidated balance sheets of CSHS and affiliates, as of June 30, 2020 and 2021.

Cedars-Sinai Health System and Affiliates [(1)]
Pro Forma Consolidated Assets
(unaudited)
(Dollar Amounts Expressed in Thousands)

	As of June 30,	
	2020	**2021**
Assets		
Current assets:		
Cash and cash equivalents	$ 1,483,770	$ 1,277,241
Short-term investments	790,271	1,157,798
Board-designated assets	1,348,105	1,772,182
Current portion of assets limited as to use:		
Funds held by trustee	46,641	15,257
Pledges receivable	44,439	55,515
Managed care reserve fund	89,208	79,228
Patient accounts receivable	656,443	881,406
Inventory	77,333	83,780
Prepaid expenses and other assets	316,021	329,422
Total current assets	4,852,231	5,651,829
Assets limited as to use:		
Investments	690,978	719,375
Pledges receivable, less current portion	220,472	308,564
	911,450	1,027,939
Property and equipment, net	3,950,406	4,106,407
Goodwill and other intangible assets	196,643	175,304
Equity method investments	127,066	230,540
Other noncurrent assets	266,090	269,242
Operating lease right-of-use asset	460,788	442,318
Financing lease right-of-use asset	17,348	24,126
Total assets	$10,782,022	$11,927,705

(1) Does not include the Huntington Trust.

Cedars-Sinai Health System and Affiliates [1]
Pro Forma Consolidated Liabilities and Net Assets
(unaudited)
(Dollar Amounts Expressed in Thousands)

	As of June 30,	
	2020	**2021**
Liabilities and net assets		
Current liabilities:		
Accounts payable and other accrued liabilities	599,317	632,544
Due to third-party payers	148,589	123,839
Accrued payroll and related liabilities	442,128	496,156
Risk pool liabilities	113,441	109,009
Current maturities of long-term debt	118,266	60,477
Current operating lease liabilities	86,610	86,895
Current financing lease liabilities	3,814	7,288
Total current liabilities	1,512,165	1,516,208
Long-term debt, less current maturities	1,715,648	1,651,340
Long-term operating lease liabilities	437,128	420,537
Long-term financing lease liabilities	13,395	17,057
Accrued workers' compensation and malpractice insurance claims, less current portion	196,690	197,399
Pension liability	343,353	154,683
Other liabilities	88,800	87,920
Net assets:		
Without donor restrictions:		
Controlling interests	5,398,335	6,648,514
Non-controlling interests	51,085	47,855
With donor restrictions	1,025,423	1,186,192
Total net assets	6,474,843	7,882,561
Total liabilities and net assets	$10,782,022	$11,927,705

(1) Does not include the Huntington Trust.

Debt Service Coverage

The following table sets forth the ratio of the Health System's pro forma income available for debt service to actual debt service for the twelve months ended June 30, 2020 and 2021, and as adjusted for the twelve months ended June 30, 2021 to reflect the issuance of the Series 2021 Bonds and the refunding of the Refinanced Bonds as if the issuance and the refunding had occurred at July 1, 2020, without reflecting any expenses to be incurred in connection with the issuance of the Series 2021 Bonds and the refunding of the Refinanced Bonds. See "PLAN OF FINANCE" in the forepart of this offering document.

Pro Forma Annual Debt Service Coverage [(1)]
(unaudited)
(Dollar Amounts Expressed in Millions)

	Fiscal Year Ended June 30,		
	2020	2021	
	(Pro Forma)	*(Pro Forma)*	*(As Adjusted)*
Excess of Revenues over Expenses	$ 307	$1,026	$ 989
Gain on Debt Extinguishment	0	(5)	(5)
Depreciation and Amortization	266	293	293
Interest Expense	47	47	84
Unrealized (Gains) Losses	(14)	(495)	(495)
Income Available for Debt Service	$ 606	$ 866	$ 866
Annual Debt Service on Long-Term Debt [(2)]	$ 117	$ 112	$ 146
Ratio of Annual Debt Service Coverage (times)	5.2	7.7	5.9

(1) Includes PHA and affiliates, but not the Huntington Trust.
(2) Annual debt service includes debt secured under the Master Indenture. Debt service excludes capital and operating leases. "As adjusted" debt service assumes a market interest rate and smooths bullet maturities over 30 years.

Source: CSHS

Capitalization

The following table sets forth the ratio of the Health System's pro forma long-term debt to total capitalization as of June 30, 2020 and 2021, and as adjusted as of June 30, 2021, to reflect the issuance of the Series 2021 Bonds and the refunding of the Refinanced Bonds, as if the issuance and refunding had occurred at June 30, 2021, without reflecting any expenses to be incurred in connection with the issuance and refunding. See "PLAN OF FINANCE" in the forepart of this offering document.

Pro Forma Capitalization Ratios [1]
(unaudited)
(Dollar Amounts Expressed in Millions)

	June 30,		
	2020	**2021**	
	(Pro Forma)	***(Pro Forma)***	***(As Adjusted)***
Long-Term Debt	$1,834	$1,712	$2,752
Net Assets Without Donor Restrictions	5,449	6,696	6,696
Total Capitalization	$7,283	$8,408	$9,448
Ratio of Debt to Capitalization	25%	20%	29%

(1) Includes PHA and affiliates, but not the Huntington Trust.

Source: CSHS

Liquidity and Capital Resources

The following table sets forth the Health System's pro forma cash and investments as of June 30, 2020 and 2021.

Pro Forma Cash and Investments [(1)]
(unaudited)
(Dollar Amounts Expressed in Millions)

	June 30,	
	2020	**2021**
Unrestricted		
Cash and Cash Equivalents	$1,484	$1,277
Short-Term Investments	790	1,158
Board Designated Investments [(2)]	1,348	1,772
Subtotal	3,622	4,207
Limited as to Use		
Investments	691	719
Managed Care Reserve Fund	89	79
Funds Held By Trustee	47	15
Subtotal	827	813
Total Cash and Investments	$4,449	$5,020

(1) Includes PHA and affiliates, but not the Huntington Trust.
(2) Investments internally designated by the Board for physician programs, capital expenditures and fund raising. The Board retains control of these assets and will, at its discretion and if necessary, use these assets for operating purposes.

Source: CSHS

The Health System's total pro forma cash and investments and Board designated investments increased to $5,020 million at June 30, 2021, compared to $4,449 million at June 30, 2020. This increase is primarily due to strong operating results and investment returns.

Pro forma assets that are limited as to use decreased to $813 million at June 30, 2021, from $827 million at June 30, 2020.

The following table sets forth the ratio of the Health System's pro forma total unrestricted cash and investments and Board designated investments at June 30, 2020 and 2021 to daily operating expense during each of the respective periods. At the time of delivery of the Series 2021 Bonds, the Obligated Group will have no lines of credit outstanding.

Pro Forma Days Cash on Hand [1]
(unaudited)
(Dollar Amounts Expressed in Millions)

	June 30,	
	2020	**2021**
Unrestricted Cash and Investments [2]	$3,622	$4,207
Total Expenses	5,680	6,230
Less: Depreciation and Amortization	266	293
Subtotal	$5,414	$5,937
Days in Period	366	365
Daily Expense [3]	$ 15	$ 16
Total Days Cash on Hand [3][4]	245	259

(1) Includes PHA and affiliates, but not the Huntington Trust.
(2) Includes Unrestricted Cash and Investments and Board Designated Investments.
(3) Due to rounding, numbers presented may not add up precisely to the totals provided.
(4) Unrestricted Cash and Investments and Board Designated Investments ÷ Daily Expense = Total Days Cash on Hand.

Source: CSHS

CSHS approved $934 million for the new MDRH facilities. In addition, as a part of the affiliation with PHA, $560 million will be funded at Huntington Hospital over a ten year period and $147 million will remain as part of CSHS's commitment under the Tarzana affiliation for the new patient tower at Tarzana Medical Center, as described under "HEALTH SYSTEM—Organization—Tarzana."

In addition, the long-range financial plan (the "LRFP"), discussed herein under "SUMMARY OF FINANCIAL INFORMATION—Financial Management," includes estimates for ongoing routine and strategic expenditures, which at CSMC, will be approximately $200 million annually and information systems and capital equipment will be approximately $100 million annually. At THA, ongoing routine and strategic expenditures will be approximately $30 million annually and strategic investments will be approximately $80 million annually. All future capital expenditures require both Board and management approval on an annual basis to ensure expenditures continue to align with future needs.

Investment Income

For the fiscal years ended June 30, 2021 and 2020, the Health System generated pro forma investment income, including income on equity method investments, which includes PHA and affiliates, but excludes the Huntington Trust, of $688 million and $85 million, respectively. Of these results, the amount of unrealized investment gains were $495 million and $14 million for the fiscal years ended June 30, 2021 and 2020, respectively. The changes in investment income reflected fluctuations in market conditions between fiscal periods.

CSMC, PHA and THA's Investment Committees recommend the investment policies which are approved by their separate boards and create procedures to evaluate performance review and selection of investment counselors. Investment policies are designed with the objectives of preserving principal, generating income, and enhancing value over the long-term with prudent and reasonable risk taking. Professional investment managers manage specific asset classes. See also "Significant Accounting Policies—Alternative Investments" below.

CSMC has adopted specific target investment allocations between types of asset classes. At June 30, 2021, CSMC's cash and investments were, on a pro forma basis, approximately 81.4% of the total for the Health System. The ranges for those investments include the following:

Asset Allocation Ranges for Investments

Category	Lower Limits	Upper Limits
Capital Appreciation	40%	80%
US Equity	25%	60%
Global Ex-US Equity	0%	40%
Global Equity	0%	20%
Opportunistic Equity	0%	15%
Private Investments	0%	25%
Opportunistic Credit	0%	30%
Capital Preservation	10%	50%
US Investment Grade Credit	0%	50%
Absolute Return	0%	20%
Cash	0%	30%

Source: CSMC

The CSMC, THA and PHA boards of directors have adopted separate investment policies for their investments.

The Health System's ability to generate investment income is dependent on market conditions and the composition of its investment portfolio. The value of the investment portfolio has fluctuated significantly from time to time and will fluctuate in the future depending on the value of the underlying securities. Changes in the level of investment earnings or investment losses may affect the overall financial condition of the Health System.

Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States and CSHS's discussion and analysis of its financial condition and results of operations require CSHS management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.

Management bases its estimates on historical experience and on various other assumptions it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from those estimates and such differences may be material.

Net Patient Service Revenues

Net patient service revenues for the Health System's hospital entities are reported at the amount that reflects the consideration to which the Health System expects to be entitled in exchange for providing patient care. These amounts, representing a transaction price, are due from third-party payors (including health insurers and government programs), patients, and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Performance obligations are determined based on the nature of the services provided by the Health System. Generally, performance obligations satisfied over time apply to patients in the hospital receiving inpatient acute care services only. The Health System measures the performance obligation from admission into the hospital to the point when the medical condition upon admission has been resolved and it is no longer required to provide services to that patient, usually at the time of discharge. These services are considered to be a single performance obligation. Revenue for performance obligations satisfied over time is recognized pro rata based on actual charges incurred in relation to total expected (or actual) charges upon discharge. Outpatient services are performance obligations satisfied at a point in time and revenue is recognized when services are provided, and the Health System does not believe it is required to provide additional services to the patient.

The Health System's hospital entities have agreements with third-party payors that provide for payments at amounts different from established rates. For uninsured patients who do not qualify for charity care, revenue is recognized based on established rates, subject to certain discounts and implicit price concessions. Each hospital entity determines the transaction price based on standard charges for services provided, reduced by explicit price concessions provided to third-party payors, discounts provided to uninsured patients, and implicit price concessions provided to uninsured patients. Explicit price concessions are based on contractual agreements, discount policies, and historical experience. Implicit price concessions represent differences between amounts billed and the estimated consideration each entity expects to receive from patients, which are determined based on historical collection experience, current market conditions, and other factors.

Generally, patients who are covered by third-party payors are responsible for patient responsibility balances, including deductibles and coinsurance, which vary in amount. The Health System's individual hospital entities estimate transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any explicit price concessions, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of change.

Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenues are reported at the estimated net realizable amounts due from patients, third-party payors, and others for services

rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors.

The Health System is reimbursed for services provided to patients under certain programs administered by governmental agencies, such as Medicare and Medi-Cal programs. Specifically, as part of the American Recovery and Reinvestment Act economic stimulus package passed in 2009, states are allowed to draw down increased federal dollars for hospitals that provide medical care for Medicaid patients. Each of the Health System's hospital entities pursued this stimulus funding through the California Hospital Fee Programs, which provide enhanced revenues related to provision of services to Medicaid patients, offset to a degree by the requirement to pay a fee (known as the Quality Assurance (QA) Fee) based on established rates applied to each hospital's historical patient days.

Premium Revenues

The Health System has agreements with various health maintenance organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, monthly capitation payments are received based on the number of each HMO's participants, regardless of services performed. These agreements also contain risk-sharing provisions with medical groups, whereby additional amounts may be due or paid. In addition, the HMOs make fee-for-service payments for non-capitated services based upon discounted fee schedules. The monthly capitation payments received are recorded as premium revenues.

Investments

The Health System has designated its investments in equity securities with readily determinable fair values and all investments in debt securities as trading which are measured at fair value in the accompanying consolidated balance sheets. Fair value is determined using a market approach based on quoted prices for similar securities in active markets or quoted prices for identical securities in inactive markets. The appropriate classification of all investments at the date of purchase is determined and reevaluated at each balance sheet date. Investment income or loss on net assets with donor restrictions (including realized and unrealized gains and losses on investments, interest, and dividends) is reported as net assets without donor restrictions activity unless the income or loss is restricted by donor or law.

Alternative Investments

Certain of the Health System's investments are made through alternative investments, which include investments in limited partnerships and limited liability companies. These investments provide the Health System with a proportionate share of the entities' gains and losses. CSHS and affiliates generally contract with fund managers who have full discretionary authority over investment decisions. CSHS and affiliates account for their ownership interests in the partnerships using the net asset value as a practical expedient for fair value. As of June 30, 2020 and 2021, alternative investments comprised approximately 9% and 11% respectively, of the Health System's pro forma total cash, cash equivalents and investments.

Alternative investments include certain other risks that may not exist with other investments that are more widely traded. These risks include reliance on the skill of the fund

managers, who often employ complex strategies with various financial instruments, including futures contracts, foreign currency contracts, structured notes, and other investment vehicles. Additionally, alternative investments may have limited information on a fund's underlying assets and valuation, and limited redemption or redemption-penalty provisions. The Health System believes it has the capacity to analyze and interpret the risks associated with alternative investments and, with this understanding, has determined that investing in these investments creates a balanced approach to its portfolio.

Risk Pool Liabilities

Risk pool liabilities include premiums received that are held in reserve for health plan agreements whose beneficiaries are primarily outside THA's service area. The funding is held in a managed care reserve and included in current portion of assets limited as to use in the accompanying consolidated balance sheets.

For more information on the Health System's significant accounting policies, refer to the Health System's audited financial statements appearing in Appendix B-1 hereto.

Financial Management

The Board approves the Health System budget, monitors financial performance, and makes recommendations to its subsidiary boards concerning certain capital expenditures and the incurrence of debt.

CSHS has developed the LRFP to support its strategic plan. Progress toward goals and objectives set forth in the LRFP are reviewed by the Board, and the LRFP is periodically updated to reflect the actual financial performance of the Health System and new strategic initiatives. The annual budget, including operating budget, capital and cash flow budget, and key volume indicators, supports the LRFP. The budget and supporting financial statements are reviewed in detail and approved by the CSHS Board and each entity's board of directors.

CSHS management conducts monthly analyses of key ratios for liquidity, capital structure, asset performance and profitability and periodically provides peer group comparisons with local, regional and national competitors.

Certain of the statements in this discussion, as well as other forward-looking statements within this Appendix A, contain estimates and projections. While these forward-looking statements are made in good faith, future operating, market, competitive, economic, regulatory and other conditions and events could cause actual results to differ materially from those in the forward-looking statements.

Management Discussion and Analysis of Pro Forma and Recent Financial Performance of CSHS and Affiliates

Pro forma fiscal years ended June 30, 2021 and June 30, 2020

Statement of Operations

Results of Operations. Pro forma operating income for the fiscal year ended June 30, 2021 was $322 million, compared to $211 million for the prior year. This result was primarily due to the relatively strong volume as a result of the return of elective cases and procedures following the COVID-19 surge. The Health System experienced lost revenue and incremental expenses attributable to COVID-19 in both years, which was partially offset by relief payments received from the CARES Act stimulus grants. Pro Forma operating margin for the fiscal year ended June 30, 2021 was 4.9%, compared to 3.6% for the prior year.

Pro forma excess of revenues over expenses for the fiscal year ended June 30, 2021 was $1,026 million compared to $307 million for the prior year. This result was primarily due to higher investment returns as well as stronger operating results as discussed above.

Pro forma operating revenue for the fiscal year ended June 30, 2021 of $6,553 million exceeded the prior year by $662 million, or 11%, primarily due to the increased volume as mentioned above.

Pro forma expenses for the fiscal year ended June 30, 2021 of $6,230 million exceeded the prior year by $551 million or 10%. The increased reflected higher usage of contract labor throughout the organization, higher hourly rates per agency FTE, additional costs related to premium pay programs for employees, and supply costs in response to COVID-19.

Pro forma non-operating gain of $704 million for the fiscal year ended June 30, 2021 was $607 million higher than the prior year's $97 million. This increase was primarily due to a higher investment return and gain on equity method investments.

Sources of Revenue. Sources of pro forma net patient service revenues remained steady during the two fiscal years ended June 30, 2021 and 2020 with commercial payors providing the largest portion of net patient service revenues and averaging approximately 56% over the last two fiscal years. Medicare was the second largest source of net revenue averaging about 30%. Medi-Cal payments averaged approximately 11% and all other payors averaged 4% of net patient service revenues. In the last two fiscal years, there has been a slight shift in payor mix with increasing Medi-Cal from 10% in the fiscal year ended June 30, 2020 to 11% in the fiscal year ended June 30, 2021 and a slightly decreasing commercial mix from 56% to 55% in the fiscal years ended June 30, 2020 and 2021, respectively.

Payments received by the Health System's hospital entities under Medicare for educational and teaching programs have been subject to recent federal legislation which, although the programs are growing, has resulted in a reduction, as a percentage of net revenues, of such payments to the Health System. The Health System's hospital entities also received approximately $89 million in both fiscal years ended June 30, 2021 and 2020, from such activities, representing approximately 2% of net revenue in those fiscal years.

Utilization. Pro forma inpatient admissions for the fiscal year ended June 30, 2021, excluding observation cases, of 95,182 decreased by 6,078, or 6% from prior year's 101,260. Patient days of 514,994 increased by 11,581, or 2% from prior year's 503,413. The decrease in inpatient admissions and increase in patient days was primarily due to longer length of stay of COVID-19 patients. Observation cases increased for the year ended June 30, 2021, by 2%, to 27,182.

Net Patient Service Revenues. The Health System's pro forma net patient service revenues increased from $5,011 million for the fiscal year ended June 30, 2020 to $5,668 million for the fiscal year ended June 30, 2021, an increase of 13%. This result was due in part to the relatively strong volume, resulting from the return of elective cases and procedures following the COVID-19 surge. Pro forma outpatient visits increased by 17% in the fiscal year ended June 30, 2020.

COVID-19 Relief Fund. From April 2020 through January 2021, the Health System members received $326 million from various provisions in the CARES Act Provider Relief Fund (the "Provider Relief Fund"), including $65 million received by PHA prior to its affiliation with CSHS. These payments are not subject to repayment, provided the Health System members are able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for health care-related expenses or lost revenue attributable to COVID-19. CSHS believes there is reasonable assurance the applicable terms and conditions required to retain the funds are met as of June 30, 2021 and 2020. Therefore, CSHS recorded the payments of approximately $120 million and $206 million in pro forma other operating revenues in the pro forma consolidated statements of operations and changes in net assets for the years ended June 30, 2021 and 2020, respectively. CSHS will continue to monitor the terms and conditions of the CARES Act funding and the impact of the pandemic on revenues and expenses. If CSHS is unable to attest or comply with future terms and conditions, the ability to retain some or all of the distributions received may be impacted.

Additionally, the Health System members, including PHA and affiliates, but excluding the Huntington Trust, received approximately $126 million of Medicare advance payments in April 2020 as part of the Accelerated and Advance Payment Program from the CMS, which has been recorded in due to third-party payors in the consolidated balance sheets. The repayment process started in April 2021 and will continue until the amount is paid in full. The unpaid balance as of June 30, 2021 was $112 million.

Salaries and Related Costs. Pro forma salaries and related costs have increased by 7% from $2,935 million in the fiscal year ended June 30, 2020 to $3,146 million in the fiscal year ended June 30, 2021. The increase in salaries is due to the annual wage increases/market adjustment and increases in full-time equivalent headcount due to nurse staffing regulations and program growth. The ratio of benefits to salaries was 43% for each of the fiscal years ended June 30, 2020 and 2021.

Materials, Supplies and Other Expenses. Pro forma materials, supplies and other expenses increased by 11% from $1,866 million for the fiscal year ended June 30, 2020 to $2,064 million for the fiscal year ended June 30, 2021. The increase is attributed to an increase in patient days and outpatient visits. The increase is also attributed to higher usage of contract labor throughout the organization, higher hourly rates per agency FTE, as well as additional supply costs in response to COVID-19 in the amount of over $120 million. As a percentage of pro forma net patient service

revenues these costs slightly reduced from approximately 37% to 36% for the fiscal years ended June 30, 2020 and 2021, respectively.

Balance Sheet

Significant Financial Positions. The Health System's pro forma unrestricted cash and cash equivalents, short-term investments and board designated assets increased by approximately $585 million or 16% from June 30, 2020 to June 30, 2021 primarily due to operating cash flow, investment returns and additional Federal Stimulus funding received in fiscal year ended June 30, 2021. Pro forma unrestricted net assets totaled approximately $6,696 million at June 30, 2021 and $5,449 million at June 30, 2020. The $1,247 million increase of 23% in net assets is primarily related to operating income and investment returns.

Net Patient Accounts Receivable. The Health System's pro forma patient accounts receivable increased by $225 million, or 34%, to $881 million at June 30, 2021 from $656 million at June 30, 2020. The increase was primarily due to the balance at June 30, 2020 being depressed stemming from an abnormally low volume and revenue environment driven by COVID-19. The increased volume in fiscal year 2021 has driven revenue and billings higher thereby increasing patient receivables. The Health System's members had 58.4 days of revenue in accounts receivable at June 30, 2021 and 49.5 days at June 30, 2020.

Risk Pool Liabilities. THA has risk pool agreements with health plans. Risk pool liabilities include premiums received that are held in reserve for health plan agreements whose beneficiaries are primarily outside the SSA. The risk pool liabilities were $109 million and $113 million at June 30, 2021 and 2020, respectively. The funding, held in a managed care reserve fund and included in current portion of assets limited as to use in the accompanying pro forma consolidated balance sheets, totaled $79 million and $89 million at June 30, 2021 and 2020, respectively.

Long-Term Debt. The Health System's pro forma outstanding long-term debt is comprised of fixed and variable rate instruments. The long-term debt, including the current maturities, decreased by $122 million from $1,834 million at June 30, 2020 to $1,712 million at June 30, 2021 due to scheduled principal payments.

Change in Pension Liability. The pro forma pension liability decreased by $188 million or 55% from $343 million at June 30, 2020 to $155 million at June 30, 2021. This is attributable to return on plan assets and employer contributions, which is partially offset by additional benefit accruals and a decrease in the discount rate. See "PENSION PLANS" in this Appendix A for information relating the funded status of the pension plans.

Three months ended September 30, 2021 and September 30, 2020

Statement of Operations

Consolidated operating income for the three months ended September 30, 2021 was $68 million. Excluding the operating loss of $7 million from PHA and affiliates, the increase from the same period last year was $33 million. This result was primarily due to stronger volume overall and especially in higher acuity care.

Consolidated excess of revenues over expenses before inherent contribution from the PHA affiliation of $428 million for the three months ended September 30, 2021 was $106 million (including $10 million loss for PHA), compared to $185 million for the same period last year. The decrease is primarily due to fluctuations in the investment market.

Consolidated operating revenues for the three months ended September 30, 2021 were $1,661 million. Excluding the operating revenue of $159 million from PHA and affiliates, the total operating revenue increased by $193 million from the prior year's $1,309 million.

Consolidated expenses for the three months ended September 30, 2021 were $1,593 million. Excluding the expenses of $166 million from PHA and affiliates, the total expenses increased by $160 million from the prior year's $1,268 million due to the increase in labor cost, agency cost, and supply cost to support the increased volume.

Consolidated net patient service revenues for the three months ended September 30, 2021 were $1,453 million. Excluding $151 million from PHA and affiliates, net patient service revenues increased by $166 million or 15% from the same period the prior year. The increase is due to stronger volume overall and especially in higher acuity care. It should be noted that last year's volumes were more heavily impacted by COVID-19. Payor mix remained relatively steady for the three months ended September 30, 2021 compared to the fiscal year ended June 30, 2021.

Salaries and related costs for the three months ended September 30, 2021 were $728 million. Excluding PHA and affiliates' costs of $72 million, salaries and related costs increased by $32 million or 5% from the same period in the prior year, due to annual wage increases/market adjustments and increases in full-time equivalent headcount to support the increased volume.

Materials, supplies and other expenses for the three months ended September 30, 2021 were $573 million. Excluding PHA and affiliates' costs of $44 million, materials, supplies and other expenses increased by $82 million or 18% from the same period the prior year, primarily driven by the increase in volume and inflation.

Balance Sheet

The Health System's unrestricted cash and cash equivalents, short-term investments and board designated assets were $4,193 million at September 30, 2021, which decreased by approximately $14 million from June 30, 2021 on a pro forma basis. Unrestricted net assets totaled approximately $6,794 million at September 30, 2021, which increased by $97 million or 1% from June 30, 2021 on a pro forma basis. The increase is primarily related to operating income and investment returns.

The patient accounts receivable balance increased to $932 million at September 30, 2021 due to the increase in volume and slowdown in cash collection. The Health System's members had 61.6 days of revenue in accounts receivable at September 30, 2021.

There was a $133 million investment amount in Tarzana as of June 30, 2021 and there was a $153 million investment amount in Tarzana as of September 30, 2021.

COVID-19 IMPACT AND RESPONSE

Summary of Management Response to COVID-19

In March 2020, the World Health Organization declared the novel coronavirus disease (COVID-19) a pandemic. The Centers for Disease Control ("CDC") confirmed its spread to the United States and declared a national public health emergency, followed by several state emergency declarations, and the CMS issuing guidance regarding elective procedures. California Governor Gavin Newsom issued a community shelter in place order on March 19, 2020.

Following the guidelines from federal, state and local governments, CSHS postponed non-essential or elective surgical procedures from March 16, 2020 to May 10, 2020 and December 22, 2020 to February 19, 2021 in anticipation of COVID-19 patient surges. This led to a reduction to the Health System's overall patient volume and patient service revenue. The Health System implemented a Pay Protection Program which allowed those employees whose work was affected due to low volume or cancellations to be reassigned to other areas in need and to be paid in full while waiting for reassignment.

Similar to hospitals across the country, the Health System's hospitals faced dual pressures during the pandemic, responding to surges of seriously ill COVID-19 patients while simultaneously maintaining capacity and caring for many members of the community with other urgent medical needs. During the fiscal year ended June 30, 2021, the Health System's hospitals provided complex care to more than 7,000 severely ill COVID-19 inpatients, enrolling many patients in 125 clinical trials for experimental therapies and treatments. Based on the Los Angeles County System reporting, between the weeks ending July 31, 2020 and August 13, 2021, the Health System's hospitals had an average weekly COVID-19 census of 1,208, which represented 9% of the Los Angeles County COVID-19 census (among the 80 hospitals in Los Angeles County). In December 2020, hospitals within the Health System became vaccine distribution sites, administering approximately 156,000 doses in the fiscal year ended June 30, 2021.

In the combined fiscal years ended June 30, 2020 and 2021, the Health System's organizations contributed over $147 million to support and protect its workforce. It launched a program that offered free hotel stays for clinical staff and other employees concerned about transmitting the virus at home. In addition, employees that worked in surgery or other areas impacted by surge planning continued to be paid compensation. Employees on the front lines were paid premium pay and over 17,000 employees were given "thank you" bonuses.

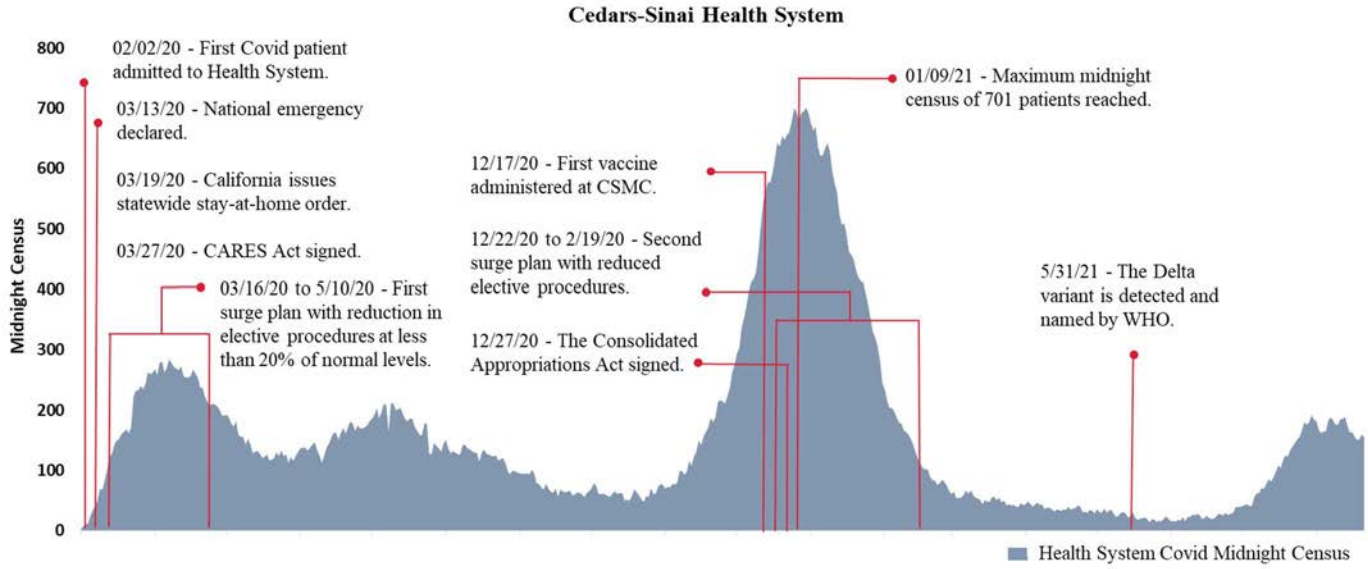
In the fiscal year ended June 30, 2021, the Health System's hospitals treated more than 87,000 inpatients who needed care unrelated to COVID-19. The Health System's hospitals kept patients safe by observing a number of precautions such as wearing masks, physical distancing and limiting visitors. Testing also played a key role in safety, with more than 230,000 COVID-19 tests performed for pre-procedure, emergency department, and other medical treatments in the fiscal year ended June 30, 2021.

The collective efforts of the Health System's hospitals maintained high levels of quality of care. Metrics show that in the fiscal year ended June 30, 2021, the survival rate of COVID-19

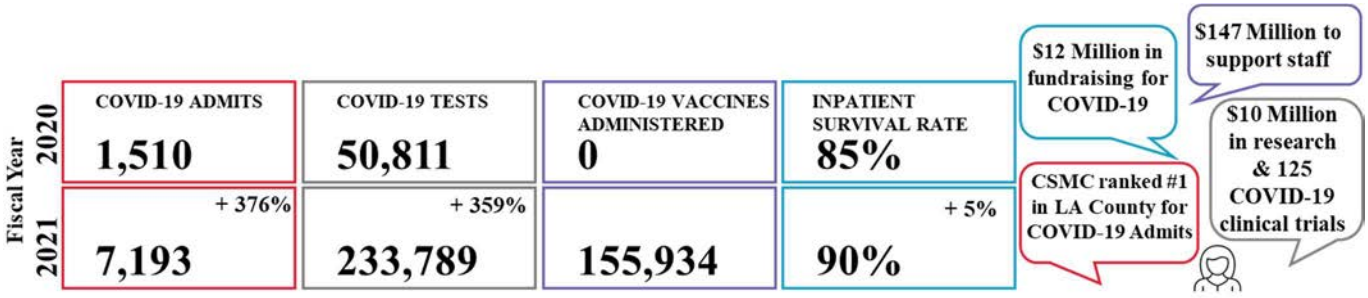
patients treated at Health System hospitals was approximately 90% compared to national rates of 88% to 89%.

The CS Medical Center had the highest census in Los Angeles County, ranking number 1, with a weekly average of 490 confirmed and suspected cases. The CS Medical Center's average weekly census was 10% higher than Los Angeles County + USC Medical Center, which was ranked number 2. Huntington Hospital was the 8th highest and Torrance Memorial Medical Center was the 11th highest. A majority of clinical services were provided at no cost to the patients themselves.

COVID-19 Timeline and Key Statistics



COVID-19 Statistics



COVID-19 Response and Actions

The Health System pivoted quickly to adjust to California, county, city and community needs during the pandemic while maintaining the highest standards for quality of care. It

immediately implemented best practices to ensure optimal outcomes for patients, and coordinated efforts across inpatient, emergency department and ambulatory locations.

- In anticipation of a significant spike in the Los Angeles area, the CS Medical Center created a Surge Preparation Plan allowing it to accommodate approximately 1,000 patients and had more than 200 physician volunteers for potential surge needs
- Extensive critical care expertise helped to design best practices for patients and allowed for relatively low mortality rates
- Adopted best practices for special treatments, such as oxygenation or anticoagulation as part of clinical trials, such as those for remdesivir or convalescent serum
- Provided convalescent plasma to hundreds of patients through treatment methodologies developed by nursing staff
- Maintained capacity for ICU and regular beds by postponing non-urgent care
- Developed an "ask a nurse" line to quickly respond and provide accurate responses to questions. This helped decrease unnecessary emergency department visits at Torrance Memorial Medical Center
- Created an ICU coach model to maintain nurse to patient ratios, training 36 nurses on ICU basics and creating an ICU nurse coach 24/7 for the units, enabling Torrance Memorial Medical Center to expand its ICU to other units during surges

The Health System worked to protect its workforce and patients by investing in safety infrastructure. It sourced personal protective equipment ("PPE"), including N95 masks and face shields. TMMC staff worked together to make over 5,000 face shields to bridge a supply gap. A "new" COVID-19 workforce was created to screen staff, patients, and visitors. Additionally, CSHS installed decontamination centers and provided hotel rooms. It also provided extensive counseling support to physicians and staff. Staff shifted into new roles as one surge after another brought unexpected challenges that led to innovations in care. An Employee Resource Bank was created to greet, screen and hand out resources, such as PPE to patients, visitors, employees, volunteers and vendors at the CS Medical Center.

The Health System also developed the COVID-19 Recovery Program to meet the needs of patients experiencing long-term COVID-19. The multidisciplinary program evaluates and connects patients to a network of specialists and access to clinical research trials.

COVID-19 Impact of Technology and Telehealth

The Health System mobilized data assets, leveraging the Electronic Medical Record ("EMR"), EPIC, to harvest valuable clinical data on its patients and develop clinical dashboards to help front-line physicians make educated decisions on clinical pathways and protocols to treat COVID-19 patients. These dashboards profiled the population, including demographics and risk factors, examined needs for high-acuity services, including intensive care and mechanical ventilation, examined patterns of treatment, assessed equity of care and measured clinical

outcomes such as length-of-stay, discharge disposition and readmissions. Additionally, the clinical data from the EMR was utilized for quick ad hoc reporting, allowing physicians to determine if their elderly patients or HIV patients were being disproportionately impacted by COVID-19. The use of technology-driven clinical data was instrumental in providing access to the information needed to provide quality care to the community during the pandemic.

The Health System invested in digital technology, implementing new functionality to support virtual care and optimizing video technology. It also utilized data to drive clinical research studies, develop pharmaceutical guidelines, study racial disparities, contribute to community partnerships and actively learn alongside medical staff.

CSHS used technology to develop external and internal communication tools, sending hundreds of daily communications to all staff, developing a public website to provide important up-to-date patient and visitor information, publishing key metrics on a staff intranet site, and hosting remote town hall meetings to keep the entire Health System updated on COVID-19 response planning.

In the fiscal year ended June 30, 2021, the hospitals in the Health System provided over 153,000 virtual visits via video or the telephone, which increased by 200% from the prior year. The majority of services that used virtual visits were Hematology and Oncology, Gastroenterology, Pain Management and Primary Care.

Federal Funding Received and Recognized

From April 2020 through January 2021, Health System organizations received approximately $326 million from various provisions in the CARES Act Provider Relief Fund (including $65 million received by PHA prior to its affiliation with the Health System). These payments are not subject to repayment, provided the Health System is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for healthcare-related expenses or lost revenue attributable to COVID-19. CSHS believes there is reasonable assurance that the applicable terms and conditions required to retain the funds are met as of June 30, 2021 and therefore, the payments are recorded in other operating revenues in the pro forma consolidated statements of operations and changes in net assets for the fiscal years ended June 30, 2020 and 2021. Additionally, THA and PHA received approximately $59 million and $67 million of Medicare advance payments in April 2020, respectively, as part of the Accelerated and Advance Payment Program from the CMS, which has been recorded in due to third-party payors in the pro forma consolidated balance sheet. The recoupment process has started in April 2021 and will continue until the advances are paid in full.

RESEARCH

The Health System is home to some of the most advanced biomedical research and training programs in the world, which attracts renowned physician-scientists seeking an unparalleled environment for fostering invention. Across the Health System, over 680 researchers worked on 2,300 projects with federal and non-federal project expenditures of approximately $215 million in the fiscal year ended June 30, 2021 and $950 million in the last five fiscal years. In addition to the

research projects, there were 2,600 faculty peer-reviewed publications and 850 active clinical trials encompassing basic, translational, clinical, and health services research.

The CS Medical Center is home to leading institutes for competitive research funding from the National Institutes of Health with 211 active research grants and annual research spending of approximately $106 million in the fiscal year ended June 30, 2021 and more than $428 million in the last five years. Biomedical research discoveries are translated into successful treatments with global impact. Research scientists and physicians push medical frontiers by applying research discovery from clinical trials toward finding new treatments and improving patient care and outcomes.

Across the Health System, investigators and clinicians collaborate to develop scientific solutions through fundamental research across disciplines such as cell biology, immunology, microbiology, pharmacology, genetics, and behavioral sciences. Their discoveries advance treatments for numerous diseases and vastly improve patient outcomes.

Significant areas of research include:

- Artificial Intelligence in Medicine, which uses artificial intelligence to solve existing gaps in mechanisms, diagnostics and therapeutics of major human disease conditions.
- Cedars-Sinai Biomanufacturing Center, a state-of-the-art biomanufacturing facility that produces the next generation of cell and gene therapies.

Other key research areas include research for service lines and biostatistics and bioinformatics, the Medically Associated Science & Technology Program and the Department of Computational Biomedicine.

The Health System and its affiliates have had significant translational research achievements, which created innovative research taken from bench to bedside in record time—these include:

- Swan-Ganz catheter
- Minimally invasive surgery technology
- Blood product safety design
- Nuclear cardiology imaging software
- Heart and CNS stem cell therapy
- Endovascular cardiac valve repair
- IBD diagnostics and treatment
- Kidney transplant tolerance
- Health Services Research – Clinical Decision Support

Department of Computational Biomedicine

The newly created Computational Biomedicine academic department is poised to have a significant impact to allow the Health System to conduct innovative research, provide education in the computational sciences, build a research computing infrastructure, build a strong set of services in computational, statistical, and bioinformatics to support faculty across the research enterprise.

Centralized Research Services

The Winnick Family Clinical and Translational Research Center gives clinical investigators the tools, staffing and research expertise to help complete their research. The facility is dedicated solely to performing research procedures and implementing research protocols, providing world-class technical infrastructure and expertise required by medical staff and the extended community, helping researchers and scientists achieve their goals of medical discovery and delivery.

Technology Ventures

Technology Ventures facilitates promising inventions to improve the quality of life for patients around the world. In the last year, it earned $17.2 million in technology venture revenue and issued 114 patents and had 65 invention disclosures. As of July 2021, it had 511 active technologies. The net income from the program is reinvested in research. In June 2021, this program was incorporated as a wholly-owned subsidiary of CSMC.

COVID-19 Research Highlights

The Health System physicians and investigators made significant strides during this unprecedented health crisis. These are just a few highlights from the 125 high-impact COVID-19 studies currently in development with approximately $10 million in research funding:

- A Smidt Heart Institute study on the potential benefits of cell therapy to curb organ damage for critically ill COVID-19 patients
- An HLA and Immunogenetics Laboratory study to evaluate the safety and efficacy of the drug clazakizumab to prevent the need of a ventilator for COVID-19 patients
- An NIH-sponsored international effort to understand whether the antiviral drug remdesivir is safe and beneficial for treating COVID-19 patients
- The creation of microscopic “lung organoids,” that mimic the human lung, to use for screening and discovery of novel antiviral drug molecules
- A study of Baricitinib in patients with COVID-19 infection
- Nurses’ professional quality of life and resilience amid COVID-19
- Impact of COVID-19 on acute stroke care in Los Angeles stroke programs

- A multicenter trial evaluating the efficacy and safety of antithrombotic strategies in patients with COVID-19 following hospital discharge
- Post-vaccination antibody assays and reactions
- Evaluation of COVID-19 convalescent plasma

EDUCATIONAL AND TEACHING PROGRAMS

Fellowships and Residencies

CSHS is committed to medical education and consistently delivering programs produced by eminent faculty with opportunities for clinical and advanced skills learning. With an emphasis on collaborative, multidisciplinary patient care, the Health System offers 78 fellowship experiences across an array of programs. Currently, 134 fellows work alongside physician-educators and have full access to top-of-the-line resources and facilities. Residents across the Health System benefit from exceptional training experiences in nationally ranked hospital settings. It is an academic environment with deep clinical integration, led by physician-educators, supported by research and clinical facilities. There are currently 15 residency programs and more than 340 residents across the hospitals in the Health System.

At the CS Medical Center, education and training for physicians and health professionals is extensive and highly competitive, with medical training programs in more than 76 specialty and subspecialty areas.

At Huntington Hospital, internal medicine residents are among the largest admitting group in the hospital and are responsible for running all emergent codes on patients. The internal medicine faculty hold appointments at the Keck School of Medicine at the University of Southern California. The general surgery residents log an average of 250 surgical cases and see 1,400 major trauma patients annually, operating with surgical attending staff, many of whom have clinical faculty appointments at the Keck School of Medicine or City of Hope National Cancer Center. The residents from both programs have provided outstanding care to their patients during the COVID-19 pandemic, while continuing to maintain their academics, research and scholarly activity.

Graduate and Certificate Programs

Other programs in health education include:

- The CSMC Graduate School of Biomedical Sciences currently offers Ph.D. and master's programs and has over 150 Postdoctoral Scientists across several research areas, including:
    - The Master's Degree in Health Delivery Science, an accredited program for digital health science, mobile health, health technology assessment, big data analytics and performance improvement and health economics.

- Master of Science in Magnetic Resonance in Medicine is an accredited program for training graduate students in the field of magnetic resonance medicine.

- The Geri and Richard Brawerman Nursing Institute New Graduate Residency Program is a 12-month nurse residency curriculum. It includes monthly workshops and 25 clinical orientation shifts.

- The Women's Guild Simulation Center offers professional development on lifelike, robotic mannequins before helping human patients. Its technologies helped prepare more than 5,000 doctors, nurses, and allied health professionals to administer exemplary care for COVID-19 patients while remaining shielded from exposure. Growing annually, it continues to increase its service to the Health System with more than 20,000 learners and 120,000 learner contact hours per year.

Continuing Medical Education ("CME")

CME courses are a critical component of the education mission. The Health System endeavors to provide up-to-date research and clinical information in appropriate educational formats allowing participants to improve their skills, knowledge and daily practices—all leading to improved patient outcomes. Annually, more than 27,000 healthcare professionals participate in 174 CME-accredited activities for over 1,700 hours of accredited education. CSMC has a six-year accreditation with commendation from the Accreditation Council for Continuing Medical Education ("ACCME"). This is the highest award for a provider of CME for physicians and shows how it is relevant, effective, practice-based CME that supports healthcare quality improvement. At TMMC, programs are held across numerous specialties including pediatrics, cardiology, extracorporeal membrane oxygenation, addiction and oncology. Additionally, they include Bioethics and communication. At PHA, CME programs across specialties include oncology, radiology, neonatal and perinatal care and neurosurgery.

COMMUNITY SERVICE PROGRAMS

In the fiscal year ended June 30, 2021, the Health System members, including PHA and affiliates, provided over $900 million in community benefits, including over $25 million in grants to support more than 200 community-based organizations serving vulnerable populations. The support to the community touches more than 180,000 lives and fosters housing stability, provides sustainable programs for homeless residents and builds capacity at community clinics. This giving also supports mental health training, services for LGBTQ+ and veterans' groups, and a range of social services from numerous Jewish organizations.

Healthcare Accessibility. The Health System's hospitals provide free care and discounted care to people earning up to various multiples of the federal poverty income level, ranging from below 200% to below 400% for free care and 200% to 600% for discounted care. Expanding the eligibility criteria for free or discounted care enables more people to receive financial assistance.

Homelessness. To help save lives, the Health System sparked the Homeless Health Pathways Expansion Program with a $500,000 gift. The program, administered by the United Way of Greater Los Angeles, expands and enhances medical services for people who must shelter in

the streets, as well as those receiving temporary housing as part of the city's pandemic-relief efforts. Spurred by Cedars-Sinai's leadership gift, the program's funds have grown to $2.5 million. The Health System has made several investments with local organizations that seek to reduce homelessness in Los Angeles and its surrounding communities. These include a $5 million equity investment in a minority owned bank that supported $25 million in loans to develop affordable housing in the communities of Inglewood and South Central Los Angeles. Also, the Health System provided a $5 million loan to support costs related to a redevelopment project for homeless and transitional veterans at the West Los Angeles Veteran's Administration campus.

Older Adults and Aging. PHA's Senior Care Network ("SCN") is a nationally recognized not-for profit program that helps older adults and adults with disabilities and their families remain healthy and independent. Care coordination programs offer assistance with solving care problems, help connect to resources such as personal care and meals, coordinate service delivery and monitor progress, educate about managing hospital stays and returning home, assist with changes in living arrangements when needed, and serve as a representative for out-of-area families, serving approximately 677 people.

Community Health Partnerships. Thousands of people in Los Angeles depend on the Health System's extensive network of community health partnerships and programs. During this crucial time, Health System community health teams have pivoted to support local COVID-19 relief efforts. The COACH for Kids® program shifted to focus on vaccinations for children under age 2 to avoid preventable disease outbreaks as well as helping provide free breakfasts in the city of Watts. The Share & Care art therapy program has expanded services to Los Angeles Unified School District ("LAUSD") families by providing online mental health seminars.

HEALTH INFORMATION TECHNOLOGY

The Health System strives to embrace a future of digital transformation to build an infrastructure that supports clinical services, patient care and operational efficiencies. The Health System uses technology-enabled processes alongside its long-term view for future growth to improve clinical services and patient care, enhance operations and develop infrastructure.

In the past year, numerous projects were implemented to support clinical services and patient care initiatives, such as the installation of a thermal temperature screening system for patients, visitors and employees. Also, in process is a wound care technology project that utilizes thermal imaging technology to identify potential wounds earlier, prevent progression and standardize documentation to assist appropriate classification and reporting.

Projects that enhance operations include developing innovative dashboards and prediction models to help address COVID-19 needs and hospital flow challenges. Also, EPIC's Professional Billing ScoreCards were implemented to quantitatively determine how effective their staff are at performing tasks within CS-Link including insurance and self-pay follow-ups, payment posting, charge entry and review, claims and remittance, coding and revenue integrity. In progress is the implementation of Oracle Cloud technology solution to serve as an integrated Enterprise Resource Planning application to facilitate a consistent employee experience, integrate financial systems, and enhance efficiency for supply management in a single enterprise platform.

The Health System utilizes EPIC as its main electronic medical record platform. It is currently installed at the CS Medical Center and MDRH with plans to integrate Huntington Hospital, which currently uses a Cerner platform. The estimated cost to transition Huntington Hospital to EPIC is included in the LRFP.

FUNDRAISING

During the fiscal year ended June 30, 2021, the Health System, including PHA and affiliates, raised over $240 million for its programs. Over the last five years, the Health System, including PHA and affiliates, raised approximately $800 million. The donations helped to fuel efforts to create effective treatments, provide exemplary care for patients, assist neighbors across Los Angeles, and protect frontline clinicians and other essential staff during the COVID-19 pandemic.

- The Cedars-Sinai Board of Governors Innovation Center has an expert team of scientists and physicians who use donations to work on discoveries in the area of personal, comprehensive, genomic and cellular profiles of a range of illnesses, such as cancer or autoimmune disease.

- COVID-19 relief efforts used donations to strengthen critical services for patients, improve safety and morale for frontline medical workers and bolster research on the disease.

- A 10-year, "$1 Billion" fundraising campaign by CSMC began on July 1, 2018 to support initiatives such as transforming cancer, personalizing disease management, novel therapeutic and technological interventions, delivering exceptional patient experience and training the next generation. As of October 2021, $556 million of the goal has been raised and CSMC expects to meet or exceed its goal prior to 2028.

MEDICAL STAFF

Currently, approximately 5,300 physicians comprise the Health System's medical staff. These physicians practice as clinical specialists, primary care physicians and surgeons. Currently, approximately 80% of physicians are considered medicine specialists and practice in areas such as cardiology, endocrinology, hematology/oncology and general internal medicine. Approximately 20% are surgical specialists, with areas of focus, such as cardiothoracic surgery, neurosurgery, orthopedic surgery and thoracic surgery. Approximately 85% of the Health System's medical staff are board certified.

NURSE STAFF

The Health System has approximately 5,300 nurse employees. Of these nurses, 84% have a baccalaureate, masters or doctorate degree, which is higher than the national average of 79%. Additionally, 57% have a specialty certification which is also higher than the national average of 35%. CS Medical Center has received its fifth consecutive Magnet® designation for nursing excellence from the American Nurses Credentialing Center, becoming the hospital with the

longest-running Magnet designation in California and one of only nine hospitals worldwide to receive this designation five times. Torrance Memorial Medical Center and Huntington Hospital are also both Magnet designated, representing the highest standards in the nation.

EMPLOYEES

Currently, the Health System employs approximately 24,500 employees. Of these employees, approximately 5,300 are registered nurses. Additionally, 470 are fellows and residents.

The Health System has a strong commitment to engaging its people and advancing their capabilities. It has robust training and education programs for Health System staff and is one of the most important training sites for healthcare professionals in the State. The Health System also has a commitment to cultivating a culture which fosters high performance, continuous learning, innovation, and teamwork and collaboration. CSHS believes that its leading-edge patient care quality, safety, and research and other achievements reflect the success of that commitment to its staff and culture.

The Service Employees International Union ("SEIU") represents approximately 2,000 of the CS Medical Center's service and maintenance employees. The collective bargaining agreement with SEIU expires on March 31, 2022.

MDRH has approximately 380 staff represented by SEIU and approximately 230 staff represented by the California Nurses Association ("CNA"). The MDRH collective bargaining agreement with SEIU expires on September 30, 2022. The MDRH collective bargaining agreement with CNA expires on February 28, 2023.

INSURANCE AND CYBERSECURITY

Insurance

CSHS maintains Healthcare Professional and General Liability coverage to insure the operations of the Health System members, its employees, faculty, residents, fellows and volunteers while engaged in their work, including the administrative duties of peer review and quality assurance, provided such individuals are acting within the scope of their duties.

The Health System's self-insured retention levels, as well as excess reinsurance coverage are maintained at levels deemed appropriate and that are available in the commercial reinsurance market. Insurance levels are in compliance with all regulatory requirements.

The Health System members have insurance programs for workers' compensation risk, as permitted under the State of California. Specific excess liability coverage is maintained at a level that is deemed appropriate and thus available in the commercial market. Funding for retained amounts is actuarially determined.

In addition to insurance coverage programs for general liability, professional liability and worker's compensation, CSHS maintains a robust insurance program for management liability,

cyber liability, environmental liability, as well as property and casualty insurance among various other insurance programs.

Cybersecurity

CSHS has established best-practice Cybersecurity and Risk Management programs to ensure the organization keeps pace with evolving security threats. Utilizing core components from the National Institute of Standards and Technology's Cyber Security Framework, they have implemented practices which align cybersecurity strategies and tactics with the program goals of the CSHS's Information Services division. Through a risk-informed, lifecycle approach, all new vendors and systems pass through a vetting process which fosters more secure system designs, and all existing systems are regularly reevaluated and monitored on a 24/7 basis.

CSHS's Information Technology systems are protected through a combination of industry leading security software, practices, security staff and an ecosystem of qualified vendor partners. The Cybersecurity program is comprised of: Enterprise security architects and engineering staff; Security risk and compliance staff; Vulnerability assessment tools and system patch management program staff; Ransomware, disaster recovery and data protection capabilities; An incident response team, and market leading security software used to augment the security program's defensive and response capabilities. In addition, the Health System employs two independent Managed Security Service Providers to provide real-time, 24/7 monitoring of all applications and computer endpoints. Output from the aforementioned services and technologies are combined into information that guides the Health System's security roadmap, which adapts with healthcare's changing security landscape. The Health System purchases insurance against expenses and losses which may be associated with cyber attacks.

PENSION PLANS

The Health System members maintain several pension plans for their employees.

The Cedars-Sinai Defined Contribution Plan, for CSMC and CSMCF, substantially covers all their employees. Contributions under this plan are calculated based on each employee's years of service and salary and amounted to approximately $57 million and $53 million for the years ended June 30, 2021 and 2020, respectively. The Cedars-Sinai Defined Benefit Plan offers a noncontributory defined benefit plan to these employees. Contributions under this plan totaled $40 million and $78 million for the years ended June 30, 2021 and 2020, respectively. The funded status as of June 30, 2021 and 2020 was 99% and 85%, respectively. Qualified employees have the choice of participation in either the Cedars-Sinai Defined Benefit Plan or the Cedars-Sinai Defined Contribution Plan and can change the selection once during their employment.

CSMC and CSMCF employees participate in a 403(b) plan. Under the provisions of the plan, participating employees may make voluntary contributions up to 100% of pretax annual compensation, subject to statutory limitations. The Health System contributes 50% of the first 6% of compensation that a participant contributes to the plan. The Health System's contributions related to the 403(b) plan amounted to approximately $28 million and $26 million for the years ended June 30, 2021 and 2020 respectively.

In addition, certain key CSMC employees are covered by separate defined contribution and defined benefit retirement plans, which are not governed by the Employee Retirement Income Security Act of 1974. Contributions under these plans are calculated based on each key employee's salary and totaled $29 million and $25 million for the years ended June 30, 2021 and 2020, respectively.

THA also offers a noncontributory defined benefit retirement plan (the "THA Defined Benefit Plan"), which was amended in 2009 to freeze participation in the plan to those individuals employed by THA on or before December 31, 2009. Individuals employed subsequent to this date become eligible for participation in a defined contribution plan, to be funded 100% by THA. On February 26, 2020, THA further amended the plan to cease benefit accruals and freeze plan participation effective June 27, 2020. The funded status as of June 30, 2021 and 2020 was 93% and 76%, respectively.

On January 1, 2010, THA began a new 401(a) defined contribution plan ("THA 401(a) Plan"). Contributions to the THA 401(a) Plan are made entirely by THA and range from 3% to 6% of annual compensation, based on years of service. Following the freeze of the THA Defined Benefit Plan effective June 27, 2020, all eligible employees previously participating in the THA Defined Benefit Plan were transferred to the THA 401(a) Plan and the contributions to the THA 401(a) Plan by THA now range from 3% to 11% of annual compensation, based on years of service. THA's contributions to the THA 401(a) Plan amounted to approximately $17.1 million and $5.2 million for the years ended June 30, 2021 and 2020.

THA's employees participate in a 403(b) plan sponsored by THA. Under the provisions of the plan, participating employees may make voluntary contributions through salary deductions. THA matches eligible employee contributions at rates between 20% to 100% with a maximum limit of eight hundred dollars per year based upon years of service with THA. THA's contributions related to the 403(b) plan amounted to approximately $0 and $1.3 million for the years ended June 30, 2021 and 2020 respectively.

Additionally, PHA has a defined benefit retirement plan. This plan was contributory through June 30, 2005, and became noncontributory on July 1, 2005. Effective July 1, 2013, the plan was closed to new participants and all benefit accruals under the plan were frozen. Contributions under this plan totaled $8 million for the years ended June 30, 2021 and 2020, respectively. The funded status as of June 30, 2021 and 2020 was 69% and 59%, respectively. Additionally, PHA adopted a 457(f) defined benefit retirement plan, effective December 31, 2005, covering key executives.

PHA offers a defined contribution benefit plan for its employees. Contributions under this plan totaled $13 million and $12 million for the years ended June 30, 2021 and 2020, respectively.

LICENSES, ACCREDITATION, CERTIFICATIONS AND MEMBERSHIPS

The Health System members are all licensed by the State of California Department of Public Health and are accredited by The Joint Commission. Additionally, they all hold memberships to the American Hospital Association, the California Hospital Association, the

Hospital Association of Southern California and Voluntary Hospitals of America. The CS Medical Center and Huntington Hospital are both members in the Council of Teaching Hospitals.

The CS Medical Center, Torrance Memorial Medical Center and Huntington Hospital have all been designated by the American Heart Association as Stroke Gold Plus. The Joint Commission has given advanced certification to the CS Medical Center and Huntington Hospital as Comprehensive Stroke Centers. Torrance Memorial Medical Center has a Comprehensive Stroke Center certification from DNV.

The Joint Commission also certified the CS Medical Center for Ventricular Assist Device and Huntington Hospital and Torrance Memorial Medical Center are certified for Total Hip and Total Knee Replacement. Torrance Memorial Medical Center was also certified for Inpatient Diabetes.

The CS Medical Center, Torrance Memorial Medical Center and Huntington Hospital are all part of the Los Angeles County Emergency Departments Approved for Pediatrics. Additionally, they have all received the certificate of approval from the Commission on Cancer.

The CS Medical Center and Torrance Memorial Medical Center have both been given a certificate of recognition by the American Diabetes Association.

LITIGATION

The Health System members are from time to time named as defendants in various other legal actions arising from the normal conduct of Health System business. CSHS maintains a comprehensive insurance program with multiple layers of coverage, so that Health System exposure is limited to the applicable self-insured retention amount (currently, the maximum potential self-retention amount is $3 million).

Management believes that the ultimate resolution of any pending or known litigation in which a Health System entity has been named as a defendant is not likely to have a material adverse effect on the consolidated financial position, results of operations, or cash flows of the Health System. For example, wage and hour complaints have multiplied in the hospital field in the last few years. There are currently no employment-related class actions pending against the Obligated Group Members, and management believes that no pending single plaintiff employment cases would, if successful, have a material adverse effect on the consolidated financial position, results of operations, or cash flows of the Health System. The Health System is now defending a series of separate Private Attorneys General Act ("PAGA") cases against CSMC, CSMCF, CFHS, and THA. PAGA allows employees to file lawsuits to seek civil penalties on behalf of themselves, other employees, and the State of California for alleged California Labor Code violations. These PAGA cases are in varying stages of litigation, and outcomes of these cases cannot be ascertained at this time, but management believes that none of these PAGA cases, individually or collectively, are expected to have a material adverse effect upon the consolidated financial position, results of operations, or cash flows of the Health System.

CONFORMANCE WITH SB 1953 SEISMIC STANDARDS

The California Senate Bill ("SB") 1953 was signed into law in 1994 and requires each acute care hospital in California to either comply with new hospital seismic safety standards or cease acute care operations by December 31, 2029. Since 1994, the California Building Standards Commission and the California Department of Health Care Access and Information ("HCAI" and formerly OSHPD) have also updated their seismic safety requirements.

Currently, the CS Medical Center campus has multiple areas that meet Structural Performance Category ("SPC") compliance, such as the Saperstein Critical Care Tower, the S. Mark Taper Foundation Imaging Center, the Beverly Building, the East Central Plant and the Pavilion Bridge.

The CS Medical Center is currently working collaboratively with HCAI's Seismic Compliance Unit on analysis and material testing of CS Medical Center's main hospital building, including the north, south and professional towers. The results of the material testing and analysis will determine the extent of the seismic upgrade for the main hospital building and the minor strengthening of walls in the podium structure. Until testing is complete, CSMC is unable to provide an estimate on cost.

MDRH is replacing its existing facility to comply with SB 1953. The project includes a nine-story hospital building, an energy center building, surface parking and site improvements. The project started on September 1, 2021 and is projected to be completed in 2026.

TMMC has a new main tower, The Lundquist Tower, that was completed and opened in 2014, to comply with SB 1953. Except for TMMC's central tower, all buildings housing current acute services on campus are compliant with minimum SPC seismic requirements. TMMC's central tower currently houses very limited acute care services and can continue to be used for those services through December 31, 2029, after which this central tower can be repurposed for non-patient care use, with no material impact to acute care licensed beds and services.

Huntington Hospital has reached substantial seismic compliance across its campus. The east tower 3-story, the east tower 7-story, the east tower main lobby and the west tower were all originally built to compliant standards. Retrofitting activities have led to compliance for the La Vina building, the Wingate/Hahn building, the ED addition building and the central plant through 2030 and beyond. After 2030, the Wingate/Hahn building will no longer be a compliant building and cannot be further retrofitted. Also, there are 3 additional non-seismically compliant buildings that will be removed from acute care services, with no material impact to acute care licensed beds and services.

CORPORATE COMPLIANCE PROGRAM

The Health System has a corporate compliance department and maintains a corporate compliance program consistent with laws and government guidance relating to compliance programs in healthcare entities. The program includes education to employees about certain significant legal and regulatory requirements applicable to the Health System and includes steps to monitor and promote compliance with these requirements. All employees are provided access

to the program plan describing the Health System's corporate compliance program, and sign a document acknowledging (1) that they know how to access the plan and (2) that they will adhere to the standards of conduct representing the compliance program and organization's expectations for all employees. A "hotline" has been established to report any areas of potential concern and is available to all employees, physicians, vendors, agents, and contractors. In addition, the Health System has adopted policies designed to address specific risk areas and has instituted processes to correct problems it identifies through the hotline or its other compliance activities.

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APPENDIX B-1

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION OF CEDARS–SINAI HEALTH SYSTEM FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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Consolidated Financial Statements and Supplementary Information

Cedars-Sinai Health System
Years Ended June 30, 2021 and 2020
With Report of Independent Auditors

Ernst & Young LLP

Cedars-Sinai Health System

Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2021 and 2020

Contents

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Report of Independent Auditors

The Board of Directors
Cedars-Sinai Health System

We have audited the accompanying consolidated financial statements of Cedars-Sinai Health System, which comprise the consolidated balance sheets as of June 30, 2021 and 2020, and the related consolidated statements of operations and 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 financial statements in conformity 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 financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Building a better working world

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cedars-Sinai Health System at June 30, 2021 and 2020, and the consolidated results of its operations and changes in net assets, and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

October 22, 2021

Cedars-Sinai Health System

Consolidated Balance Sheets
(Dollar Amounts Expressed in Thousands)

	June 30	
	2021	**2020**
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,248,138**	$ 1,297,325
Short-term investments	**952,150**	660,140
Board-designated assets	**1,708,139**	1,284,604
Current portion of assets limited as to use:		
Funds held by trustee	**3,356**	1,864
Pledges receivable	**46,438**	36,273
Managed care reserve fund	**79,228**	89,208
Patient accounts receivable	**790,580**	579,465
Inventory	**62,567**	60,817
Prepaid expenses and other assets	**291,758**	264,045
Total current assets	**5,182,354**	4,273,741
Assets limited as to use:		
Investments	**671,538**	630,631
Pledges receivable, less current portion	**283,477**	197,854
	955,015	828,485
Property and equipment, net	**3,496,371**	3,409,600
Goodwill and other intangible assets	**165,298**	186,637
Equity method investments	**230,540**	127,066
Other noncurrent assets	**256,979**	253,202
Operating lease right-of-use asset	**392,171**	404,546
Financing lease right-of-use asset	**13,790**	6,614
Total assets	**$ 10,692,518**	$ 9,489,891

	June 30	
	2021	**2020**
Liabilities and net assets		
Current liabilities:		
Accounts payable and other accrued liabilities	**$ 555,690**	$ 507,597
Due to third-party payers	**69,896**	91,937
Accrued payroll and related liabilities	**440,145**	395,676
Risk pool liabilities	**109,009**	113,441
Current maturities of long-term debt	**53,899**	62,088
Current operating lease liabilities	**78,986**	79,477
Current financing lease liabilities	**3,664**	2,144
Total current liabilities	**1,311,289**	1,252,360
Long-term debt, less current maturities	**1,343,656**	1,402,397
Long-term operating lease liabilities	**378,299**	388,020
Long-term financing lease liabilities	**10,345**	4,331
Accrued workers' compensation and malpractice insurance claims, less current portion	**177,919**	176,654
Pension liability	**68,062**	243,405
Other liabilities	**86,597**	88,649
Net assets:		
Without donor restrictions:		
Controlling interests	**6,212,310**	4,981,843
Noncontrolling interests	**47,855**	51,085
With donor restrictions	**1,056,186**	901,147
Total net assets	**7,316,351**	5,934,075
Total liabilities and net assets	**$ 10,692,518**	$ 9,489,891

See accompanying notes.

Cedars-Sinai Health System

Consolidated Statements of Operations and Changes in Net Assets
(Dollar Amounts Expressed in Thousands)

	Year Ended June 30	
	2021	**2020**
Net assets without donor restrictions		
Net patient service revenues before Medi-Cal Fee Program	**$ 4,851,104**	$ 4,233,421
Medi-Cal Fee Program revenue	**119,427**	113,755
Net patient service revenues	**4,970,531**	4,347,176
Premium revenues	**310,988**	283,811
Other operating revenues	**296,855**	278,751
Net assets released from restrictions	**248,701**	232,215
Total revenues, gains, and other support	**5,827,075**	5,141,953
Expenses:		
Salaries and related costs	**2,718,979**	2,523,297
Professional fees	**476,932**	369,876
Materials, supplies, and other	**1,800,730**	1,613,886
Medi-Cal Fee Program expense	**133,338**	127,658
Interest	**37,309**	37,974
Depreciation and amortization	**254,086**	231,307
Total expenses	**5,421,374**	4,903,998
Income from operations	**405,701**	237,955
Investment income	**589,749**	111,599
Income (loss) on equity method investments	**52,115**	(31,548)
Other components of net periodic benefit credit	**11,169**	12,149
Other nonoperating income	**4,857**	–
Excess of revenues over expenses	**1,063,591**	330,155
(Excess) of revenues over expenses attributable to noncontrolling interests	**(500)**	(947)
Excess of revenues over expenses attributable to the Health System	**$ 1,063,091**	$ 329,208

Cedars-Sinai Health System

Consolidated Statements of Operations and Changes in Net Assets (continued)
(Dollar Amounts Expressed in Thousands)

	Year Ended June 30	
	2021	**2020**
Net assets without donor restrictions (continued)		
Controlling interests activity:		
Excess of revenues over expenses attributable to the Health System	**$ 1,063,091**	$ 329,208
Net assets released from restrictions related to property and equipment	**734**	3,118
Change in pension liability	**166,642**	(174,977)
Curtailment gain	**–**	37,790
Increase in net assets without donor restrictions attributable to the Health System	**1,230,467**	195,139
Noncontrolling interests activity:		
Sale of noncontrolling interest	**1,630**	–
Excess of revenues over expenses attributable to noncontrolling interests	**500**	947
Distributions to noncontrolling interests	**(5,360)**	(2,985)
Decrease in net assets without donor restrictions attributable to noncontrolling interests	**(3,230)**	(2,038)
Increase in net assets without donor restrictions	**1,227,237**	193,101
Net assets with donor restrictions		
Contributions, grants and other	**389,494**	290,329
Investment income	**14,980**	13,899
Net assets released from restrictions	**(249,435)**	(235,333)
Increase in net assets with donor restrictions	**155,039**	68,895
Increase in net assets	**1,382,276**	261,996
Net assets at beginning of year	**5,934,075**	5,672,079
Net assets at end of year	**$ 7,316,351**	$ 5,934,075

See accompanying notes.

Cedars-Sinai Health System

Consolidated Statements of Cash Flows

(Dollar Amounts Expressed in Thousands)

	Year Ended June 30	
	2021	**2020**
Operating activities		
Increase in net assets	**$ 1,382,276**	$ 261,996
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Loss on disposal of property, plant, and equipment	**11**	4,589
Depreciation expense	**230,727**	207,787
Gain on extinguishment of debt	**(4,857)**	–
Amortization of goodwill and other intangibles	**23,359**	23,520
Amortization of deferred financing costs and bond premiums	**(10,779)**	(11,435)
Amortization of operating lease right-of-use assets	**76,628**	78,541
Restricted contributions	**(29,430)**	(25,400)
Unrealized gains on investments	**(413,657)**	(46,635)
(Gains) losses on equity method investments	**(52,115)**	31,548
Distributions to noncontrolling interests	**5,360**	2,985
Distributions from unconsolidated entities	**8,329**	–
Changes in operating assets and liabilities:		
Patient accounts receivable	**(211,115)**	85,108
Due to third-party payers	**(22,041)**	98,520
Inventory, prepaid expenses, and other current assets	**(24,917)**	(50,454)
Assets limited as to use	**(87,300)**	(3,017)
Accounts payable and other accrued liabilities	**50,207**	100,138
Accrued payroll and related liabilities	**44,469**	31,139
Risk pool liabilities	**(4,432)**	(4,266)
Operating lease liabilities	**(79,012)**	(79,614)
Other long-term liabilities	**(186,840)**	64,656
Net cash provided by operating activities before net (purchases) sales of trading investments	**694,871**	769,706
Net (purchases) sales of trading investments	**(481,871)**	389,705
Net cash provided by operating activities	**213,000**	1,159,411
Investing activities		
Expenditures for property and equipment	**(299,113)**	(419,047)
Acquisition of property held for future use	**–**	(36,787)
Purchase consideration for acquisitions	**(18,517)**	–
Investments in unconsolidated entities	**(55,539)**	(73,612)
Sales of alternative investments	**159,151**	44,030
Purchases of alternative investments	**(95,805)**	(29,110)
Net change in cash equivalents reported in long-term investments	**–**	52,219
Net cash used in investing activities	**(309,823)**	(462,307)

Cedars-Sinai Health System

Consolidated Statements of Cash Flows (continued)

(Dollar Amounts Expressed in Thousands)

	Year Ended June 30	
	2021	**2020**
Financing activities		
Principal payments on long-term debt	**$ (41,635)**	$ (39,868)
Proceeds received from short-term note	**–**	9,500
Repayment of short-term note	**(9,500)**	–
Principal payments on finance lease liabilities	**(2,801)**	(2,075)
Distributions to noncontrolling interests	**(5,360)**	(2,985)
Proceeds from issuance of long-term debt, net cost of issuance	**124,495**	–
Repayment of debt upon extinguishment	**(124,655)**	–
Restricted contributions	**29,430**	25,400
Net cash used in financing activities	**(30,026)**	(10,028)
(Decrease) increase in cash, cash equivalents, and restricted cash	**(126,849)**	687,076
Cash, cash equivalents, and restricted cash – beginning of year	**1,429,054**	741,978
Cash, cash equivalents, and restricted cash – end of year	**$ 1,302,205**	$ 1,429,054
Supplemental disclosure of cash flow information		
Interest paid	**$ 58,052**	$ 63,565

The Health System capitalized property and equipment of $34,616 and $39,344 at June 30, 2021 and 2020, respectively, that had not been paid and is included in the consolidated balance sheets under accounts payable and other accrued liabilities.

See accompanying notes.

1. Organization

Cedars-Sinai Health System, a California nonprofit, public benefit corporation (the Health System), is tax-exempt under the provisions of the Internal Revenue Code (the Code) and applicable provisions of the Franchise Tax Code of the state of California. Cedars-Sinai Health System was created and incorporated in May 2017 as the parent organization to facilitate an affiliation between Cedars-Sinai Medical Center and Torrance Health Association, Inc. Effective May 1, 2017, the Health System is the sole corporate member of Cedars-Sinai Medical Center and its affiliates. Effective February 1, 2018, the Health System became the sole corporate member of Torrance Health Association, Inc. and its affiliates. The accompanying consolidated financial statements include the accounts of the Health System and its affiliate or subsidiary organizations, as detailed below:

Cedars-Sinai – The accompanying consolidated financial statements include the accounts of Cedars-Sinai Medical Center and its affiliates, collectively referred to as Cedars-Sinai, as of and for the years ended June 30, 2021 and 2020. The following entities are included in the accompanying consolidated financial statements:

Cedars-Sinai Medical Center (CSMC) is a California nonprofit, public benefit corporation that owns and operates a hospital with 889 licensed beds in Los Angeles, California, and provides patient care, medical research, health education, and community service. Cedars- Sinai Medical Center is the sole corporate member of Cedars-Sinai Medical Care Foundation and Marina Del Rey Hospital.

Cedars-Sinai Medical Care Foundation (CSMCF) is a California nonprofit, public benefit corporation that operates, manages, and maintains a multi-specialty clinic; holds payer contracts and the assets of acquired physician and physician group practices and independent practice associations; and contracts for physician services pursuant to professional services agreements.

CFHS Holdings, Inc. (dba Marina Del Rey Hospital) is a California nonprofit, public benefit corporation, which owns and operates Marina Del Rey Hospital, a community hospital with 133 licensed beds.

1. Organization (continued)

Torrance Memorial – The accompanying consolidated financial statements include the accounts of Torrance Health Association, Inc. and its affiliates, collectively referred to as Torrance Memorial, as of and for the years ended June 30, 2021 and 2020. The following entities are included in the accompanying consolidated financial statements:

Torrance Health Association, Inc. (THA) is a California nonprofit, public benefit corporation and is the parent organization for the entities listed below. THA was formed to engage in various health-care-related activities. THA is the sole corporate member of Torrance Memorial Medical Center and Torrance Memorial Medical Center Health Care Foundation.

Torrance Memorial Medical Center (TMMC) is a California nonprofit corporation and is licensed as a 610-bed general acute care hospital that provides inpatient, outpatient, and emergency care services for residents in the surrounding South Bay community.

Torrance Memorial Medical Center Health Care Foundation (TMMCF) is a California nonprofit corporation organized to raise funds for the support of TMMC.

On September 22, 2019, CSMC and TMMC formed El Segundo MOB, LLC (El Segundo), with each member possessing a 50% ownership interest in the LLC in order to jointly construct a Medical Office Building that will provide various outpatient services to the community. A purchase and sale agreement for the acquisition of real estate property was entered into by TMMC on behalf of El Segundo, and, on February 6, 2020, the purchase and sale agreement was assigned to El Segundo. As of June 30, 2021 and 2020, CSMC and TMMC's combined contributions totaled $35,507 and $30,394, respectively, in El Segundo.

On March 12, 2019, Providence St. Joseph Health (Providence) and CSMC formed Tarzana Medical Center, LLC (Tarzana), in which CSMC owns a 49% membership interest, to own and operate Providence Tarzana Medical Center (PTMC). Providence and CSMC will jointly continue the build-out and redevelopment of the PTMC campus, including a new patient-care tower with all private rooms, an expanded Emergency Department, new diagnostic and treatment services, and enhanced outpatient and ambulatory services. Upon completion of the replacement facility construction, Providence will contribute to Tarzana all tangible and intangible assets pertaining to

1. Organization (continued)

the existing PTMC business. The joint venture will expand primary and specialty care services on the PTMC campus, as well as enhance other programs, including heart, cancer, and women's services. As of June 30, 2021 and 2020, CSMC's capital contributions in Tarzana totaled $132,732 and $82,195, respectively. This investment is recorded under the equity method of accounting in equity method investments.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States (U.S. 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates include the carrying amounts for goodwill and property and equipment, valuation of deferred gifts, purchase accounting for acquisitions, valuation allowances for receivables, liabilities for medical claims incurred but not reported, third-party payables and receivables, risk pool liabilities, pension, and self-insured programs. Actual results could differ from those estimates.

Operating Revenues

The Health System records revenue in several financial statement categories: net patient service revenues (including Medi-Cal Fee Program revenue), premium revenues, other operating revenues, and net assets released from restrictions. Performance obligations are identified based on the nature of the services provided.

2. Summary of Significant Accounting Policies (continued)

Net Patient Service Revenues

Net patient service revenues are reported at the amount that reflects the consideration to which the Health System expects to be entitled in exchange for providing patient care. These amounts, representing a transaction price, are due from third-party payers (including health insurers and government programs), patients, and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Health System bills the third-party payers and patients several days after the services are performed and/or the patient is discharged. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Health System. Generally, performance obligations satisfied over time apply to patients in the hospital receiving inpatient acute care services only. The Health System measures the performance obligation from admission into the hospital to the point when the medical condition upon admission has been resolved and it is no longer required to provide services to that patient, usually at the time of discharge. These services are considered to be a single performance obligation. Revenue for performance obligations satisfied over time is recognized pro rata based on actual charges incurred in relation to total expected (or actual) charges upon discharge. The Health System believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the services provided needed to satisfy the obligation. Outpatient services are performance obligations satisfied at a point in time and revenue is recognized when services are provided, and the Health System does not believe it is required to provide additional services to the patient.

The Health System has elected the practical expedient allowed under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-32-18, *Revenue from Contracts with Customers*, and does not adjust the promised amount of consideration from patients and third-party payers for the effects of a significant financing component due to the Health System's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payer pays for that service will be one year or less. However, the Health System does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

2. Summary of Significant Accounting Policies (continued)

Because all of its performance obligations relate to contracts with a duration of less than one year, the Health System has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged.

The Health System is utilizing the portfolio approach practical expedient in ASC 606 for contracts related to net patient service revenue. The Health System accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. The portfolios consist of major payor classes for inpatient revenue and outpatient revenue. As a result, the Health System has concluded that revenue for a given portfolio would not be materially different than if accounting for revenue on a contract-by-contract basis.

The Health System has agreements with third-party payers that provide for payments to the Health System at amounts different from established rates. For uninsured patients who do not qualify for charity care, the Health System recognizes revenue based on established rates, subject to certain discounts and implicit price concessions as determined by the Health System. The Health System determines the transaction price based on standard charges for services provided, reduced by explicit price concessions provided to third-party payers, discounts provided to uninsured patients in accordance with the Health System's policy, and implicit price concessions provided to uninsured patients. Explicit price concessions are based on contractual agreements, discount policies, and historical experience. Implicit price concessions represent differences between amounts billed and the estimated consideration the Health System expects to receive from patients, which are determined based on historical collection experience, current market conditions, and other factors. Credit impairments occurring after the date of revenue recognition are recorded in materials, supplies, and other expenses on the consolidated statements of operations and changes in net assets; the amount recognized in materials, supplies, and other expenses related to impairment losses during the years ended June 30, 2021 and 2020 was $1,558 and $4,243, respectively.

(Dollar Amounts Expressed in Thousands)

2. Summary of Significant Accounting Policies (continued)

Generally, patients who are covered by third-party payers are responsible for patient responsibility balances, including deductibles and coinsurance, which vary in amount. The Health System estimates transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any explicit price concessions, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of change. There were no significant adjustments arising from a change in the transaction price in either 2021 or 2020.

Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenues are reported at the estimated net realizable amounts due from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers.

The Health System is reimbursed for services provided to patients under certain programs administered by governmental agencies. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future governmental review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medi-Cal programs. The Health System believes it is in compliance with all applicable laws and regulations governing the Medicare and Medi-Cal programs and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that may have a material impact on the accompanying consolidated financial statements.

Net patient service revenues by major payer source, net of price concessions, is as follows:

	Year Ended June 30	
	2021	**2020**
Medicare	**$ 1,093,380**	$ 991,726
Medi-Cal	**216,450**	198,423
Commercial and Managed Care	**3,437,748**	3,005,730
Self-pay and other	**222,953**	151,297
Net patient service revenues	**$ 4,970,531**	$ 4,347,176

(Dollar Amounts Expressed in Thousands)

2. Summary of Significant Accounting Policies (continued)

The percentage of inpatient and outpatient services, calculated on the basis of usual and customary charges, is as follows for the years ended June 30:

	2021	2020
Inpatient services	**62%**	62%
Outpatient services	**38%**	38%

The administrative procedures related to the cost reimbursement programs in effect generally preclude final determination of amounts due until cost reports are audited or otherwise reviewed and settled upon with the applicable administrative agencies. Estimation differences between final settlements and amounts accrued in previous years are reported as adjustments of the current year's net patient service revenues.

The Health System provides charity care to patients who meet certain criteria under its financial assistance policy. This policy defines charity care as uncompensated services provided to patients who cannot afford health care because of inadequate resources and/or who are uninsured. The Health System does not report charity care as net patient service revenues. During the years ended June 30, 2021 and 2020, the Health System incurred $47,047 and $43,915, respectively, in costs to provide charity care, which is calculated based on a ratio of cost to gross charges and then multiplying that ratio by gross uncompensated charges associated with providing care to charity patients.

Medi-Cal Fee Program

As part of the American Recovery and Reinvestment Act economic stimulus package passed in 2009, Congress temporarily increased the Federal Medical Assistance Percentage (FMAP) for all states, allowing states to draw down increased federal dollars for hospitals that provide medical care for Medicaid patients. California hospitals organized to pursue this stimulus funding through the California Hospital Fee Programs (the Programs). Passed into law by the California state government and approved by the Centers for Medicare and Medicaid Services (CMS) in fiscal 2012, the Programs provide enhanced revenues related to provision of services to Medicaid patients, offset to a degree by the requirement to pay a fee (known as the Quality Assurance (QA) Fee) based on established rates applied to each hospital's historical patient days. Supplemental payments received meet all criteria related to revenue recognition, and the related QA Fees are

2. Summary of Significant Accounting Policies (continued)

both probable and estimable. Accordingly, related supplemental payments have been recognized as revenue and related QA Fees recognized as expense in the consolidated statements of operations and changes in net assets pertaining to the 30-month Program covering the period from January 1, 2017 through June 30, 2019, and a 30-month Program covering the period from July 1, 2019 through December 31, 2021.

Specifically, total QA Fees incurred by the Health System were $133,338 and $127,658 for the years ended June 30, 2021 and 2020, respectively, while revenue from the Program totaled $119,427 and $113,755 for the years ended June 30, 2021 and 2020, respectively. In connection with the Program, the Health System applied for a grant from the California Health Foundation & Trust related to future shortfalls from the Programs. The Health System recorded $13,911 and $13,903 for this grant in other operating revenues for the years ended June 30, 2021 and 2020, respectively.

Premium Revenues

The Health System has agreements with various health maintenance organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, monthly capitation payments are received based on the number of each HMO's participants, regardless of services performed. These agreements also contain risk-sharing provisions with medical groups, whereby additional amounts may be due or paid. In addition, the HMOs make fee-for-service payments for non-capitated services based upon discounted fee schedules. The monthly capitation payments received are recorded as premium revenues.

The costs of health services provided by other health care providers to the participants, including administrative costs and out-of-area or emergency services, are included in professional fees, and totaled approximately $90,865 and $77,788 for the years ended June 30, 2021 and 2020, respectively. Such costs are accrued in the period in which the services are provided based in part on estimates, including an accrual for services provided by others, but not reported to the Health System.

2. Summary of Significant Accounting Policies (continued)

Other Operating Revenues

The Health System has additional revenue streams from tuition, health professionals, rental properties, and parking. Revenue is recognized when obligations under the terms of the contract are satisfied. Revenues from these services are measured as the amount of consideration the Health System expects to receive for those services. For the years ended June 30, 2021 and 2020, the Health System recognized $119,053 and $141,921 in COVID-19 Relief Funds from the Coronavirus Aid, Relief and Economic Securities Act (CARES Act), respectively, which has been recorded in other operating revenues as further described in Note 12.

Net Assets Released From Restrictions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give cash and indications of intentions to give are not recognized until the conditions are satisfied or removed. The gifts are reported as with 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, or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported on the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as without donor-restricted contributions in the accompanying consolidated financial statements as other operating revenues.

Excess of Revenues Over Expenses

The consolidated statements of operations and changes in net assets include the excess of revenues over expenses, which is considered the performance indicator. Changes in net assets without donor restrictions, which are excluded from the excess of revenues over expenses, include contributions of long-lived assets (including assets acquired using contributions which, by donor restrictions, were to be used for the purposes of acquiring such assets) and changes in pension plan liabilities.

Inventory

Inventory is stated at cost (using the first-in, first-out method), which is not in excess of net realizable value.

(Dollar Amounts Expressed in Thousands)

2. Summary of Significant Accounting Policies (continued)

Other Noncurrent Assets

Other noncurrent assets consist of the following:

	June 30	
	2021	**2020**
Investments without readily determinable fair value	**$ 97,219**	$ 97,724
Property held for future use	**94,019**	99,192
Other	**65,741**	56,286
	$ 256,979	$ 253,202

The Health System has investments in unconsolidated entities that are accounted for cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer, as fair value for these investments is not readily determinable. The Health System evaluates these investments for impairment annually or when indicators of impairment exist. No indicators of impairment existed as of June 30, 2021 or 2020. Based on observable transactions, the Health System recorded increases of $1,382 and $22,133 for the years ended June 30, 2021 and 2020, respectively.

Goodwill

Goodwill represents the excess of the consideration paid over the fair value of the net assets acquired, including identifiable intangible assets. The Health System amortizes goodwill in accordance with the goodwill accounting alternative in ASC 350, *Intangible – Goodwill and Other* which allows not-for-profit entities to amortize goodwill on a straight-line basis over ten years and perform a one-step impairment test at the entity level only when an impairment indicator exists.

The Health System concluded no indicators of impairment existed as of June 30, 2021 and 2020. For the years ended June 30, 2021 and 2020, the Health System recorded additional goodwill of $1,825 and $0, respectively, and recorded amortization of goodwill totaling $23,144 and $23,053, respectively. At June 30, 2021 and 2020, goodwill totaled $163,639 and $184,958, respectively.

(Dollar Amounts Expressed in Thousands)

2. Summary of Significant Accounting Policies (continued)

Care of the Poor and Community Benefit (Unaudited)

The Health System's mission is to improve the health status of its community, regardless of the patient's ability to pay, including charity care patients. The Health System provides programs and activities that contribute to charity care, care of the poor, and community benefit. These programs and activities serve a majority of persons who are beneficiaries of Medi-Cal, and county, state, and federal programs for which the costs of providing the services are not fully reimbursed. Also included are activities that improve the community's health status and educate or provide social services to the elderly and children. The Health System's unreimbursed costs for care of the poor and community benefits were approximately 18.8% and 20.2% of total operating expenses for the years ended June 30, 2021 and 2020, respectively. The costs associated with these programs and activities are as follows:

	Year Ended June 30	
	2021	**2020**
Traditional charity care and uninsured patients (Category 1)	**$ 47,047**	$ 43,915
Unpaid cost of state programs (Category 2)	**112,749**	103,994
Unpaid cost of specialty government programs (Category 3)	**3,798**	2,363
Unpaid cost of federal programs (Category 4)	**455,237**	461,989
Research (Category 5)	**252,536**	239,768
Community benefit (Category 6)	**148,037**	139,174
Total community benefit	**1,019,404**	991,203
A portion of the above cost was supported by the help of:		
Federal, state, and local grants	**107,571**	100,282
Charitable giving	**44,429**	49,211
Community benefit, net of support by others	**$ 867,404**	$ 841,710

2. Summary of Significant Accounting Policies (continued)

The Health System uses the following six categories to classify care of the poor and community benefit (unaudited):

Category 1: Traditional Charity Care and Uninsured Patients (care of the poor) – includes the cost of services provided to persons who cannot afford health care because of inadequate resources and/or who are uninsured. If there is any subsidy donated for these services, that amount is deducted from the gross amount.

Category 2: Unpaid Cost of State Programs – also benefits the poor, but is listed separately. This amount represents the unpaid cost of services provided to patients in the Medi-Cal program or enrolled in HMO and Preferred Provider Option (PPO) plans under contract with the Medi-Cal program.

Category 3: Unpaid Costs of Specialty Government Programs – also provides community benefit under such programs as the Veterans Administration, Los Angeles Police Department, Short Doyle, Proposition 99, and other programs to benefit the poor. This amount represents the unpaid cost of services provided to patients in these various programs. If this community benefit was not provided, federal, state, or local governments would need to furnish these services.

Category 4: Unpaid Cost of Federal Programs – primarily benefits the elderly. This amount represents the unpaid cost of services provided to patients in the Medicare program and enrolled in HMO and PPO plans under contract with the Medicare program. Included in these amounts are $45,407 and $49,481 for the years ended June 30, 2021 and 2020, respectively, of unpaid cost of services provided to patients in the Medicare program who are also in the Medi-Cal program.

Category 5: Research – is the cost of providing translational and clinical research and studies on health care delivery. During the years ended June 30, 2021 and 2020, the Health System received outside support for its research efforts totaling $152,000 and $149,493, respectively. Thus, for the years ended June 30, 2021 and 2020, the net cost incurred by the Health System was $100,536 and $90,275, respectively.

2. Summary of Significant Accounting Policies (continued)

Category 6: Community Benefit – is the cost of services that are beneficial to the broader community, i.e., other needy populations that may not qualify as poor, but that need special services and support. Examples include the elderly, substance abusers, the homeless, victims of child abuse, and persons with Acquired Immune Deficiency Syndrome (AIDS). They also include the cost of health promotion and education and health clinics and screenings.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Interest costs incurred during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets, such as land, buildings, or equipment that do not contain explicit donor stipulations, which specify how the donated assets must be used, are reported as support without donor restrictions and are excluded from excess of revenue over expenses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as 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 Health System accounts for software development costs in accordance with ASC 350, *Intangible – Goodwill and Other, Internal-Use Software (Subtopic 350-40)*. All costs incurred in the planning stage of developing the software are expensed as incurred, as are internal and external training costs and maintenance costs. External and internal costs, excluding general and administrative costs and overhead costs incurred during the applicable development stage of internally used software, are capitalized. Such costs include external direct costs of materials and services consumed in development or obtaining the software, payroll, and payroll-related costs for employees who are directly associated with and who devote time to developing the software. Development changes that result in appropriate functionality of the software, which enable it to perform tasks that it was previously incapable of performing, are also capitalized.

Capitalized internal-use software development costs are amortized on a straight-line basis over their estimated useful life of three to seven years. Amortization begins when all substantial testing of the software is completed and the software is ready for its intended use.

2. Summary of Significant Accounting Policies (continued)

Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of

The Health System accounts for the impairment and disposition of long-lived assets in accordance with ASC 360, *Property, Plant, and Equipment Impairment or Disposal of Long-Lived Assets*. In accordance with ASC 360, long-lived assets to be held are reviewed for events or changes in circumstances that indicate that their carrying value may not be recoverable. The Health System determined that no assets are impaired at June 30, 2021 and 2020.

Assets Limited as to Use

Assets limited as to use include assets held by trustees that are for the payment of self-insurance liabilities, assets with donor restrictions, assets held by trustees under indenture agreement for future capital expenditures, and managed care capitation reserves. The current portion of assets limited as to use includes amounts that will be used to pay self-insurance classified as current liabilities.

Investments

The Health System has designated its investments in equity securities with readily determinable fair values and all investments in debt securities as trading, in accordance with ASC 954, *Health Care Entities*. Those securities are measured at fair value in the accompanying consolidated balance sheets. Fair value is determined using a market approach based on quoted prices for similar securities in active markets or quoted prices for identical securities in inactive markets. Management determines the appropriate classification of all investments at the date of purchase and reevaluates such designations at each consolidated balance sheet date.

Investment income or loss on net assets with donor restrictions (including realized and unrealized gains and losses on investments, interest, and dividends) is reported as net assets without donor restrictions activity unless the income or loss is restricted by donor or law.

Cedars-Sinai's and Torrance Memorial's investments are invested in accordance with policies approved by its separate Board of Directors, which include, among other matters, targeted investment returns balanced by diversification of the investment portfolio, establishment of credit risk parameters, and limitation in the amount of investment in any single instrument. As part of its

2. Summary of Significant Accounting Policies (continued)

investment policies and strategies, each entity's Investment Committee meets periodically to review performance. At least annually, the Investment Committee reviews and formulates a specific investment and allocation plan. Any adjustments that are deemed necessary are based on specific criteria, i.e., the entity's necessary funding, obligations, expenses, and liquidity needs.

Alternative Investments

Certain of the Health System's investments are made through alternative investments, which include investments in limited partnerships and limited liability companies. The Health System generally contracts with fund managers, who have full discretionary authority over investment decisions. The Health System accounts for its ownership interests in the partnerships using the net asset value as a practical expedient for fair value. These investments provide the Health System with a proportionate share of the entities' gains and losses, which are included in investment income on the accompanying consolidated statements of operations and changes in net assets. As of June 30, 2021 and 2020, these alternative investments comprised approximately 11% and 12%, respectively, of the Health System's total cash, cash equivalents, and investments.

Alternative investments include certain other risks that may not exist with other investments that are more widely traded. These risks include reliance on the skill of the fund managers, who often employ complex strategies with various financial instruments, including futures contracts, foreign currency contracts, structured notes, and other investment vehicles. Additionally, alternative investments may have limited information on a fund's underlying assets and valuation, and limited redemption or redemption-penalty provisions. Management believes that the Health System, in consultation with its Investment Committees, has the capacity to analyze and interpret the risks associated with alternative investments and, with this understanding, has determined that investing in these investments creates a balanced approach to its portfolio management.

Risk Pool Liabilities

Risk pool liabilities include premiums received that are held in reserve for health plan agreements whose beneficiaries are primarily outside THA's service area. The funding, held in a managed care reserve and included in current portion of assets limited as to use in the accompanying consolidated balance sheets, totaled $ 79,228 and $89,208 at June 30, 2021 and 2020, respectively.

2. Summary of Significant Accounting Policies (continued)

Medical Malpractice Insurance

Cedars-Sinai is self-insured for professional/malpractice liability claims up to $3,000 per claim on a claims-made basis. Cedars-Sinai is self-insured for general liability claims up to $3,000 per occurrence on an occurrence basis. The retention aggregate is $23,000. Cedars-Sinai is covered by hospital malpractice commercial insurance for claims in excess of this amount up to a maximum of $200,000 per occurrence/claim.

Similarly, Torrance Memorial is self-insured for professional/malpractice liability claims up to $500 per claim on a claims-made basis. Torrance Memorial is self-insured for general liability claims up to $500 per occurrence on an occurrence basis. The retention aggregate is $4,000. Torrance Memorial is covered by hospital malpractice commercial insurance for claims in excess of this amount up to a maximum of $200,000 per occurrence/claim

Accruals for insured claims, uninsured claims, and claims incurred but not reported are estimated by an actuary based on the Health System's claims experience. Such accruals, which totaled $89,669 and $81,243 at June 30, 2021 and 2020, are recorded using a 1.00% and 0.25% discount factor at June 30, 2021 and 2020, respectively. The current portion of the accruals of $17,224 and $16,459 at June 30, 2021 and 2020 is included in accounts payable and other accrued liabilities. The basis for the discount rate is the risk-free rate of return at the end of each year and the estimated period over which claims will be settled. The accruals represent the total actuarially determined loss without reduction for the portion that is expected to be recoverable through insurance ($29,817 and $18,300 at June 30, 2021 and 2020, respectively). The expected amounts to be recovered through insurance are included in other noncurrent assets on the accompanying consolidated balance sheets.

Workers' Compensation Insurance

Cedars-Sinai carries workers' compensation insurance insuring employees with a self-insured primary limit of $1,000. Cedars-Sinai purchases excess insurance coverage on an occurrence basis to cover claims in excess of these amounts with statutory limits for workers' compensation claims and an annual aggregate limit of $1,000 for employer's liability claims.

(Dollar Amounts Expressed in Thousands)

2. Summary of Significant Accounting Policies (continued)

Torrance Memorial carries workers' compensation insurance insuring employees with a self-insured primary limit of $350. Torrance Memorial purchases excess insurance coverage on an occurrence basis to cover claims in excess of these amounts with statutory limits for workers' compensation claims and an annual aggregate limit of $1,000 for employer's liability claims.

Accruals for insured claims, uninsured claims, and claims incurred but not reported are estimated by an actuary based upon the Health System's claims experience. Such accruals, which totaled $129,237 and $135,250 at June 30, 2021 and 2020, respectively, are recorded using a 1.00% and 0.25% discount factor at June 30, 2021 and 2020, respectively. The current portion of the accruals of $23,762 and $23,380 at June 30, 2021 and 2020, respectively, is included in accounts payable and other accrued liabilities. The basis of the discount rate is the risk-free rate of return at the end of each year and the estimated period over which claims will be settled. The accruals represent the total actuarially determined loss without reduction for the portion that is expected to be recoverable through insurance ($18,639 and $19,867 at June 30, 2021 and 2020, respectively). The expected amounts to be recovered through insurance are included in other noncurrent assets in the accompanying consolidated balance sheets.

Cash and Cash Equivalents

The Health System considers all highly liquid debt instruments with original maturity dates at the time of purchase of three months or less to be cash equivalents.

The reconciliation of cash, cash equivalents, and restricted cash within the consolidated balance sheets that comprise the amount reported on the consolidated statements of cash flows at June 30, 2021 and 2020 is as follows:

	2021	2020
Cash and cash equivalents	**$ 1,248,138**	$ 1,297,325
Restricted cash in assets limited as to use – investments	**54,067**	131,729
Total cash, cash equivalents, and restricted cash	**$ 1,302,205**	$ 1,429,054

2. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The Health System's consolidated balance sheets include the following financial instruments: cash and cash equivalents, investments, patient accounts receivable, accounts payable and other accrued liabilities, pension liabilities, and long-term obligations. The Health System considers the carrying amounts of current assets and liabilities in the consolidated balance sheets to approximate the fair value of these financial instruments because of the relatively short period of time between origination of the instruments and their expected realization. Pledges receivable, accrued workers' compensation, malpractice insurance claims, and pension liabilities are recorded at their estimated present value using appropriate discount rates. Marketable securities are recorded at fair value based on quoted prices from recognized security exchanges and other methods, as further described in Note 5. Alternative investments are recorded at net asset value, which represents a practical expedient of fair value. Tax-exempt financings are carried at amortized cost. The fair value of tax-exempt financings is estimated based on current market rates, as further described in Note 4.

Income Taxes

The Health System and its related affiliates have been determined to qualify as exempt from federal and state income taxes under Section 501(a) as organizations described in Section 501(c)(3) of the Code.

Most of the income received by the Health System is exempt from taxation, as income related to the mission of the organization. Accordingly, there is no material provision for income taxes for these entities. However, some of the income received by the exempt entities is subject to taxation as unrelated business income. The Health System and its subsidiaries file federal and state income tax returns.

The Health System completed an analysis of its tax positions, in accordance with ASC 740, *Income Taxes*, and determined that there are no uncertain tax positions taken or expected to be taken. The Health System has recognized no interest or penalties related to uncertain tax positions. The Health System is subject to routine audits by the taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Health System believes it is no longer subject to income tax examinations for years prior to 2017.

(Dollar Amounts Expressed in Thousands)

2. Summary of Significant Accounting Policies (continued)

Concentrations of Credit Risk

Financial instruments, which potentially subject the Health System to concentrations of credit risk, consist primarily of investments and accounts receivable. Investments are made in a variety of financial instruments with prudent diversification requirements. The Health System seeks diversification among its investments by limiting the amount of investments that can be made with any one obligor. The investment portfolio is managed by professional investment managers within the guidelines established by the Cedars-Sinai and Torrance Memorial Boards of Directors, which, as a matter of policy, limit the amounts that may be invested in any one issuer.

The Health System grants credit without collateral to its patients, most of whom are area residents and are insured under third-party agreements. The mix of net receivables from patients and third-party payers as of June 30 is as follows:

	June 30	
	2021	**2020**
Medicare	**15%**	18%
Medi-Cal	**3**	2
Commercial and managed care	**74**	73
Self-pay and other	**8**	7
	100%	100%

Recent Accounting Pronouncements

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*, which requires presentation of contributed nonfinancial assets as a separate line in the consolidated statement of operations, apart from contributions of cash or other financial assets. The objective of the ASU is to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. ASU 2020-07 is effective retrospectively for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022, with early adoption permitted. The Health System is currently evaluating the impact of this new standard on the consolidated financial statements.

2. Summary of Significant Accounting Policies (continued)

In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Topic 350): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which aligns the requirements for deferring implementation costs incurred in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. ASU 2018-15 is effective for annual periods beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021, with early adoption permitted. The Health System is currently evaluating the impact of this new standard on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*, which improves the effectiveness of disclosures in the notes to financial statements by modifying disclosure requirements for employers that sponsor defined benefit pension or other postretirement benefit plans. The ASU is effective for annual reporting periods beginning after December 15, 2021, with early adoption permitted. The Health System is currently evaluating the impact of this new standard on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which improves the effectiveness of disclosures in the notes to financial statements by modifying disclosure requirements for fair value measurements. The Health System adopted the new ASU on July 1, 2020. The adoption of ASU 2018-13 did not have a material impact on the consolidated financial statements.

(Dollar Amounts Expressed in Thousands)

3. Property and Equipment

Property and equipment consist of the following:

	June 30 2021	June 30 2020
Land	**$ 297,984**	$ 258,962
Buildings and land improvements	**3,757,318**	3,203,068
Equipment	**715,408**	654,453
Software and software implementation costs	**846,002**	708,573
	5,616,712	4,825,056
Less accumulated depreciation and amortization	**2,431,623**	2,204,346
	3,185,089	2,620,710
Construction-in-progress	**311,282**	788,890
	$ 3,496,371	$ 3,409,600

Depreciation and amortization expense on property and equipment was $230,727 and $207,787 for the years ended June 30, 2021 and 2020, respectively.

Construction-in-progress consists of the following:

	June 30 2021	June 30 2020
Buildings and land improvements	**$ 271,864**	$ 646,554
Equipment	**20,057**	19,925
Software and software implementation costs	**12,598**	99,560
Capitalized interest	**6,763**	22,851
	$ 311,282	$ 788,890

(Dollar Amounts Expressed in Thousands)

4. Long-Term Debt

Cedars-Sinai and Torrance Memorial have public bonds. The entities do not assume any financial obligations related to payment of debt issued by each other. The revenue of each entity (excluding its affiliated or subsidiary organizations) is pledged to secure the payment of the principal and interest on all bonds and certificates under its separate Master Trust Indentures (Indentures). The Indentures contain covenants restricting additional debt and providing for the maintenance of certain financial ratios. Both entities were in compliance with these covenants at June 30, 2021 and 2020. Long-term debt issued and outstanding at June 30 is as follows:

	June 30	
	2021	**2020**
Cedars-Sinai		
$148,400 Revenue Bonds, Series 2011; one principal payment of $19,845 is due through August 2021; interest is payable semiannually at 4.0% to 5.0%; the amount reported includes a face value of $19,845 and $38,745, unamortized premiums of $43 and $434, and unamortized deferred financing costs of $4 and $43 at June 30, 2021 and 2020, respectively.	**$ 19,884**	$ 39,136
$370,220 Revenue Bond, Series 2015; principal payments of $6,910 to $39,680 are due annually through November 2035; interest is payable semiannually at 3.0% to 5.0%; the amount reported includes a face value of $361,500 and $368,120, unamortized premiums of $35,877 and $41,606, and unamortized deferred financing costs of $1,280 and $1,502 at June 30, 2021 and 2020, respectively.	**396,097**	408,224
$267,420 Revenue Bond, Series 2016A; principal payments of $6,725 to $38,905 are due annually through August 2036; interest is payable semiannually at 5.0%; the amount reported includes a face value of $244,520 and $250,915, unamortized premiums of $35,075 and $38,695, and unamortized deferred financing costs of $1,019 and $1,124 at June 30, 2021 and 2020, respectively.	**278,576**	288,486
$402,305 Revenue Bond, Series 2016B; principal payments of $1,705 to $66,900 are due annually through August 2039; interest is payable semiannually at 3.0% to 5.0%; the amount reported includes a face value of $400,680 and $402,305, unamortized premiums of $24,910 and $26,617, and unamortized deferred financing costs of $1,802 and $1,931 at June 30, 2021 and 2020, respectively.	**423,788**	426,991
Other notes payable, secured by deeds of trust	**14,667**	24,242
Cedars-Sinai total	**$ 1,133,012**	$ 1,187,079

(Dollar Amounts Expressed in Thousands)

4. Long-Term Debt (continued)

	June 30 2021	2020
Torrance Memorial		
$135,000 Revenue Bonds, Series 2010A; principal payments of $2,250 to $12,290 are due annually through September 2040; interest is payable semiannually at 3.0% to 5.0%; the amount reported includes unamortized premiums of $6,313 and unamortized deferred financing costs of $1,415 at June 30, 2020; paid down callable bonds in fiscal year 2021.	**$ –**	$ 131,803
$64,860 Revenue Bonds, Series 2010B; principal payments are due semiannually through September 2045; interest is payable based on a variable rate ranging from 1.3% to 3.5%; the amount reported includes a face value of $62,520 and $63,020, unamortized discounts of $0 and $0, and unamortized deferred financing costs of $911 and $949 at June 30, 2021 and 2020, respectively.	**61,609**	62,071
$35,140 Revenue Bonds, Series 2010C; principal payments are due semiannually through September 2045; interest is payable semiannually based on a variable rate ranging from 1.3% to 3.5%; the amount reported includes a face value of $33,860 and $34,135, unamortized discounts of $0 and $0, and unamortized deferred financing costs of $403 and $420 at June 30, 2021 and 2020, respectively.	**33,457**	33,715
$34,795 Revenue Notes, Series 2016A; principal payments of $2,020 to $2,700 are due annually through December 2026; interest is payable semiannually at 2.4%; the amount reported includes a face value of $26,590 and $28,695, unamortized discounts of $333 and $395, and unamortized deferred financing costs of $120 and $142 at June 30, 2021 and 2020, respectively.	**26,137**	28,158
$30,000 Revenue Notes, Series 2016B; principal payments of $2,770 to $3,285 are due annually through December 2026; interest is payable semiannually at 2.3%; the amount reported includes a face value of $18,755 and $21,645, unamortized discounts of $296 and $351, and unamortized deferred financing costs of $117 and $138 at June 30, 2021 and 2020, respectively.	**18,342**	21,156
$124,655 Revenue Bonds, Series 2020A; principal payments of $2,365 to $12,290 are due annually through September 2040; interest is payable monthly at 1.1% to 3.5%; the amount reported includes a face value of $124,655, unamortized discounts of $0, and unamortized deferred financing costs of $160 at June 30, 2021.	**124,495**	–
Other notes payable	**503**	503
Torrance Memorial total	**264,543**	277,406
Cedars-Sinai and Torrance Memorial total	**1,397,555**	1,464,485
Less current maturities for Cedars-Sinai and Torrance Memorial	**53,899**	62,088
	$ 1,343,656	$ 1,402,397

4. Long-Term Debt (continued)

The weighted average interest rate for CSMC's bonds was 3.59% and 3.58% at June 30, 2021 and 2020, respectively.

In December 2012, CSMC entered into a $50,000 credit agreement (the Agreement) with a bank that will expire in February 2023. CSMC may borrow under the Agreement with interest charged at either the London Interbank Offered Rate (LIBOR) plus an applicable margin of 0.375% based on CSMC's Moody's rating (currently Aa3), or at the greater of the bank's fluctuating prime rate minus 1.5%, or 1.0%. At June 30, 2021, the three-month LIBOR was 0.3% and the bank's prime rate was 3.3%. Cedars-Sinai Medical Center also pays a 0.125% annual commitment fee on the unused credit line. The Agreement is secured on a parity basis under the Bond Indenture with the tax-exempt financings of CSMC. No amounts have been borrowed under the Agreement.

In February 2019, CSMC entered into a new $50,000 credit agreement with another bank that will expire in February 2024. The terms are substantially similar to the Agreement described above, except the commitment fee on the unused credit line is 0.10% as of June 30, 2021, and the applicable margin is 0.60% based on CSMC's maintaining its Moody's rating. No amounts have been borrowed under this agreement.

The weighted average interest rate for TMMC's bonds was 3.99% and 3.65% at June 30, 2021 and 2020, respectively.

In August 2020, TMMC issued Torrance Memorial Medical Center Taxable Refunding Bonds, Series 2020 A (Series 2020 A Bonds) in the aggregate principal amount of $124,655. The proceeds of the Series 2020 A were used to refund the outstanding balance of the City of Torrance Revenue Bonds, Series 2010 A. Effective August 25, 2020, TMMC entered into a direct purchase agreement with Barclays Capital Inc. (Barclays), where Barclays agreed to lend to TMMC an amount equal to the aggregate principal amount of the Series 2020 A Bonds. Under terms and conditions of this agreement, the interest rate is a variable rate that is a function of the one-month LIBOR based on the credit rating of Series 2020 A Bonds. The final maturity date is up to 20 years, with a mandatory tender date of November 30, 2022. Total issuance costs of $160 was incurred in connection with the issuance. A gain on extinguishment of debt of $4,857 was recognized, which represents the difference between the amount paid and the net carrying value of the retired bonds.

(Dollar Amounts Expressed in Thousands)

4. Long-Term Debt (continued)

The combined aggregate amount of maturities and sinking fund requirements (excluding the unamortized net premium of $95,276 and unamortized deferred financing costs of $5,816 at June 30, 2021) for the five fiscal years succeeding June 30, 2021 and thereafter is as follows:

2022	$ 43,455
2023	45,948
2024	47,580
2025	49,760
2026	52,055
Thereafter	1,069,297
	$ 1,308,095

For the years ended June 30, 2021 and 2020, interest costs incurred totaled $45,101 and $51,397, respectively, of which $7,791 and $13,423, respectively, was capitalized as part of the cost of construction-in-progress.

5. Retirement Plans

In 1990, the Board of Directors of Cedars-Sinai authorized the suspension of Cedars-Sinai's non-contributory, defined benefit plan, which covered substantially all eligible employees (the Suspended Employee Plan). Benefit accruals under the Suspended Employee Plan were suspended effective December 31, 1990.

In 1991, Cedars-Sinai implemented a defined contribution plan (the Cedars-Sinai Defined Contribution Plan), covering substantially all employees covered under the Suspended Employee Plan. Contributions under the Cedars-Sinai Defined Contribution Plan are calculated based on each employee's years of service and salary and totaled $56,679 and $53,099 for the years ended June 30, 2021 and 2020, respectively. Effective July 1, 2003, Cedars-Sinai offers a noncontributory defined benefit plan (Cedars-Sinai Defined Benefit Plan) to its employees. Contributions under this plan totaled $40,000 and $77,851 for the years ended June 30, 2021 and 2020, respectively. Employees have the choice of participation in either the Cedars-Sinai Defined Benefit Plan or the Cedars-Sinai Defined Contribution Plan and can change the selection once during their employment.

5. Retirement Plans (continued)

Cedars-Sinai employees participate in a 403(b) plan sponsored by Cedars-Sinai. Under the provisions of the plan, participating employees may make voluntary contributions up to 100% of pretax annual compensation, subject to statutory limitations. Cedars-Sinai contributes 50% of the first 6% of compensation that a participant contributes to the plan. Cedars-Sinai's contributions related to the 403(b) plan amounted to approximately $28,171 and $26,435 for the years ended June 30, 2021 and 2020, respectively.

In addition, certain key employees of Cedars-Sinai are covered by separate defined contribution and defined benefit retirement plans, which are not governed by the Employee Retirement Income Security Act of 1974. Contributions under these plans are calculated based on each key employee's salary and totaled $29,146 and $25,480 for the years ended June 30, 2021 and 2020, respectively.

Torrance Memorial has a noncontributory defined benefit retirement plan (the THA Defined Benefit Plan) under which employees, upon retirement, are provided a monthly pension if conditions related to age and length of service have been met. On February 26, 2020, Torrance Memorial amended the THA Defined Benefit Plan to cease benefit accruals and freeze plan participation effective June 27, 2020. The plan amendment reduced the benefit obligation by $37,790 as of February 26, 2020, which was recorded as a curtailment gain in the consolidated statements of operations and changes in net assets. In addition, with the plan freeze, the amortization of outstanding gains and losses has been changed from expected future service to expected future lifetime of the plan population.

On January 1, 2010, Torrance Memorial began a new 401(a) defined contribution plan (THA 401(a) Plan). Torrance Memorial employees hired on or after January 1, 2010, and who are at least 21 years of age, are eligible to participate in the THA 401(a) Plan. Under the provisions of the THA 401(a) Plan, employees become members on January 1 or July 1, whichever is sooner, following the completion of one year of employment in which the employee was credited with at least 1,000 hours of service. Contributions to the THA 401(a) Plan are made entirely by Torrance Memorial and range from 3% to 6% of annual compensation prior to June 27, 2020, based on years of service. Contributions to employee accounts vest based upon years of service, with accounts becoming fully vested upon completion of five years of service with Torrance Memorial. Following the freeze of the THA Defined Benefit Plan effective June 27, 2020, all eligible employees previously participating in the THA Defined Benefit Plan were transferred to the THA 401(a) Plan and the contributions to the THA 401(a) Plan by Torrance Memorial now range from 3% to 11% of annual compensation, based on years of service, with no changes to the vesting conditions.

(Dollar Amounts Expressed in Thousands)

5. Retirement Plans (continued)

Torrance Memorial's contributions to the THA 401(a) Plan amounted to approximately $17,092 and $5,160 for the years ended June 30, 2021 and 2020, respectively.

Torrance Memorial's employees participate in a 403(b) plan sponsored by THA. Under the provisions of the plan, participating employees may make voluntary contributions through salary deductions. Torrance Memorial matches eligible employee contributions at rates between 20% and 100% with a maximum limit of eight hundred dollars per year based upon years of service with Torrance Memorial. Torrance Memorial's contributions related to the 403(b) plan amounted to approximately $0 and $1,296 for the years ended June 30, 2021 and 2020, respectively.

In addition, Torrance Memorial has recorded liabilities for pension benefits of $877 and $6,928 as of June 30, 2021 and 2020, respectively, relating to Torrance Memorial's other retirement plans.

The following tables present information related to changes in projected benefit obligations, plan assets and their composition, funded status, the accumulated benefit obligation, and net periodic pension cost for all Cedars-Sinai and THA defined benefit plans (the Plans) at June 30, 2021 and 2020, and for the years then ended. Cedars-Sinai contributed $13,137 to fund the Cedars-Sinai Defined Benefit Plan in September 2021.

	Year Ended June 30, 2021		
	Cedars- Sinai	**THA**	**Total**
Change in projected benefit obligations:			
Projected benefit obligation at beginning of year	**$ 758,605**	**$ 510,117**	**$ 1,268,722**
Service cost	**46,887**	–	**46,887**
Interest cost	**17,210**	**12,031**	**29,241**
Actuarial losses	**31,098**	**11,202**	**42,300**
Benefits paid	**(20,689)**	**(17,014)**	**(37,703)**
Settlements	**(6,370)**	–	**(6,370)**
Amendments	–	**(479)**	**(479)**
Projected benefit obligation at end of year	**826,741**	**515,857**	**1,342,598**
Change in plan assets:			
Fair value of plan assets at beginning of year	**636,287**	**389,030**	**1,025,317**
Actual gain on plan assets	**149,065**	**99,916**	**248,981**
Employer contributions	**40,000**	**5,400**	**45,400**
Benefits paid	**(20,689)**	**(17,014)**	**(37,703)**
Expenses paid	**(1,089)**	–	**(1,089)**
Settlements	**(6,370)**	–	**(6,370)**
Fair value of plan assets at end of year	**797,204**	**477,332**	**1,274,536**
Funded status	**$ (29,537)**	**$ (38,525)**	**$ (68,062)**

(Dollar Amounts Expressed in Thousands)

5. Retirement Plans (continued)

	June 30, 2021	
	Cedars-Sinai	**THA**
Composition of plan assets:		
Short-term money market funds	**9%**	**6%**
Government and corporate debt	**6**	**23**
U.S. government agencies and asset backed securities	**1**	**4**
Equity securities	**14**	**28**
Mutual funds	**63**	**39**
Common/collective trusts	**7**	**–**
	100%	**100%**

	June 30, 2021		
	Cedars-Sinai	**THA**	**Total**
Amounts recognized as pension liability in the consolidated balance sheet	**$ 29,537**	**$ 38,525**	**$ 68,062**
Accumulated benefit obligation	**$ 779,131**	**$ 515,857**	**$ 1,294,988**

	Year Ended June 30, 2021		
	Cedars-Sinai	**THA**	**Total**
Net periodic benefit cost recognized:			
Service cost	**$ 46,887**	**$ –**	**$ 46,887**
Interest cost	**17,210**	**12,031**	**29,241**
Expected return on plan assets	**(38,235)**	**(23,032)**	**(61,267)**
Amortization of net loss	**18,404**	**2,183**	**20,587**
Amortization of prior service costs	**270**	**–**	**270**
Net periodic benefit cost	**$ 44,536**	**$ (8,818)**	**$ 35,718**

	June 30, 2021	
	Cedars-Sinai	**THA**
Weighted average assumptions used to determine benefit obligations consist of the following:		
Discount rate used to determine service cost	**3.05%**	**N/A**
Discount rate used to determine projected benefit obligation	**2.81**	**2.81**
Expected long-term rate of return on plan assets	**5.75**	**6.00**
Rate of increase in future compensation levels	**4.00**	**N/A**

(Dollar Amounts Expressed in Thousands)

5. Retirement Plans (continued)

	Year Ended June 30, 2020		
	Cedars- Sinai	**THA**	**Total**
Change in projected benefit obligations:			
Projected benefit obligation at beginning of year	$ 652,646	$ 459,358	$ 1,112,004
Service cost	42,866	16,663	59,529
Interest cost	20,976	15,169	36,145
Actuarial losses	64,770	70,121	134,891
Benefits paid	(18,806)	(13,404)	(32,210)
Settlements	(3,847)	–	(3,847)
Curtailments	–	(37,790)	(37,790)
Projected benefit obligation at end of year	758,605	510,117	1,268,722
Change in plan assets:			
Fair value of plan assets at beginning of year	562,046	373,077	935,123
Actual gain on plan assets	20,281	(11,575)	8,706
Employer contributions	77,851	40,932	118,783
Benefits paid	(18,806)	(13,404)	(32,210)
Expenses paid	(1,238)	–	(1,238)
Settlements	(3,847)	–	(3,847)
Fair value of plan assets at end of year	636,287	389,030	1,025,317
Funded status	$ 122,318	$ 121,087	$ 243,405

	June 30, 2020	
	Cedars-Sinai	**THA**
Composition of plan assets:		
Short-term money market funds	14%	10%
Government and corporate debt	8	25
U.S. government agencies and asset-backed securities	–	6
Equity securities	10	25
Mutual funds	64	10
Common/collective trusts	4	24
	100%	100%

(Dollar Amounts Expressed in Thousands)

5. Retirement Plans (continued)

	June 30, 2020		
	Cedars-Sinai	**THA**	**Total**
Amounts recognized as pension liability in the consolidated balance sheet	$ 122,318	$ 121,087	$ 243,405
Accumulated benefit obligation	$ 715,650	$ 510,117	$ 1,225,767

	Year Ended June 30, 2020		
	Cedars-Sinai	**THA**	**Total**
Net periodic benefit cost recognized:			
Service cost	$ 42,866	$ 16,663	$ 59,529
Interest cost	20,976	15,169	36,145
Expected return on plan assets	(34,565)	(24,626)	(59,191)
Amortization of net loss	10,627	–	10,627
Amortization of prior service costs	270	–	270
Net periodic benefit cost	$ 40,174	$ 7,206	$ 47,380

	June 30, 2020	
	Cedars-Sinai	**THA**
Weighted average assumptions used to determine benefit obligations consist of the following:		
Discount rate used to determine service cost	3.85%	3.83%
Discount rate used to determine projected benefit obligation	2.87	2.90
Expected long-term rate of return on plan assets	5.75	6.25
Rate of increase in future compensation levels	4.00	4.00

The expected rate of return on plan assets is updated annually, taking into consideration the Plans' asset allocation, historical returns on the types of assets held in the trusts, and the current economic environment.

(Dollar Amounts Expressed in Thousands)

5. Retirement Plans (continued)

Amounts included in net assets without donor restrictions that have not been recognized in net periodic pension cost as of June 30, 2021, are as follows:

	Cedars-Sinai	**THA**	**Total**
Unrecognized prior service costs	**$ 338**	**$ (479)**	**$ (141)**
Unrecognized prior loss	**143,294**	**44,735**	**188,029**
	$ 143,632	**$ 44,256**	**$ 187,888**

Amounts included in net assets without donor restrictions that have not been recognized in net periodic pension cost as of June 30, 2020, are as follows:

	Cedars-Sinai	**THA**	**Total**
Unrecognized prior service costs	$ 607	$ –	$ 607
Unrecognized prior loss	241,616	112,601	354,217
	$ 242,223	$ 112,601	$ 354,824

The unrecognized prior losses and unamortized prior service costs expected to be recognized over the fiscal year ending June 30, 2022 are $10,996 and $270, respectively, for the Cedars-Sinai Defined Benefit Plan and $0 and ($17), respectively, for the THA Defined Benefit Plan.

Plans Assets

Approximately 97% of plan assets relate to long-term investment activities covering the Health System's general employee population. The other 3% of the assets relate to a special plan for highly compensated employees closer to retirement age. The combined target allocation is 40%–80% equities, 0%–30% fixed income, and 10%–50% short-term instruments. All investments are highly liquid.

(Dollar Amounts Expressed in Thousands)

5. Retirement Plans (continued)

The Health System uses a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instruments. This includes model-derived valuations whose significant inputs are observable.

- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Fair values are based on the market approach valuation technique, which is based on prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following table presents the financial instruments in the Cedars-Sinai Defined Benefit Plan and THA Defined Benefit Plan carried at fair value as of June 30, 2021 and 2020, by level in the valuation hierarchy.

	Level 1	Level 2	Fair Value
June 30, 2021			
Cash and cash equivalents	**$ 97,214**	**$ –**	**$ 97,214**
Equities	**243,126**	**–**	**243,126**
U.S. government issues	**34,521**	**–**	**34,521**
U.S. government agencies and asset-backed securities	**–**	**21,734**	**21,734**
Corporate bonds	**–**	**136,344**	**136,344**
Mutual funds	**689,582**		**689,582**
	$ 1,064,443	**$ 158,078**	**1,222,521**
Common/collective trusts measured at net asset value			**52,015**
			$ 1,274,536

(Dollar Amounts Expressed in Thousands)

5. Retirement Plans (continued)

	Level 1	Level 2	Fair Value
June 30, 2020			
Cash and cash equivalents	$ 129,510	$ –	$ 129,510
Equities	160,871	–	160,871
U.S. government issues	27,106	–	27,106
U.S. government agencies and asset-backed securities	–	25,153	25,153
Corporate bonds	–	119,418	119,418
Mutual funds	445,726	–	445,726
	$ 763,213	$ 144,571	907,784
Common/collective trusts measured at net asset value			117,533
			$ 1,025,317

Plans' Investment Strategy

The Health System's investment policy generally reflects the long-term nature of the pension plans' funding obligations. Assets are invested to achieve a rate of return consistent with policy allocation targets, which significantly contributes to meeting the current and future obligations of the plans, and strives to help ensure solvency of the plans over time. This objective is to be achieved through a well-diversified asset portfolio and emphasis on long-term capital appreciation as a primary source of return. The plans utilize a multi-manager structure of complementary investment styles and classes. Manager qualitative performance is continually evaluated, while a manager's investment performance is judged over an investment market cycle of at least three years.

Plans assets are exposed to risk and fluctuations in market value from year to year. To minimize risk, each manager maintains a diversification of their portfolio to insulate the portfolio from substantial losses in any single security or sector of the market. The asset allocation is reviewed for deviations in the allowable range for each asset class, and rebalancing is implemented as necessary.

The long-term rate of return of the plans' investment allocation is designed to be commensurate with a conservatively managed balance allocation. Fixed-income securities consist ofinvestment-grade bonds.

(Dollar Amounts Expressed in Thousands)

5. Retirement Plans (continued)

Each investment type is managed by an asset manager specializing in various security types. The investment objective of the plans over a three- to five-year period is to produce a rate of return that equals or exceeds the appropriate bond index, S&P 500 stock index, or other appropriate international equity index.

As part of investment policies and strategies, the plans' Investment and Pension Committees meet periodically to review performance. At least annually, the Investment and Pension Committees review and formulate the specific investment and allocation plan. Any adjustments that are deemed necessary are based on specific criteria, i.e., necessary plan funding, plan obligations, plan expenses, and plan liquidity needs.

Plans' Cash Flows

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

	Cedars-Sinai	THA	Total
2022	$ 82,601	$ 22,106	$ 104,707
2023	32,204	19,493	51,697
2024	32,094	20,560	52,654
2025	34,870	21,458	56,328
2026	35,303	22,299	57,602
2027 through 2031	201,572	119,757	321,329

(Dollar Amounts Expressed in Thousands)

6. Investments

Investment income on cash and cash equivalents, investments, board-designated assets, and assets limited as to use consists of the following:

	Year Ended June 30	
	2021	**2020**
Interest and dividend income	**$ 38,982**	$ 64,850
Realized gains	**152,089**	14,013
Net change in unrealized gains	**413,658**	46,635
	$ 604,729	$ 125,498
Investment income without donor restrictions	**$ 589,749**	$ 111,599
Investment income with donor restrictions	**14,980**	13,899
	$ 604,729	$ 125,498

The following table presents the financial instruments carried at fair value as of June 30, 2021 and 2020, by valuation hierarchy, as defined in Note 5. Alternative investments are recorded at net asset value, which is a practical expedient for fair value. The alternative investments are redeemable monthly, quarterly, semiannually, annually, or at the end of the term.

There were no significant transfers between Levels 1, 2, or 3 during the years ended June 30, 2021 and 2020. Fair values are based on the market approach valuation technique as defined in Note 5. There are no capital commitments associated with alternative investments.

	Level 1	**Level 2**	**Fair Value**
June 30, 2021			
Cash and cash equivalents in assets limited to use	**$ 54,067**	**$ –**	**$ 54,067**
Equities	**739,726**	**–**	**739,726**
U.S. government debt	**254,920**	**–**	**254,920**
U.S. government agencies and asset-backed securities	**–**	**57,082**	**57,082**
Corporate debt (domestic)	**–**	**681,598**	**681,598**
Foreign government debt	**–**	**116,226**	**116,226**
Mutual funds and other	**1,061,401**	**–**	**1,061,401**
	$ 2,110,114	**$ 854,906**	**2,965,020**
Alternative investments measured at net asset value			**449,391**
			$ 3,414,411

(Dollar Amounts Expressed in Thousands)

6. Investments (continued)

	Level 1	Level 2	Fair Value
June 30, 2020			
Cash and cash equivalents in assets limited to use	$ 131,729	$ –	$ 131,729
Equities	527,622	–	527,622
U.S. government debt	255,527	–	255,527
U.S. government agencies and asset-backed securities	–	46,175	46,175
Corporate debt (domestic)	–	369,355	369,355
Foreign government debt	–	83,807	83,807
Mutual funds and other	796,144	–	796,144
	$ 1,711,022	$ 499,337	2,210,359
Alternative investments measured at net asset value			456,088
			$ 2,666,447

The following information pertains to those alternative investments recorded at net asset value in accordance with *Fair Value Measurement* (Topic 820) of the FASB ASC.

At June 30, 2021, alternative investments recorded at net asset value consisted of the following:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice
Hedge Funds	**$ 297,043**	**$ –**	Monthly to Annual	30-90 days
Private Equity	**152,348**	**28,136**	None	None
Total alternative investments	**$ 449,391**	**$ 28,136**		

At June 30, 2020, alternative investments recorded at net asset value consisted of the following:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice
Hedge Funds	$ 383,407	$ –	Monthly to Annual	30-90 days
Private Equity	72,681	24,000	None	None
Total alternative investments	$ 456,088	$ 24,000		

(Dollar Amounts Expressed in Thousands)

6. Investments (continued)

Hedge funds: This class includes investments in hedge funds that expand the universe of potential investment approaches available by employing a variety of strategies and techniques within and across various asset classes. The primary objective for these funds is to balance returns, while limiting volatility by allocating capital to external portfolio managers selected for expertise in one or more investment strategies that may include, but are not limited to, equity long/short, event driven, relative value, and directional. The fair value of the investments in this category have been estimated using the NAV per share of the investments. Investments in this category generally carry "lockup" restrictions that do not allow investors to seek redemption in the first year after acquisition. Following the initial lockup period, liquidity is generally available monthly or quarterly following a redemption request. Over 50% of the investments in this category have at least quarterly liquidity.

Private equity funds: This class includes private equity funds that specialize in providing capital to a variety of investment groups including, but not limited to venture capital, leveraged buyout, mezzanine debt, distressed debt, and other strategies. The fair value of the investments in this category have been estimated using the NAV of the Health System's ownership interest in partner's capital. Distributions from each fund will be received as the underlying investments of the fund liquidated. There is no provision for redemptions during the life of these funds.

7. Availability of Financial Assets

The following reflects the Health System's financial assets at June 30, 2021 and 2020, reduced by amounts not available for general use within one year of the consolidated balance sheet date because of contractual or donor-imposed restrictions.

	2021	2020
Cash and cash equivalents	**$ 1,248,138**	$ 1,297,325
Short-term investments	**952,150**	660,140
Board-designated assets	**1,708,139**	1,284,604
Patient accounts receivable	**790,580**	579,465
	$ 4,699,007	$ 3,821,534

(Dollar Amounts Expressed in Thousands)

7. Availability of Financial Assets (continued)

Board-designated assets include investments designated by the Health System's Board of Directors (the Board) for future capital expenditures, physician programs, academic programs, and fundraising. However, the Board retains control of these assets and will, at its discretion, and if necessary, use these assets for operating purposes. Therefore, Board-designated assets are included in the amounts above.

The Health System has assets limited to use, as described in Note 2, which are not reflected in the amounts above. As part of the Health System's liquidity management plan, cash in excess of daily requirements for general expenditures is invested in short-term investments that can be drawn upon, if necessary, to meet the liquidity needs of the Health System.

The Health System has two $50,000 credit agreements, as discussed in Note 4. As of June 30, 2021, $50,000 was available at each bank.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

	2021	2020
Health care services	**$ 487,566**	$ 366,240
Purchase of capital assets	**39,538**	10,390
Health education and research	**150,606**	150,925
Endowment funds	**378,476**	373,592
	$ 1,056,186	$ 901,147

During the years ended June 30, 2021 and 2020, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes of health care services and health education totaling $248,701 and $232,215, respectively, and capital expenditures and contributions totaling $734 and $3,118, respectively.

Endowment funds at June 30, 2021 and 2020 are restricted to investments that are to be held in perpetuity to provide a permanent source of income.

(Dollar Amounts Expressed in Thousands)

8. Net Assets With Donor Restrictions (continued)

Pledges are recognized as contributions at the present value of expected future payments. The discount rate used is the estimated risk-free discount rate at the time of the donation (ranging from 0.39% to 13.82%). Pledges receivable in donor-restricted net assets are scheduled to be received as follows:

	2021	2020
Due in one year or less	**$ 53,386**	$ 51,105
Due after one year through five years	**167,841**	94,079
Due after five years	**156,106**	142,078
Total	**377,333**	287,262
Allowance for uncollectible pledges and discounting	**(47,418)**	(53,135)
Pledges receivable	**329,915**	234,127
Less current portion	**46,438**	36,273
	$ 283,477	$ 197,854

During the years ended June 30, 2021 and 2020, the Health System had the following endowment-related activities:

	With Donor Restrictions	Without Donor Restrictions	Total
Endowment net assets, beginning of year July 1, 2019	$ 347,996	$ 522,766	$ 870,762
Contributions	25,596	10,795	36,391
Investment income	11,006	21,158	32,164
Transfers of investment income	(11,006)	(1,779)	(12,785)
Endowment net assets, end of year June 30, 2020	373,592	552,940	926,532
Contributions	**4,884**	**30,000**	**34,884**
Other transfers	**–**	**30,000**	**30,000**
Investment income	**11,718**	**194,978**	**206,696**
Transfers of investment income	**(11,718)**	**(2,092)**	**(13,810)**
Endowment net assets, end of year June 30, 2021	**$ 378,476**	**$ 805,826**	**$ 1,184,302**

8. Net Assets With Donor Restrictions (continued)

The Health System's endowment consists of 245 individual funds for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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 Health System to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of June 30, 2021 or 2020.

The Health System's Board has interpreted the Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the corpus of the various donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Health System classifies as donor-restricted net assets: (a) the original value of gifts donated, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Health System has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity, as well as Board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield of market benchmarks. Actual returns in any given year may vary from this goal.

To satisfy the long-term rate of return objectives, the Health System relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Health System targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent constraints.

(Dollar Amounts Expressed in Thousands)

9. Leases

The Health System leases property and equipment under operating and finance leases, whose terms vary in length from month to month to 15 years, with renewal options upon prior written notice, typically for 5 years depending upon the agreed-upon terms with the landlord. Rents under the Health System's lease amounts generally increase from 2% to 5% on an annual basis. The Health System determines if an arrangement is a lease at contract inception. Leases with an initial term of 12 months or less are not recorded on the Health System's consolidated balance sheets. The Health System has lease agreements that require payments for lease and non-lease components and has elected to account for these as a single lease component.

Lease assets represent the Health System's right to use an underlying asset for the lease term, and lease liabilities represent the Health System's obligation to make lease payments arising from the lease. Lease assets and lease liabilities are recorded at the present value of lease payments over the lease term at the commencement date using the risk-free rate based on the daily treasury yield curve. Most leases include rental escalation clauses, renewal options, and/or termination options that are factored into the determination of lease payments. Operating fixed lease expense and finance lease depreciation expense are recognized on a straight-line basis over the lease term. Variable lease payments are non-lease services related to the lease, including maintenance, repairs, property taxes, and insurance costs which are excluded from the right-of-use assets and lease liabilities and are recognized in the period in which the obligation of those payments is incurred. As it is not reasonably certain that renewal options will be exercised, the Health System does not include renewal options in the lease term for calculating the lease liability.

Lease term and discount rate as of June 30, 2021 and 2020 are as follows:

	2021	**2020**
Weighted average operating leases remaining lease term	**7.1 years**	7.3 years
Weighted average finance leases remaining lease term	**4.4 years**	3.9 years
Weighted average operating lease discount rate	**1.8%**	2.0%
Weighted average finance lease discount rate	**1.1%**	1.8%

(Dollar Amounts Expressed in Thousands)

9. Leases (continued)

Lease expense for lease payments is recognized on a straight-line basis over the lease term. The components of lease expense for the years ended June 30, 2021 and 2020 are as follows:

	2021	2020
Operating lease expense	**$ 86,155**	$ 87,734
Variable lease expense	**32,492**	38,123
Short-term lease expense	**254**	1,569
Sublease income	**(4,621)**	(4,653)
Finance lease expense:		
Amortization of leased assets	**2,275**	1,730
Interest on lease liabilities	**98**	103
Total lease expense	**$ 116,653**	$ 124,606

Supplemental cash flow information related to leases for the year ended June 30, 2021 are as follows:

Cash paid for amounts included in the measurement of lease liabilities:

	2021	2020
Operating cash flows from operating leases	**$ 88,317**	$ 88,827
Operating cash flows from finance leases	**88**	99
Financing cash flows from finance leases	**2,800**	2,075
Lease assets obtained in exchange for new operating lease liabilities	**$ 64,286**	$ 479,145
Lease assets obtained in exchange for new finance lease liabilities	**10,276**	7,652

(Dollar Amounts Expressed in Thousands)

9. Leases (continued)

The following table summarizes the maturity of lease liabilities under operating and finance leases for the next five years and the years thereafter, as of June 30, 2021:

	Operating Leases	Finance Leases	Total
2022	$ 86,796	$ 7,570	$ 94,366
2023	74,416	6,713	81,129
2024	70,176	5,990	76,166
2025	62,920	4,414	67,334
2026	54,103	3,552	57,655
Thereafter	149,441	318	149,759
Total lease payments	$ 497,852	$ 28,557	$ 526,409
Less: interest	(40,567)	(14,548)	
Total lease liabilities	$ 457,285	$ 14,009	

In 2013, THA financed $39,600 of the Torrance Memorial Specialty Center through a sale leaseback transaction with Continental Development Corp. (CDC). THA received $23,100 in cash and $16,500 in five-year notes receivable from CDC for the sale of the property. In 2012, THA financed $24,900 of certain properties through sale leaseback transactions with CDC. THA received $14,900 in cash and $10,000 in five-year notes receivable from CDC for the sale of the properties. THA recorded the sale of these properties based on the relative fair value on the date of the transaction. As a result, no gains or losses were recorded in THA's statement of operations. The amount recorded in property and equipment under these leases as of June 30, 2021 and 2020 is $38,841 and $40,001, respectively, after accumulated depreciation. The amount recorded in accounts payable and other accrued liabilities representing the current portion of the sale-leaseback liability as of June 30, 2021 and 2020 is $2,051 and $1,892, respectively. The amount recorded in other liabilities representing the noncurrent portion of the sale-leaseback liability as of June 30, 2021 and 2020 is $84,897 and $86,949, respectively.

10. Commitments and Contingencies

Pending claims and legal proceedings at June 30, 2021 are set forth below. For all matters where a loss is probable and reasonably estimable, an estimate of the loss or a range of loss is provided. Where no estimate is provided, a loss is not probable or an amount of loss is not reasonably estimable at this time.

Litigation – Employment Practices (Class Action)

Wage and hour complaints have multiplied in the hospital field in the last few years. The Health System is now defending a series of separate cases, which, in various forms, contend that there has been a failure to pay overtime wages, failure to pay minimum wages, failure to provide meal periods or compensation in lieu thereof, failure to provide rest periods or compensation in lieu thereof, failure to pay wages in a timely manner at separation, failure to provide accurate itemized wage statements, and/or unfair business practices.

These cases have been assigned to the "complex" division of the Superior Court. Outside counsel has been retained to defend these cases, and the Health System will vigorously defend the class action function and other allegations. The cost and outcome of these cases cannot be ascertained at this time.

Other

In addition to the above, the Health System is a defendant in various other legal actions arising from the normal conduct of business. Management believes that the ultimate resolution of all proceedings will not have a material adverse effect upon the consolidated financial position, results of operations, or cash flows of the Health System. Further, new claims or inquiries may be initiated against the Health System and its affiliates from time to time. These matters could: (1) require the Health System to pay substantial damages or amounts in judgments or settlements, which, individually or in the aggregate, could exceed amounts, if any, that may be recovered under the insurance policies where coverage applies and is available; (2) cause the Health System to incur substantial expenses; and (3) require significant time and attention from management.

The Health System cannot predict the results of current or future claims and lawsuits. The Health System recognizes that, where appropriate, the Health System's interests may be best served by resolving certain matters without litigation. If a non-litigated resolution is not appropriate or possible with respect to a particular matter, the Health System will defend itself vigorously. The

(Dollar Amounts Expressed in Thousands)

10. Commitments and Contingencies (continued)

ultimate resolution of claims against the Health System, individually or in the aggregate, could have a material adverse effect on the Health System's business (both in the near and long term), consolidated financial position, results of operations, or cash flows.

11. Functional Expenses

The Health System provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended June 30, 2021 and 2020 are as follows:

	Health Care Services	General and Administrative	Fundraising	Total
June 30, 2021				
Salaries and related costs	**$ 2,396,659**	**$ 312,244**	**$ 10,076**	**$ 2,718,979**
Professional fees	**476,932**	**–**	**–**	**476,932**
Materials, supplies, and other	**1,552,850**	**245,525**	**2,355**	**1,800,730**
Medi-Cal Fee Program expense	**133,338**	**–**	**–**	**133,338**
Interest	**31,228**	**6,081**	**–**	**37,309**
Depreciation and amortization	**223,270**	**30,313**	**503**	**254,086**
	$ 4,814,277	**$ 594,163**	**$ 12,934**	**$ 5,421,374**

	Health Care Services	General and Administrative	Fundraising	Total
June 30, 2020				
Salaries and related costs	$ 2,225,837	$ 288,665	$ 8,795	$ 2,523,297
Professional fees	369,876	–	–	369,876
Materials, supplies, and other	1,388,217	221,818	3,851	1,613,886
Medi-Cal Fee Program expense	127,658	–	–	127,658
Interest	31,650	6,324	–	37,974
Depreciation and amortization	203,694	27,122	491	231,307
	$ 4,346,932	$ 543,929	$ 13,137	$ 4,903,998

The consolidated financial statements report certain expense categories that are attributable to more than one function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including interest, depreciation, amortization, and other occupancy costs, are allocated to a function based on total functional cost before allocation.

12. COVID-19

In March 2020, the World Health Organization (WHO) declared the novel coronavirus disease (COVID-19) a pandemic. The Center for Disease Control confirmed its spread to the United States and it was declared a national public health emergency, followed by several state emergency declarations, and the Centers for Medicare and Medicaid Services (CMS) issuing guidance regarding elective procedures. California Governor Gavin Newsom issued a community shelter in place order on March 19, 2020. Following the guidelines from federal, state, and local governments, the Health System decided to postpone nonessential or elective surgical procedures starting the third week of March 2020, which led to a reduction in the Health System's overall patient volume and patient service revenue. The Health System implemented a Pay Protection Program, which allowed those employees whose work was affected due to low volume or cancellations to be reassigned to other areas in need and to be paid in full while waiting for reassignment.

The Health System began experiencing gradual and continued improvement in patient volumes in May and June of 2020 as the State eased stay-at-home restrictions and announced plans to resume delayed health care services that were deferred as hospitals prepared for a COVID-19 surge.

From December 2020 to March 2021, many states, including California, experienced a second surge of COVID-19. The Health System incurred incremental expenses, including higher usage of contract labor, premium labor, supply costs, and lost revenues in response to the surge. The Health System will continue to monitor the impact of the pandemic on its operations and financial results, as the duration of the pandemic is unknown.

From April 2020 through January 2021, the Health System received $261,103 from various provisions in the CARES Act Provider Relief Fund. These payments are not subject to repayment, provided the Health System is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for health-care-related expenses or lost revenue attributable to COVID-19. Based on an analysis of the compliance and reporting requirement of the Provider Relief Fund and the impact of the pandemic on the Health System's operating results through June 30, 2021, the Health System believes there is reasonable assurance the applicable terms and conditions required to retain the funds are met as of June 30, 2021 and 2020. Therefore, the Health System recorded the payments of $119,053 and $141,921 in other operating revenues in the consolidated statements of operations and changes in net assets for the year ended June 30, 2021 and 2020, respectively. The Health System will

12. COVID-19 (continued)

continue to monitor the terms and conditions of the CARES Act funding and the impact of the pandemic on revenues and expenses. If the Health System is unable to attest or comply with future terms and conditions, the ability to retain some or all of the distributions received may be impacted.

Additionally, the Health System received approximately $59,000 of Medicare advance payments in April 2020 as part of the Accelerated and Advance Payment Program from the CMS, which has been recorded in due to third-party payers in the consolidated balance sheet. The repayment process started in April 2021. The unpaid balance as of June 30, 2021 was $51,893.

13. Subsequent Events

On July 15, 2020, the Health System entered into an affiliation agreement with Pasadena Hospital Association Ltd., a California nonprofit public benefit corporation doing business as Huntington Hospital, for the purpose of Huntington Hospital joining the Health System's integrated health care delivery system. Huntington Hospital is a 619-bed nonprofit hospital in Pasadena, California. The affiliation includes commitments to continue investment in Huntington Hospital in enterprise information technology, expanded ambulatory services, and enhanced physician development. It will also enable collaborations with the other entities in the Health System to ensure access to high-quality, accessible, and affordable care throughout the region. On August 4, 2021, the affiliation between Huntington Hospital and Cedars-Sinai Health System became official with the completion of the appropriate government regulatory approvals. The Health System is the sole corporate member of Huntington Hospital. Effective August 4, 2021, the financial results of Huntington Hospital will be included in the Health System's consolidated financial statements.

Supplementary Information

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Report of Independent Auditors on Supplementary Information

The Board of Directors
Cedars-Sinai Health System

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating balance sheets as of June 30, 2021 and 2020, and the consolidating statements of operations and changes in net assets for the years then ended, are presented for purposes of additional analysis and are 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. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ernst & Young LLP

October 22, 2021

Cedars-Sinai Health System

Consolidating Balance Sheets

(Dollar Amounts Expressed in Thousands)

June 30, 2021

	Cedars-Sinai	THA	CSHS	Eliminations/ Reclassifications	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ 1,214,777	$ 32,612	$ 749	$ –	$ 1,248,138
Short-term investments	943,163	8,987	–	–	952,150
Board-designated assets	1,398,962	309,177	–	–	1,708,139
Current portion of assets limited as to use:					
Funds held by trustee	3,356		–	–	3,356
Pledges receivable	37,874	8,564	–	–	46,438
Managed care reserve fund		79,228	–	–	79,228
Patient accounts receivable	677,583	112,997	–	–	790,580
Due from affiliates or parent	28,978	–	–	(28,978)	–
Inventory	47,564	15,003	–	–	62,567
Prepaid expenses and other assets	221,372	70,386	–	–	291,758
Total current assets	4,573,629	636,954	749	(28,978)	5,182,354
Assets limited as to use:					
Investments	665,538	6,000	–	–	671,538
Pledges receivable, less current portion	204,679	78,798	–	–	283,477
	870,217	84,798	–	–	955,015
Property and equipment, net	2,767,940	691,717	36,714	–	3,496,371
Goodwill and other intangible assets	163,654	1,644	–	–	165,298
Equity method investments	230,540	–	–	–	230,540
Other noncurrent assets	277,233	14,522	625,508	(660,284)	256,979
Operating lease right-of-use asset	359,067	33,104	–	–	392,171
Financing lease right-of-use asset	13,790	–	–	–	13,790
Total assets	$ 9,256,070	$ 1,462,739	$ 662,971	$ (689,262)	$ 10,692,518

Cedars-Sinai Health System

Consolidating Balance Sheets (continued)

(Dollar Amounts Expressed in Thousands)

June 30, 2021

	Cedars-Sinai	THA	CSHS	Eliminations/ Reclassifications	Consolidated
Liabilities and net assets					
Current liabilities:					
Accounts payable and other accrued liabilities	$ 442,753	$ 110,999	$ 1,938	$ –	$ 555,690
Due to third-party payers	16,060	53,836	–	–	69,896
Accrued payroll and related liabilities	388,241	51,904	–	–	440,145
Due to affiliates	–	27,978	1,000	(28,978)	–
Risk pool liabilities		109,009	–	–	109,009
Current maturities of long-term debt	45,629	8,270	–	–	53,899
Current operating lease liabilities	73,665	5,321	–	–	78,986
Current financing lease liabilities	3,664	–	–	–	3,664
Total current liabilities	970,012	367,317	2,938	(28,978)	1,311,289
Long-term debt, less current maturities	1,087,383	256,273	–	–	1,343,656
Long-term operating lease liabilities	349,432	28,867	–	–	378,299
Long-term financing lease liabilities	10,345	–	–	–	10,345
Accrued workers' compensation and malpractice insurance claims, less current portion	165,520	12,399	–	–	177,919
Pension liability	29,537	38,525	–	–	68,062
Other liabilities	850	85,747	–	–	86,597
Net assets:					
Without donor restrictions:					
Controlling interests	5,657,978	554,583	660,033	(660,284)	6,212,310
Noncontrolling interests	47,855	–	–	–	47,855
With donor restrictions	937,158	119,028	–	–	1,056,186
Total net assets	6,642,991	673,611	660,033	(660,284)	7,316,351
Total liabilities and net assets	$ 9,256,070	$ 1,462,739	$ 662,971	$ (689,262)	$ 10,692,518

Cedars-Sinai Health System

Consolidating Balance Sheets

(Dollar Amounts Expressed in Thousands)

June 30, 2020

	Cedars-Sinai	THA	CSHS	Eliminations/ Reclassifications	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ 1,252,321	$ 44,130	$ 874	$ –	$ 1,297,325
Short-term investments	652,797	7,343	–	–	660,140
Board-designated assets	999,653	284,951	–	–	1,284,604
Current portion of assets limited as to use:					
Funds held by trustee	1,864	–	–	–	1,864
Pledges receivable	26,579	9,694	–	–	36,273
Managed care reserve fund		89,208	–	–	89,208
Patient accounts receivable	499,146	80,319	–	–	579,465
Due from affiliates or parent	51,467	–	–	(51,467)	–
Inventory	46,501	14,316	–	–	60,817
Prepaid expenses and other assets	204,072	59,973	–	–	264,045
Total current assets	3,734,400	589,934	874	(51,467)	4,273,741
Assets limited as to use:					
Investments	611,515	19,116	–	–	630,631
Pledges receivable, less current portion	115,137	82,717	–	–	197,854
	726,652	101,833	–	–	828,485
Property and equipment, net	2,670,473	708,487	30,640	–	3,409,600
Goodwill and other intangible assets	184,993	1,644	–	–	186,637
Equity method investments	127,066	–	–	–	127,066
Other noncurrent assets	257,755	25,172	625,508	(655,233)	253,202
Operating lease right-of-use asset	377,028	27,518	–	–	404,546
Financing lease right-of-use asset	6,614	–	–	–	6,614
Total assets	$ 8,084,981	$ 1,454,588	$ 657,022	$ (706,700)	$ 9,489,891

Cedars-Sinai Health System

Consolidating Balance Sheets (continued)

(Dollar Amounts Expressed in Thousands)

June 30, 2020

	Cedars-Sinai	THA	CSHS	Eliminations/ Reclassifications	Consolidated
Liabilities and net assets					
Current liabilities:					
Accounts payable and other accrued liabilities	$ 401,885	$ 104,797	$ 915	$ –	$ 507,597
Due to third-party payers	30,019	61,918	–	–	91,937
Accrued payroll and related liabilities	338,609	57,067	–	–	395,676
Due to affiliates	–	50,467	1,000	(51,467)	–
Risk pool liabilities		113,441	–	–	113,441
Current maturities of long-term debt	54,068	8,020	–	–	62,088
Current operating lease liabilities	73,866	5,611	–	–	79,477
Current financing lease liabilities	2,144	–	–	–	2,144
Total current liabilities	900,591	401,321	1,915	(51,467)	1,252,360
Long-term debt, less current maturities	1,133,011	269,386	–	–	1,402,397
Long-term operating lease liabilities	365,421	22,599	–	–	388,020
Long-term financing lease liabilities	4,331	–	–	–	4,331
Accrued workers' compensation and malpractice insurance claims, less current portion	164,898	11,756	–	–	176,654
Pension liability	122,318	121,087	–	–	243,405
Other liabilities	850	87,799	–	–	88,649
Net assets:					
Without donor restrictions:					
Controlling interests	4,562,330	419,639	655,107	(655,233)	4,981,843
Noncontrolling interests	51,085	–	–	–	51,085
With donor restrictions	780,146	121,001	–	–	901,147
Total net assets	5,393,561	540,640	655,107	(655,233)	5,934,075
Total liabilities and net assets	$ 8,084,981	$ 1,454,588	$ 657,022	$ (706,700)	$ 9,489,891

Cedars-Sinai and Affiliates

Consolidating Balance Sheets

(Dollar Amounts Expressed in Thousands)

June 30, 2021

	Cedars-Sinai Medical Center	Cedars-Sinai Medical Care Foundation	Marina Del Rey Hospital	Others	Eliminations/ Reclassifications	Cedars-Sinai Total
Assets						
Current assets:						
Cash and cash equivalents	$ 1,077,760	$ 92,896	$ 36,326	$ 7,795	$ –	$ 1,214,777
Short-term investments	942,917	–	–	246	–	943,163
Board-designated assets	1,398,962	–	–	–	–	1,398,962
Current portion of assets limited as to use:						
Funds held by trustee	3,356	–	–	–	–	3,356
Pledges receivable	37,874	–	–	–	–	37,874
Patient accounts receivable	580,579	56,151	22,507	18,346	–	677,583
Due from affiliates	112,667	–	–	–	(83,689)	28,978
Inventory	40,591	4,340	1,203	1,430	–	47,564
Prepaid expenses and other assets	184,317	22,113	13,815	1,127	–	221,372
Total current assets	4,379,023	175,500	73,851	28,944	(83,689)	4,573,629
Assets limited as to use:						
Investments	665,538	–	–	–	–	665,538
Pledges receivable, less current portion	204,679	–	–	–	–	204,679
	870,217	–	–	–	–	870,217
Property and equipment, net	2,428,501	206,229	106,396	26,814	–	2,767,940
Goodwill and other intangible assets	45,393	25,237	12,190	80,834	–	163,654
Equity method investments	189,008	–	–	41,532	–	230,540
Other noncurrent assets	344,219	–	2,212	73,314	(142,512)	277,233
Operating lease right-of-use asset	183,990	157,621	691	16,765	–	359,067
Financing lease right-of-use asset	12,658	22	163	947	–	13,790
Total assets	$ 8,453,009	$ 564,609	$ 195,503	$ 269,150	$ (226,201)	$ 9,256,070

Cedars-Sinai and Affiliates

Consolidating Balance Sheets (continued)

(Dollar Amounts Expressed in Thousands)

June 30, 2021

	Cedars-Sinai Medical Center	Cedars-Sinai Medical Care Foundation	Marina Del Rey Hospital	Others	Eliminations/ Reclassifications	Cedars-Sinai Total
Liabilities and net assets						
Current liabilities:						
Accounts payable and other accrued liabilities	$ 365,840	$ 49,856	$ 18,593	$ 8,464	$ –	$ 442,753
Due to third-party payers	16,060	–	–	–	–	16,060
Accrued payroll and related liabilities	364,483	14,464	7,575	1,719	–	388,241
Due to affiliates	–	–	75,839	7,850	(83,689)	–
Current maturities of long-term debt	45,629	–	–	–	–	45,629
Current operating lease liabilities	33,499	33,984	692	5,490	–	73,665
Current financing lease liabilities	3,410	23	47	184	–	3,664
Total current liabilities	828,921	98,327	102,746	23,707	(83,689)	970,012
Long-term debt, less current maturities	1,087,383	–	–	–	–	1,087,383
Long-term operating lease liabilities	181,946	155,061	20	12,405	–	349,432
Long-term financing lease liabilities	9,584	–	118	643	–	10,345
Accrued workers' compensation and malpractice insurance claims, less current portion	158,329	–	7,191	–	–	165,520
Pension liability	29,537	–	–	–	–	29,537
Other liabilities	–	–	850	–	–	850
Net assets:						
Without donor restrictions:						
Controlling interests	5,220,151	311,221	84,578	182,003	(139,975)	5,657,978
Noncontrolling interests	–	–	–	50,392	(2,537)	47,855
With donor restrictions	937,158	–	–	–	–	937,158
Total net assets	6,157,309	311,221	84,578	232,395	(142,512)	6,642,991
Total liabilities and net assets	$ 8,453,009	$ 564,609	$ 195,503	$ 269,150	$ (226,201)	$ 9,256,070

Cedars-Sinai and Affiliates

Consolidating Balance Sheets

(Dollar Amounts Expressed in Thousands)

June 30, 2020

	Cedars-Sinai Medical Center	Cedars-Sinai Medical Care Foundation	Marina Del Rey Hospital	Others	Eliminations/ Reclassifications	Cedars-Sinai Total
Assets						
Current assets:						
Cash and cash equivalents	$ 1,140,118	$ 70,230	$ 31,876	$ 10,097	$ –	$ 1,252,321
Short-term investments	652,797	–	–	–	–	652,797
Board-designated assets	999,653	–	–	–	–	999,653
Current portion of assets limited as to use:						
Funds held by trustee	1,864	–	–	–	–	1,864
Pledges receivable	26,579	–	–	–	–	26,579
Patient accounts receivable	435,461	32,902	18,170	12,613	–	499,146
Due from affiliates	115,132	–	–	–	(63,665)	51,467
Inventory	41,139	3,385	1,171	806	–	46,501
Prepaid expenses and other assets	171,107	18,713	13,064	1,188	–	204,072
Total current assets	3,583,850	125,230	64,281	24,704	(63,665)	3,734,400
Assets limited as to use:						
Investments	611,515	–	–	–	–	611,515
Pledges receivable, less current portion	115,137	–	–	–	–	115,137
	726,652	–	–	–	–	726,652
Property and equipment, net	2,377,106	189,313	96,196	7,858	–	2,670,473
Goodwill and other intangible assets	51,878	28,842	13,931	90,342	–	184,993
Equity method investments	127,066	–	–	–	–	127,066
Other noncurrent assets	399,647	–	2,848	111	(144,851)	257,755
Operating lease right-of-use asset	172,196	182,808	1,475	20,549	–	377,028
Financing lease right-of-use asset	5,533	76	314	691	–	6,614
Total assets	$ 7,443,928	$ 526,269	$ 179,045	$ 144,255	$ (208,516)	$ 8,084,981

Cedars-Sinai and Affiliates

Consolidating Balance Sheets (continued)

(Dollar Amounts Expressed in Thousands)

June 30, 2020

	Cedars-Sinai Medical Center	Cedars-Sinai Medical Care Foundation	Marina Del Rey Hospital	Others	Eliminations/ Reclassifications	Cedars-Sinai Total
Liabilities and net assets						
Current liabilities:						
Accounts payable and other accrued liabilities	$ 350,275	$ 29,823	$ 15,930	$ 5,857	$ –	$ 401,885
Due to third-party payers	28,716	–	1,303	–	–	30,019
Accrued payroll and related liabilities	318,016	12,990	6,329	1,274	–	338,609
Due to affiliates	–	–	57,378	6,287	(63,665)	–
Current maturities of long-term debt	53,993	–	–	75	–	54,068
Current operating lease liabilities	34,173	33,414	815	5,464	–	73,866
Current financing lease liabilities	1,580	54	150	360	–	2,144
Total current liabilities	786,753	76,281	81,905	19,317	(63,665)	900,591
Long-term debt, less current maturities	1,133,011	–	–	–	–	1,133,011
Long-term operating lease liabilities	166,747	181,510	682	16,482	–	365,421
Long-term financing lease liabilities	4,142	23	166	–	–	4,331
Accrued workers' compensation and malpractice insurance claims, less current portion	156,940	–	7,958	–	–	164,898
Pension liability	122,318	–	–	–	–	122,318
Other liabilities	–	–	850	–	–	850
Net assets:						
Without donor restrictions:						
Controlling interests	4,293,871	268,455	87,484	54,372	(141,852)	4,562,330
Noncontrolling interests	–	–	–	54,084	(2,999)	51,085
With donor restrictions	780,146	–	–	–	–	780,146
Total net assets	5,074,017	268,455	87,484	108,456	(144,851)	5,393,561
Total liabilities and net assets	$ 7,443,928	$ 526,269	$ 179,045	$ 144,255	$ (208,516)	$ 8,084,981

Torrance Health Association, Inc. and Affiliates

Consolidating Balance Sheets

(Dollar Amounts Expressed in Thousands)

June 30, 2021

	Torrance Health Association, Inc. (THA)	Torrance Memorial Medical Center	Torrance Memorial Medical Center Health Care Foundation	Eliminations/ Reclassifications	THA Total
Assets					
Current assets:					
Cash and cash equivalents	$ 9,534	$ 12,219	$ 10,859	$ –	$ 32,612
Short-term investments	8,987	–	–	–	8,987
Board-designated assets	–	289,818	22,359	(3,000)	309,177
Current portion of assets limited as to use:					
Pledges receivable	–	–	8,564	–	8,564
Managed care reserve fund	–	79,228	–	–	79,228
Patient accounts receivable	13,557	99,440	–	–	112,997
Due from affiliates	10,602	–	–	(10,602)	–
Inventory	447	14,556	–	–	15,003
Prepaid expenses and other assets	5,231	65,155	–	–	70,386
Total current assets	48,358	560,416	41,782	(13,602)	636,954
Assets limited as to use:					
Investments	–	6,000	–	–	6,000
Pledges receivable, less current portion	–	–	78,798	–	78,798
	–	6,000	78,798	–	84,798
Property and equipment, net	95,693	599,466	–	(3,442)	691,717
Interest in TMMCF net assets	–	119,593	–	(119,593)	–
Goodwill and other intangible assets	262	1,382	–	–	1,644
Other noncurrent assets	4,845	9,677	–	–	14,522
Operating lease right-of-use asset	20,733	12,371	–	–	33,104
Total assets	$ 169,891	$ 1,308,905	$ 120,580	$ (136,637)	$ 1,462,739

Torrance Health Association, Inc. and Affiliates

Consolidating Balance Sheets (continued)

(Dollar Amounts Expressed in Thousands)

June 30, 2021

	Torrance Health Association, Inc. (THA)	Torrance Memorial Medical Center	Torrance Memorial Medical Center Health Care Foundation	Eliminations/ Reclassifications	THA Total
Liabilities and net assets					
Current liabilities:					
Accounts payable and other accrued liabilities	$ 23,151	$ 86,864	$ 984	$ –	$ 110,999
Due to third-party payers	2,979	50,857	–	–	53,836
Accrued payroll and related liabilities	11,757	40,147	–	–	51,904
Due to affiliates	–	38,577	3	(10,602)	27,978
Risk pool liabilities	–	109,009	–	–	109,009
Current maturities of long-term debt	–	8,270	–	–	8,270
Current operating lease liabilities	4,086	1,235	–	–	5,321
Total current liabilities	41,973	334,959	987	(10,602)	367,317
Long-term debt, less current maturities	3,503	255,770	–	(3,000)	256,273
Long-term operating lease liabilities	17,590	11,277	–	–	28,867
Accrued workers' compensation and malpractice insurance claims, less current portion	1,742	10,657	–	–	12,399
Pension liability	–	38,525	–	–	38,525
Other liabilities	85,747	–	–	–	85,747
Net assets:					
Without donor restrictions:	19,336	535,980	14,957	(15,690)	554,583
With donor restrictions	–	121,737	104,636	(107,345)	119,028
Total net assets	19,336	657,717	119,593	(123,035)	673,611
Total liabilities and net assets	$ 169,891	$ 1,308,905	$ 120,580	$ (136,637)	$ 1,462,739

Torrance Health Association, Inc. and Affiliates

Consolidating Balance Sheets

(Dollar Amounts Expressed in Thousands)

June 30, 2020

	Torrance Health Association, Inc. (THA)	Torrance Memorial Medical Center	Torrance Memorial Medical Center Health Care Foundation	Eliminations/ Reclassifications	THA Total
Assets					
Current assets:					
Cash and cash equivalents	$ 7,984	$ 24,663	$ 11,483	$ –	$ 44,130
Short-term investments	7,343	–	–	–	7,343
Board-designated assets	–	284,951	–	–	284,951
Current portion of assets limited as to use:					
Pledges receivable	–	–	9,694	–	9,694
Managed care reserve fund	–	89,208	–	–	89,208
Patient accounts receivable	11,882	68,437	–	–	80,319
Due from affiliates	819	–	1	(820)	–
Inventory	352	13,964	–	–	14,316
Prepaid expenses and other assets	4,334	55,639	–	–	59,973
Total current assets	32,714	536,862	21,178	(820)	589,934
Assets limited as to use:					
Investments	–	6,000	16,116	(3,000)	19,116
Pledges receivable, less current portion	–	–	82,717	–	82,717
	–	6,000	98,833	(3,000)	101,833
Property and equipment, net	97,244	614,685	–	(3,442)	708,487
Interest in TMMCF net assets	–	119,187	–	(119,187)	–
Goodwill and other intangible assets	262	1,382	–	–	1,644
Other noncurrent assets	5,461	19,711	–	–	25,172
Operating lease right-of-use asset	25,227	2,291	–	–	27,518
Total assets	$ 160,908	$ 1,300,118	$ 120,011	$ (126,449)	$ 1,454,588

Torrance Health Association, Inc. and Affiliates

Consolidating Balance Sheets (continued)

(Dollar Amounts Expressed in Thousands)

June 30, 2020

	Torrance Health Association, Inc. (THA)	Torrance Memorial Medical Center	Torrance Memorial Medical Center Health Care Foundation	Eliminations/ Reclassifications	THA Total
Liabilities and net assets					
Current liabilities:					
Accounts payable and other accrued liabilities	$ 24,378	$ 79,596	$ 823	$ –	$ 104,797
Due to third-party payers	4,082	57,836	–	–	61,918
Accrued payroll and related liabilities	15,868	41,199	–	–	57,067
Due to affiliates	–	51,287	–	(820)	50,467
Risk pool liabilities	–	113,441	–	–	113,441
Current maturities of long-term debt	–	8,020	–	–	8,020
Current operating lease liabilities	4,230	1,381	–	–	5,611
Total current liabilities	48,558	352,760	823	(820)	401,321
Long-term debt, less current maturities	3,503	268,883	–	(3,000)	269,386
Long-term operating lease liabilities	21,657	942	–	–	22,599
Accrued workers' compensation and malpractice insurance claims, less current portion	1,578	10,178	–	–	11,756
Pension liability	–	121,087	–	–	121,087
Other liabilities	87,799	–	–	–	87,799
Net assets:					
Without donor restrictions:	(2,187)	425,267	12,145	(15,586)	419,639
With donor restrictions	–	121,001	107,043	(107,043)	121,001
Total net assets	(2,187)	546,268	119,188	(122,629)	540,640
Total liabilities and net assets	$ 160,908	$ 1,300,118	$ 120,011	$ (126,449)	$ 1,454,588

Cedars-Sinai Health System

Consolidating Statements of Operations and Changes in Net Assets

(Dollar Amounts Expressed in Thousands)

Year Ended June 30, 2021

	Cedars-Sinai	THA	CSHS	Eliminations/ Reclassifications	Consolidated
Net assets without donor restrictions					
Revenues, gains, and other support:					
Net patient service revenues before Medi-Cal Fee Program	$ 4,197,680	$ 653,424	$ –	$ –	$ 4,851,104
Medi-Cal Fee Program revenue	95,623	23,804	–	–	119,427
Net patient service revenues	4,293,303	677,228	–	–	4,970,531
Premium revenues	139,877	171,111	–	–	310,988
Other operating revenues	247,681	49,174	–	–	296,855
Net assets released from restrictions	232,369	16,332	–	–	248,701
Total revenues, gains, and other support	4,913,230	913,845	–	–	5,827,075
Expenses:					
Salaries and related costs	2,255,621	463,358	–	–	2,718,979
Professional fees	389,058	87,874	–	–	476,932
Materials, supplies, and other	1,505,782	294,760	188	–	1,800,730
Medi-Cal Fee Program expense	98,909	34,429	–	–	133,338
Interest	29,670	7,639	–	–	37,309
Depreciation and amortization	219,233	34,853	–	–	254,086
Total expenses	4,498,273	922,913	188	–	5,421,374
Income (loss) from operations	414,957	(9,068)	(188)	–	405,701
Investment income	534,667	55,082	–	–	589,749
Income (loss) on equity method investments	52,417	(365)	–	63	52,115
Other components of net periodic benefit credit	2,351	8,818	–	–	11,169
Other nonoperating income	–	4,857	–	–	4,857
Excess (deficit) of revenues over expenses	1,004,392	59,324	(188)	63	1,063,591
(Excess) of revenue over expenses attributable to noncontrolling interests	(500)	–	–	–	(500)
Excess (deficit) of revenues over expenses attributable to the Health System	$ 1,003,892	$ 59,324	$ (188)	$ 63	$ 1,063,091

Cedars-Sinai Health System

Consolidating Statements of Operations and Changes in Net Assets (continued)

(Dollar Amounts Expressed in Thousands)

Year Ended June 30, 2021

	Cedars-Sinai	THA	CSHS	Eliminations/ Reclassifications	Consolidated
Net assets without donor restrictions (continued)					
Controlling interests activity:					
Excess (deficit) of revenues over expenses attributable to the Health System	**$ 1,003,892**	**$ 59,324**	**$ (188)**	**$ 63**	**$ 1,063,091**
Net assets released from restrictions related to property and equipment	**734**	**–**	**–**	**–**	**734**
Change in pension liability	**98,591**	**68,051**	**–**	**–**	**166,642**
Transfer (to) from affiliates	**(7,569)**	**7,569**	**5,114**	**(5,114)**	**–**
Increase (decrease) in net assets without donor restrictions attributable to the Health System	**1,095,648**	**134,944**	**4,926**	**(5,051)**	**1,230,467**
Noncontrolling interests activity:					
Sale of noncontrolling interests	**1,630**	**–**	**–**	**–**	**1,630**
Excess of revenues over expenses attributable to noncontrolling interests	**500**	**–**	**–**	**–**	**500**
Distributions to noncontrolling interests	**(5,360)**	**–**	**–**	**–**	**(5,360)**
Decrease in net assets without donor restrictions attributable to noncontrolling interests	**(3,230)**	**–**	**–**	**–**	**(3,230)**
Increase (decrease) in net assets without donor restrictions	**1,092,418**	**134,944**	**4,926**	**(5,051)**	**1,227,237**
Net assets with donor restrictions					
Contributions, grants, and other	**375,135**	**14,359**	**–**	**–**	**389,494**
Investment income	**14,980**	**–**	**–**	**–**	**14,980**
Net assets released from restrictions	**(233,103)**	**(16,332)**	**–**	**–**	**(249,435)**
Increase (decrease) in net assets with donor restrictions	**157,012**	**(1,973)**	**–**	**–**	**155,039**
Increase (decrease) in net assets	**1,249,430**	**132,971**	**4,926**	**(5,051)**	**1,382,276**
Net assets at beginning of year	**5,393,561**	**540,640**	**655,107**	**(655,233)**	**5,934,075**
Net assets at end of year	**$ 6,642,991**	**$ 673,611**	**$ 660,033**	**$ (660,284)**	**$ 7,316,351**

Cedars-Sinai Health System

Consolidating Statements of Operations and Changes in Net Assets

(Dollar Amounts Expressed in Thousands)

Year Ended June 30, 2020

	Cedars-Sinai	THA	CSHS	Eliminations/ Reclassifications	Consolidated
Net assets without donor restrictions					
Revenues, gains, and other support:					
Net patient service revenues before Medi-Cal Fee Program	$ 3,632,100	$ 601,321	$ –	$ –	$ 4,233,421
Medi-Cal Fee Program revenue	91,420	22,335	–	–	113,755
Net patient service revenues	3,723,520	623,656	–	–	4,347,176
Premium revenues	125,066	158,745	–	–	283,811
Other operating revenues	227,685	51,066	–	–	278,751
Net assets released from restrictions	216,046	16,169	–	–	232,215
Total revenues, gains, and other support	4,292,317	849,636	–	–	5,141,953
Expenses:					
Salaries and related costs	2,084,027	439,270	–	–	2,523,297
Professional fees	296,085	73,791	–	–	369,876
Materials, supplies, and other	1,340,976	272,242	668	–	1,613,886
Medi-Cal Fee Program expense	94,740	32,918	–	–	127,658
Interest	26,153	11,821	–	–	37,974
Depreciation and amortization	195,343	35,964	–	–	231,307
Total expenses	4,037,324	866,006	668	–	4,903,998
Income (loss) from operations	254,993	(16,370)	(668)	–	237,955
Investment income	103,295	8,304	–	–	111,599
(Loss) income on equity method investments	(32,216)	–	–	668	(31,548)
Other components of net periodic benefit credit	2,692	9,457	–	–	12,149
Excess of revenues over expenses	328,764	1,391	(668)	668	330,155
(Excess) of revenues over expenses attributable to noncontrolling interests	(947)	–	–	–	(947)
Excess (deficit) of revenues over expenses attributable to the Health System	$ 327,817	$ 1,391	$ (668)	$ 668	$ 329,208

Cedars-Sinai Health System

Consolidating Statements of Operations and Changes in Net Assets (continued)

(Dollar Amounts Expressed in Thousands)

Year Ended June 30, 2020

	Cedars-Sinai	THA	CSHS	Eliminations/ Reclassifications	Consolidated
Net assets without donor restrictions (continued)					
Controlling interests activity:					
Excess of revenues over expenses attributable to the Health System	$ 327,817	$ 1,391	$ (668)	$ 668	$ 329,208
Net assets released from restrictions related to property and equipment	3,091	27	–	–	3,118
Change in pension liability	(68,656)	(106,321)	–	–	(174,977)
Curtailment gain	–	37,790	–	–	37,790
Transfer (to) from affiliates	(7,798)	7,798	30,393	(30,393)	–
Increase (decrease) in net assets without donor restrictions attributable to the Health System	254,454	(59,315)	29,725	(29,725)	195,139
Noncontrolling interests activity:					
Excess of revenues over expenses attributable to noncontrolling interests	947	–	–	–	947
Distributions to noncontrolling interests	(2,985)	–	–	–	(2,985)
Decrease in net assets without donor restrictions attributable to noncontrolling interests	(2,038)	–	–	–	(2,038)
Increase (decrease) in net assets without donor restrictions	252,416	(59,315)	29,725	(29,725)	193,101
Net assets with donor restrictions					
Contributions, grants, and other	274,758	15,571	–	–	290,329
Investment income	13,899	–	–	–	13,899
Net assets released from restrictions	(219,137)	(16,196)	–	–	(235,333)
Increase (decrease) in net assets with donor restrictions	69,520	(625)	–	–	68,895
Increase (decrease) in net assets	321,936	(59,940)	29,725	(29,725)	261,996
Net assets at beginning of year	5,071,625	600,580	625,382	(625,508)	5,672,079
Net assets at end of year	$ 5,393,561	$ 540,640	$ 655,107	$ (655,233)	$ 5,934,075

Cedars-Sinai and Affiliates

Consolidating Statements of Operations and Changes in Net Assets

(Dollar Amounts Expressed in Thousands)

Year Ended June 30, 2021

	Cedars-Sinai Medical Center	Cedars-Sinai Medical Care Foundation	Marina Del Rey Hospital	Others	Eliminations/ Reclassifications	Cedars-Sinai Total
Net assets without donor restrictions						
Revenues, gains, and other support:						
Net patient service revenues before Medi-Cal Fee Program	$ 3,593,984	$ 397,715	$ 123,470	$ 90,486	$ (7,975)	$ 4,197,680
Medi-Cal Fee Program revenue	92,303	–	3,320	–	–	95,623
Net patient service revenues	3,686,287	397,715	126,790	90,486	(7,975)	4,293,303
Premium revenues	27,331	112,255	–	291	–	139,877
Other operating revenues	196,342	50,933	13,143	2,377	(15,114)	247,681
Net assets released from restrictions	232,369	–	–	–	–	232,369
Total revenues, gains, and other support	4,142,329	560,903	139,933	93,154	(23,089)	4,913,230
Expenses:						
Salaries and related costs	2,010,727	136,452	80,643	28,514	(715)	2,255,621
Professional fees	46,676	329,381	6,767	3,153	3,081	389,058
Materials, supplies, and other	1,254,776	171,329	55,754	49,378	(25,455)	1,505,782
Medi-Cal Fee Program expense	93,767	–	5,142	–	–	98,909
Interest	29,543	1	4	122	–	29,670
Depreciation and amortization	177,846	20,583	6,046	14,758	–	219,233
Total expenses	3,613,335	657,746	154,356	95,925	(23,089)	4,498,273
Income (loss) from operations	528,994	(96,843)	(14,423)	(2,771)	–	414,957
Investment income	518,898	29	–	–	15,740	534,667
Income on equity method investments	23,800	–	–	28,617	–	52,417
Other components of net periodic benefit credit	2,351	–	–	–	–	2,351
Excess (deficit) of revenues over expenses	1,074,043	(96,814)	(14,423)	25,846	15,740	1,004,392
(Excess) of revenues over expenses attributable to noncontrolling interests	–	–	–	(500)	–	(500)
Excess (deficit) of revenues over expenses attributable to Cedars-Sinai	$ 1,074,043	$ (96,814)	$ (14,423)	$ 25,346	$ 15,740	$ 1,003,892

Cedars-Sinai and Affiliates

Consolidating Statements of Operations and Changes in Net Assets (continued)

(Dollar Amounts Expressed in Thousands)

Year Ended June 30, 2021

	Cedars-Sinai Medical Center	Cedars-Sinai Medical Care Foundation	Marina Del Rey Hospital	Others	Eliminations/ Reclassifications	Cedars-Sinai Total
Net assets without donor restrictions (continued)						
Controlling interests activity:						
Controlling interests from acquisitions	$ –	$ –	$ –	$ 18,428	$ (18,428)	$ –
Excess (deficit) of revenues over expenses attributable to Cedars-Sinai	1,074,043	(96,814)	(14,423)	25,346	15,740	1,003,892
Net assets released from restrictions related to property and equipment	734	–	–	–	–	734
Change in pension liability	98,591	–	–	–	–	98,591
Distributions to controlling interests	–	–	–	(4,564)	4,564	–
Transfer (to) from affiliates	(247,088)	139,580	11,517	88,422	–	(7,569)
Increase (decrease) in net assets without donor restrictions attributable to Cedars-Sinai	926,280	42,766	(2,906)	127,632	1,876	1,095,648
Noncontrolling interests activity:						
Sale of noncontrolling interest	–	–	–	1,630	–	1,630
Excess of revenues over expenses attributable to noncontrolling interests	–	–	–	500	–	500
Distributions to noncontrolling interests	–	–	–	(5,823)	463	(5,360)
(Decrease) increase in net assets without donor restrictions attributable to noncontrolling interests	–	–	–	(3,693)	463	(3,230)
Increase (decrease) in net assets without donor restrictions	926,280	42,766	(2,906)	123,939	2,339	1,092,418
Net assets with donor restrictions						
Contributions, grants, and other	375,135	–	–	–	–	375,135
Investment income	14,980	–	–	–	–	14,980
Net assets released from restrictions	(233,103)	–	–	–	–	(233,103)
Increase in net assets with donor restrictions	157,012	–	–	–	–	157,012
Increase (decrease) in net assets	1,083,292	42,766	(2,906)	123,939	2,339	1,249,430
Net assets at beginning of year	5,074,017	268,455	87,484	108,456	(144,851)	5,393,561
Net assets at end of year	$ 6,157,309	$ 311,221	$ 84,578	$ 232,395	$ (142,512)	$ 6,642,991

Cedars-Sinai and Affiliates

Consolidating Statements of Operations and Changes in Net Assets

(Dollar Amounts Expressed in Thousands)

Year Ended June 30, 2020

	Cedars-Sinai Medical Center	Cedars-Sinai Medical Care Foundation	Marina Del Rey Hospital	Others	Eliminations/ Reclassifications	Cedars-Sinai Total
Net assets without donor restrictions						
Revenues, gains, and other support:						
Net patient service revenues before Medi-Cal Fee Program	$ 3,125,407	$ 312,407	$ 128,134	$ 73,688	$ (7,536)	$ 3,632,100
Medi-Cal Fee Program revenue	88,227	–	3,193	–	–	91,420
Net patient service revenues	3,213,634	312,407	131,327	73,688	(7,536)	3,723,520
Premium revenues	23,386	101,334	–	346	–	125,066
Other operating revenues	194,910	33,975	5,616	2,497	(9,313)	227,685
Net assets released from restrictions	216,046	–	–	–	–	216,046
Total revenues, gains, and other support	3,647,976	447,716	136,943	76,531	(16,849)	4,292,317
Expenses:						
Salaries and related costs	1,844,533	136,508	77,341	26,595	(950)	2,084,027
Professional fees	34,862	253,774	4,016	2,623	810	296,085
Materials, supplies, and other	1,109,802	158,516	53,001	36,366	(16,709)	1,340,976
Medi-Cal Fee Program expense	89,813	–	4,927	–	–	94,740
Interest	26,050	2	6	95	–	26,153
Depreciation and amortization	162,714	13,783	5,716	13,130	–	195,343
Total expenses	3,267,774	562,583	145,007	78,809	(16,849)	4,037,324
Income (loss) from operations	380,202	(114,867)	(8,064)	(2,278)	–	254,993
Investment income	93,186	708	–	–	9,401	103,295
Loss on equity method investments	(32,180)	–	–	(36)	–	(32,216)
Other components of net periodic benefit credit	2,692	–	–	–	–	2,692
Excess (deficit) of revenues over expenses	443,900	(114,159)	(8,064)	(2,314)	9,401	328,764
(Excess) of revenues over expenses attributable to noncontrolling interests	–	–	–	(947)	–	(947)
Excess (deficit) of revenues over expenses attributable to Cedars-Sinai	$ 443,900	$ (114,159)	$ (8,064)	$ (3,261)	$ 9,401	$ 327,817

Cedars-Sinai and Affiliates

Consolidating Statements of Operations and Changes in Net Assets (continued)

(Dollar Amounts Expressed in Thousands)

Year Ended June 30, 2020

	Cedars-Sinai Medical Center	Cedars-Sinai Medical Care Foundation	Marina Del Rey Hospital	Others	Eliminations/ Reclassifications	Cedars-Sinai Total
Net assets without donor restrictions (continued)						
Controlling interests activity:						
Excess (deficit) of revenues over expenses attributable to Cedars-Sinai	$ 443,900	$ (114,159)	$ (8,064)	$ (3,261)	$ 9,401	$ 327,817
Net assets released from restrictions related to property and equipment	3,091	–	–	–	–	3,091
Change in pension liability	(68,656)	–	–	–	–	(68,656)
Distributions to controlling interests	–	–	–	(2,767)	2,767	–
Transfer (to) from affiliates	(165,582)	155,785	–	1,999	–	(7,798)
Increase (decrease) in net assets without donor restrictions attributable to Cedars-Sinai	212,753	41,626	(8,064)	(4,029)	12,168	254,454
Noncontrolling interests activity:						
Excess of revenues over expenses attributable to noncontrolling interests	–	–	–	947	–	947
Distributions to noncontrolling interests	–	–	–	(3,220)	235	(2,985)
(Decrease) increase in net assets without donor restrictions attributable to noncontrolling interests	–	–	–	(2,273)	235	(2,038)
Increase (decrease) in net assets without donor restrictions	212,753	41,626	(8,064)	(6,302)	12,403	252,416
Net assets with donor restrictions						
Contributions, grants, and other	274,758	–	–	–	–	274,758
Investment income	13,899	–	–	–	–	13,899
Net assets released from restrictions	(219,137)	–	–	–	–	(219,137)
Increase in net assets with donor restrictions	69,520	–	–	–	–	69,520
Increase (decrease) in net assets	282,273	41,626	(8,064)	(6,302)	12,403	321,936
Net assets at beginning of year	4,791,744	226,829	95,548	114,758	(157,254)	5,071,625
Net assets at end of year	$ 5,074,017	$ 268,455	$ 87,484	$ 108,456	$ (144,851)	$ 5,393,561

Torrance Health Association, Inc. and Affiliates

Consolidating Statements of Operations and Changes in Net Assets

(Dollar Amounts Expressed in Thousands)

Year Ended June 30, 2021

	Torrance Health Association, Inc. (THA)	Torrance Memorial Medical Center	Torrance Memorial Medical Center Health Care Foundation	Eliminations/ Reclassifications	THA Total
Net assets without donor restrictions					
Revenues, gains, and other support:					
Net patient service revenues before Medi-Cal Fee Program	**$ 104,379**	**$ 573,231**	**$ –**	**$ (24,186)**	**$ 653,424**
Medi-Cal Fee Program revenue	**–**	**23,804**	**–**	**–**	**23,804**
Net patient service revenues	**104,379**	**597,035**	**–**	**(24,186)**	**677,228**
Premium revenues	**93,504**	**87,057**	**–**	**(9,450)**	**171,111**
Other operating revenues	**27,724**	**24,013**	**–**	**(2,563)**	**49,174**
Net assets released from restrictions	**–**	**16,512**	**–**	**(180)**	**16,332**
Total revenues, gains, and other support	**225,607**	**724,617**	**–**	**(36,379)**	**913,845**
Expenses:					
Salaries and related costs	**78,227**	**385,131**	**–**	**–**	**463,358**
Professional fees	**100,705**	**20,805**	**–**	**(33,636)**	**87,874**
Materials, supplies, and other	**61,818**	**234,923**	**582**	**(2,563)**	**294,760**
Medi-Cal Fee Program expense	**–**	**34,429**	**–**	**–**	**34,429**
Interest	**2,571**	**5,248**	**–**	**(180)**	**7,639**
Depreciation and amortization	**3,802**	**31,051**	**–**	**–**	**34,853**
Total expenses	**247,123**	**711,587**	**582**	**(36,379)**	**922,913**
(Loss) income from operations	**(21,516)**	**13,030**	**(582)**	**–**	**(9,068)**
Investment income	**1,470**	**50,322**	**3,290**	**–**	**55,082**
Loss on equity method investments	**–**	**(365)**	**–**	**–**	**(365)**
Other components of net periodic benefit credit	**–**	**8,818**	**–**	**–**	**8,818**
Other nonoperating income	**–**	**4,857**	**–**	**–**	**4,857**
(Deficit) excess of revenues over expenses	**$ (20,046)**	**$ 76,662**	**$ 2,708**	**$ –**	**$ 59,324**

Torrance Health Association, Inc. and Affiliates

Consolidating Statements of Operations and Changes in Net Assets (continued)

(Dollar Amounts Expressed in Thousands)

Year Ended June 30, 2021

	Torrance Health Association, Inc. (THA)	Torrance Memorial Medical Center	Torrance Memorial Medical Center Health Care Foundation	Eliminations/ Reclassifications	THA Total
Net assets without donor restrictions (continued)					
(Deficit) excess of revenues over expenses	**$ (20,046)**	**$ 76,662**	**$ 2,708**	**$ –**	**$ 59,324**
Change in pension liability	**–**	**68,051**	**–**	**–**	**68,051**
Transfer from (to) affiliates	**41,569**	**(34,000)**	**–**	**–**	**7,569**
Increase in net assets without donor restrictions	**21,523**	**110,713**	**2,708**	**–**	**134,944**
Net assets with donor restrictions					
Contributions, grants and other	**–**	**15,656**	**14,029**	**(15,326)**	**14,359**
Net assets released from restrictions	**–**	**(15,326)**	**(16,332)**	**15,326**	**(16,332)**
Change in interest in TMMCF net assets	**–**	**406**	**–**	**(406)**	**–**
Increase (decrease) in net assets with donor restrictions	**–**	**736**	**(2,303)**	**(406)**	**(1,973)**
Increase (decrease) in net assets	**21,523**	**111,449**	**405**	**(406)**	**132,971**
Net (deficit) assets at beginning of year	**(2,187)**	**546,268**	**119,188**	**(122,629)**	**540,640**
Net assets (deficit) at end of year	**$ 19,336**	**$ 657,717**	**$ 119,593**	**$ (123,035)**	**$ 673,611**

Torrance Health Association, Inc. and Affiliates

Consolidating Statements of Operations and Changes in Net Assets

(Dollar Amounts Expressed in Thousands)

Year Ended June 30, 2020

	Torrance Health Association, Inc. (THA)	Torrance Memorial Medical Center	Torrance Memorial Medical Center Health Care Foundation	Eliminations/ Reclassifications	THA Total
Net assets without donor restrictions					
Revenues, gains, and other support:					
Net patient service revenues before Medi-Cal Fee Program	$ 86,498	$ 536,161	$ –	$ (21,338)	$ 601,321
Medi-Cal Fee Program revenue	–	22,335	–	–	22,335
Net patient service revenues	86,498	558,496	–	(21,338)	623,656
Premium revenues	86,533	81,929	–	(9,717)	158,745
Other operating revenues	14,930	38,471	–	(2,335)	51,066
Net assets released from restrictions	–	16,349	–	(180)	16,169
Total revenues, gains, and other support	187,961	695,245	–	(33,570)	849,636
Expenses:					
Salaries and related costs	68,796	370,474	–	–	439,270
Professional fees	83,983	20,863	–	(31,055)	73,791
Materials, supplies, and other	51,330	222,477	770	(2,335)	272,242
Medi-Cal Fee Program expense	–	32,918	–	–	32,918
Interest	2,620	9,381	–	(180)	11,821
Depreciation and amortization	3,141	32,823	–	–	35,964
Total expenses	209,870	688,936	770	(33,570)	866,006
(Loss) income from operations	(21,909)	6,309	(770)	–	(16,370)
Investment (loss) income	(102)	7,663	743	–	8,304
Other components of net periodic benefit credit	–	9,457	–	–	9,457
(Deficit) excess of revenues over expenses	$ (22,011)	$ 23,429	$ (27)	$ –	$ 1,391

Torrance Health Association, Inc. and Affiliates

Consolidating Statements of Operations and Changes in Net Assets (continued)

(Dollar Amounts Expressed in Thousands)

Year Ended June 30, 2020

	Torrance Health Association, Inc. (THA)	Torrance Memorial Medical Center	Torrance Memorial Medical Center Health Care Foundation	Eliminations/ Reclassifications	THA Total
Net assets without donor restrictions (continued)					
(Deficit) excess of revenues over expenses	$ (22,011)	$ 23,429	$ (27)	$ –	$ 1,391
Net assets released from restrictions related to property and equipment	–	–	27	–	27
Change in pension liability	–	(106,321)	–	–	(106,321)
Curtailment gain	–	37,790	–	–	37,790
Transfer from (to) affiliates	27,798	(20,000)	–	–	7,798
Increase (decrease) in net assets without donor restrictions	5,787	(65,102)	–	–	(59,315)
Net assets with donor restrictions					
Contributions, grants and other	–	15,888	15,623	(15,940)	15,571
Net assets released from restrictions	–	(15,940)	(16,196)	15,940	(16,196)
Change in interest in TMMCF net assets	–	(574)	–	574	–
Increase (decrease) in net assets with donor restrictions	–	(626)	(573)	574	(625)
Increase (decrease) in net assets	5,787	(65,728)	(573)	574	(59,940)
Net (deficit) assets at beginning of year	(7,974)	611,996	119,761	(123,203)	600,580
Net (deficit) assets at end of year	$ (2,187)	$ 546,268	$ 119,188	$ (122,629)	$ 540,640

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APPENDIX B-2

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION OF THE COLLIS P. AND HOWARD HUNTINGTON MEMORIAL HOSPITAL TRUST, PASADENA HOSPITAL ASSOCIATION, LTD. AND AFFILIATES FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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Consolidated Financial Statements and Supplementary Information

Collis P. and Howard Huntington Memorial Hospital Trust,
Pasadena Hospital Association, Ltd. and Affiliates
Years Ended December 31, 2020 and 2019
With Report of Independent Auditors

Ernst & Young LLP

Collis P. and Howard Huntington Memorial Hospital Trust,
Pasadena Hospital Association, Ltd. and Affiliates

Consolidated Financial Statements and Supplementary Information

Years Ended December 31, 2020 and 2019

Contents

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Report of Independent Auditors

The Board of Trustees
The Collis P. and Howard Huntington Memorial Hospital Trust,
Pasadena Hospital Association, Ltd. and Affiliates

We have audited the accompanying consolidated financial statements of the Collis P. and Howard Huntington Memorial Hospital Trust, Pasadena Hospital Association, Ltd. and Affiliates, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, 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 financial statements in conformity 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 financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Collis P. and Howard Huntington Memorial Hospital Trust, Pasadena Hospital Association, Ltd. and Affiliates at December 31, 2020 and 2019, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating balance sheets and statements of operations and changes in net assets without donor restrictions are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Ernst & Young LLP

April 30, 2021

Collis P. and Howard Huntington Memorial Hospital Trust,
Pasadena Hospital Association, Ltd. and Affiliates

Consolidated Balance Sheets
(In Thousands)

	December 31	
	2020	**2019**
Assets		
Current assets:		
Cash and cash equivalents	**$ 116,980**	$ 46,391
Investments:		
Short-term investments	**480,890**	416,915
Held in trust for current debt service	**9,420**	9,435
Total investments	**490,310**	426,350
Receivables:		
Patient accounts receivable, net	**76,804**	102,972
Provider fee receivable	**56,947**	52,791
Estimated settlements from third-party payors	**7,070**	5,344
Total receivables	**140,821**	161,107
Inventories	**21,026**	14,184
Prepaid expenses and other	**24,249**	28,362
Total current assets	**793,386**	676,394
Investments restricted or designated for specific purposes:		
Held in trust under bond master indenture	**1,699**	66,129
Designated by Board for specific purposes	**63,811**	63,530
Donor restricted for capital expenditures or to provide a permanent source of income	**49,221**	57,211
Receivable from charitable remainder annuity trusts	**11,850**	11,163
Total investments restricted or designated for specific purposes	**126,581**	198,033
Property and equipment, net	**649,533**	587,749
Right-of-use assets	**53,971**	**59,990**
Other assets:		
Goodwill	**10,006**	10,006
Other noncurrent assets	**22,145**	21,201
Total assets	**$ 1,655,622**	$ 1,553,373

	December 31	
	2020	**2019**
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 58,085**	$ 51,640
Current maturities of long-term debt	**8,557**	7,780
Current portion of accrued self-insurance claims	**7,675**	6,898
Accrued payroll and employee benefits	**40,342**	36,781
Current maturities of lease liability	**7,831**	7,417
Accrued provider fee	**54,277**	45,379
Other accrued liabilities	**53,298**	14,117
Revolving credit line	**–**	18,000
Total current liabilities	**230,065**	188,012
Long-term debt, less current maturities	**311,572**	318,564
Accrued pension liability	**89,771**	75,292
Long-term lease liability	**46,140**	52,573
Accrued self-insurance claims, less current portion	**19,480**	20,036
Other	**47,197**	4,002
Total liabilities	**744,225**	658,479
Net assets:		
Without donor restrictions	**790,812**	771,259
With donor restrictions	**120,585**	123,635
Total net assets	**911,397**	894,894
Total liabilities and net assets	**$ 1,655,622**	$ 1,553,373

See accompanying notes.

Collis P. and Howard Huntington Memorial Hospital Trust,
Pasadena Hospital Association, Ltd. and Affiliates

Consolidated Statements of Operations
(In Thousands)

	Year Ended December 31	
	2020	**2019**
Revenues without donor restrictions:		
Patient service revenues	**$ 612,352**	$ 659,859
Contributions	**7,270**	4,887
Other	**99,330**	40,931
Net assets released from restrictions	**6,642**	4,909
Total revenues without donor restrictions	**725,594**	710,586
Expenses:		
Salaries and benefits	**401,665**	385,243
Supplies and purchased services	**236,251**	218,100
Provider fee expense	**46,974**	45,379
Depreciation and amortization	**38,362**	36,297
Interest	**7,890**	8,064
Other expenses	**43,962**	45,992
Total expenses	**775,104**	739,075
Deficiency of revenues over expenses before other income and expense	**(49,510)**	(28,489)
Other income and expense:		
Investment income	**60,193**	71,774
Other	**(2,018)**	(1,557)
Excess of revenues over expenses	**$ 8,665**	$ 41,728

See accompanying notes.

Collis P. and Howard Huntington Memorial Hospital Trust,
Pasadena Hospital Association, Ltd. and Affiliates

Consolidated Statements of Changes in Net Assets
(In Thousands)

	Net Assets		
	Without Restrictions	**With Restrictions**	**Total**
Balances at January 1, 2019	$ 722,252	$ 112,370	$ 834,622
Excess of revenues over expenses	41,728	–	41,728
Assets released from restrictions for capital purposes	11,245	(11,245)	–
Contributions and grants	–	14,413	14,413
Net investment income	–	13,006	13,006
Net assets released from restrictions used for operations	–	(4,909)	(4,909)
Change in pension liability	(6,346)	–	(6,346)
Other	2,380	–	2,380
Change in net assets	49,007	11,265	60,272
Balances at December 31, 2019	771,259	123,635	894,894
Excess of revenues over expenses	**8,665**	–	**8,665**
Assets released from restrictions for capital purposes	**25,799**	**(25,799)**	–
Contributions and grants	–	**21,999**	**21,999**
Net investment income	–	**7,392**	**7,392**
Net assets released from restrictions used for operations	–	**(6,642)**	**(6,642)**
Change in pension liability	**(15,115)**	–	**(15,115)**
Other	**204**	–	**204**
Change in net assets	**19,553**	**(3,050)**	**16,503**
Balances at December 31, 2020	**$ 790,812**	**$ 120,585**	**$ 911,397**

See accompanying notes.

Collis P. and Howard Huntington Memorial Hospital Trust, Pasadena Hospital Association, Ltd. and Affiliates

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended December 31	
	2020	**2019**
Operating activities		
Change in net assets	**$ 16,503**	$ 60,272
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gains on investments	**(17,469)**	(71,544)
Depreciation and amortization	**38,362**	36,297
Other	**(82)**	(118)
Contributions restricted for capital expenditures	**(17,698)**	(9,799)
Changes in operating assets and liabilities:		
Accounts receivable	**20,285**	(3,941)
Prepaids, inventories, and other current assets	**(2,730)**	(1,539)
Other assets and liabilities	**59,625**	(11,671)
Accounts payable and accrued expenses	**57,390**	13,188
Accrued pension liability	**14,479**	9,270
Net cash provided by operating activities	**168,665**	20,415
Investing activities		
Purchases of property and equipment	**(97,459)**	(94,665)
Decrease in investments – restricted for capital expenditures as required by bond issuance	**64,478**	49,322
Other net purchases and sales of investments	**(38,831)**	27,373
Net change in investments	**(73,228)**	(81,258)
Change in receivable from charitable remainder annuity trusts	**(688)**	(1,094)
Net cash used in investing activities	**(145,728)**	(100,322)
Financing activities		
Proceeds from borrowings under revolving line of credit	**169,000**	18,000
Repayment of revolving line of credit	**(187,000)**	–
Payments on other long-term debt	**(22,730)**	(1,440)
Payments on finance lease obligations	**(2,546)**	(2,577)
Contributions restricted for capital expenditures	**17,698**	9,799
Net cash (used in) provided by financing activities	**(25,578)**	23,782
Decrease in cash, cash equivalents and restricted cash	**(2,640)**	(56,125)
Cash, cash equivalents, and restricted cash at beginning of year	**133,608**	189,733
Cash, cash equivalents, and restricted cash at end of year	**$ 130,968**	$ 133,608
Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Interest	**$ 8,008**	$ 8,908
Supplemental disclosure of noncash transactions		
Assets acquired through finance leases and other financing agreements	**$ 1,770**	$ 10,963
Accounts payable accruals for property and equipment	**$ 917**	$ 9,691

See accompanying notes.

Collis P. and Howard Huntington Memorial Hospital Trust,
Pasadena Hospital Association, Ltd. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2020

1. Organization

In 1892, Pasadena Hospital Association, Ltd, now doing business as Huntington Hospital (HH or the Hospital), was formed with the goal of providing a hospital for the people of Pasadena, California. In 1936, Pasadena Hospital Association, Ltd. agreed to transfer control when the land and facilities of the Hospital were acquired and became the hospital provided for under the terms of the Collis P. and Howard Huntington Memorial Hospital Trust (the Trust).

HH is a California nonprofit public benefit corporation and an organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Trust is a charitable trust, registered with the Registry of Charitable Trusts pursuant to the Supervision of Trustees and Fundraisers for Charitable Purposes Act. The Trust was established in 1932 under the terms of the will of Mr. Henry E. Huntington. The bequest was invested and loaned by the Trustees for the purpose of making the best available profit thereon so as to yield income for the perpetual maintenance of HH. The five Trustees of the Trust and their successors serve for life. The Trust exercises influence on HH by means of the Hospital's bylaws, which provide that the Trustees serve on HH's 26-member board of directors and that any significant transaction must be approved by a majority of the Trustees and HH's board members. The Trustees actively participate in the Hospital's affairs and serve on its key committees.

The Trust owns the real property on which HH is located. In addition to this property, the Trust has other properties and investments. In fulfillment of the will of Mr. Henry E. Huntington, these assets are held to produce a return to be used for the benefit of HH's programs.

The Trust and the following organizations (collectively, the Group) are included in the accompanying consolidated financial statements.

HH operates a hospital and medical center. HH is the sole corporate member of the Huntington Medical Foundation (Foundation) and is the parent of the for-profit subsidiary, Congress Services Corporation (Congress).

The Foundation is organized as a 1206(l) clinic operated by HH that conducts medical research and health education and provides health care to its patients through a group of physicians who are independent contractors.

Congress is a California for-profit corporation, which has interests in joint ventures that perform a variety of health care services, including outpatient surgery and outpatient imaging.

2. Summary of Significant Accounting Policies

Principles of Consolidation

All intercompany balances and transactions among the Group have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject the Group to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and patient accounts receivable. The Group may be exposed from time to time to credit risk with bank deposits in excess of the Federal Deposit Insurance Corporation insurance limits. There have been no losses in such accounts, and management does not believe that credit risk on cash and cash equivalents is significant. By policy, the Group limits the amount of its credit exposure by defining the types of investments that may be held and the percentage of the investment portfolio that may be maintained in any given investment type.

Cash and Cash Equivalents

The Group considers all highly liquid debt instruments with maturities, on the acquisition date, of three months or less to be cash equivalents. Cash equivalents are recorded at fair value in the consolidated balance sheet and exclude amounts held for long-term investment purposes and amounts included in long-term investment portfolios, as those amounts are commingled with long-term investments.

2. Summary of Significant Accounting Policies (continued)

The reconciliation of cash, cash equivalents, and restricted cash within the consolidated balance sheets that comprise the amount reported on the consolidated statements of cash flows at December 31, 2020 and 2019, is as follows (in thousands):

	2020	2019
	(In Thousands)	
Financial assets:		
Cash and cash equivalents	**$ 116,980**	$ 46,391
Short-term investments	**13,982**	87,103
Restricted cash in investments	**6**	114
Total financial assets	**$ 130,968**	$ 133,608

Short-term investments for current use include restricted cash deposits with the trustee to fund current principal and interest payments on debt. Restricted cash in investments includes amounts held by the Group's captive insurance subsidiary and restricted cash for various programs.

Investments

Investments in equity securities and mutual funds with readily determinable fair values and all investments in debt securities are measured at fair value on the consolidated balance sheets. Management determines the appropriate classification of all marketable securities at the date of purchase and re-evaluates such designations at each balance sheet date. The Group designated all of its investment portfolio at December 31, 2020 and 2019, as trading securities. Accordingly, unrealized gains or losses on marketable securities are reported as investment income. In addition, cash flows from the purchases and sales of the Group's investment portfolio designated as trading are reported as a component of investing activities.

Inventories

Inventories, primarily supplies and pharmaceuticals, are recorded at cost (by the first-in, first-out method), which is not in excess of net realizable value.

2. Summary of Significant Accounting Policies (continued)

Investments Designated by Board for Specific Purposes

Investments designated by the Board of Directors (the Board) for specific purposes include specific unrestricted gifts and investment earnings for the acquisition and development of property, equipment, and patient and senior care over which the Board retains control and may, at its discretion, subsequently use for other purposes.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets, which ranges from 2 to 65 years and is computed using the straight-line method. Equipment under finance lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated financial statements. 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. Repair and maintenance costs are expensed in the period incurred.

Gifts of long-lived assets such as land, buildings, or equipment are reported as support without donor restrictions, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported as net assets released from restrictions when the donated or acquired long-lived assets are placed in service.

Long-Lived Asset Impairment

Situations may arise where the carrying value of a long-lived asset may exceed the undiscounted value of the expected cash flows associated with that asset. In such circumstances, the asset is impaired. The Group reviews its long-lived assets for impairment on an annual basis, as well as when events or changes in business conditions suggest potential impairment. Impaired assets are written down to fair value. The Group determined that no long-lived assets were impaired at December 31, 2020 or 2019.

2. Summary of Significant Accounting Policies (continued)

Goodwill

The Group's goodwill is the result of the acquisition by the Group of a controlling interest in a surgery center in March 2012. The Group tests the carrying value of goodwill for impairment on an annual basis, or more frequently if indicators of impairment exist. The Group performed a qualitative assessment for its annual impairment assessment in 2020 and determined that no impairment existed.

Accrued Self-Insurance Claims

The Group is self-insured for certain employee health care claims. The Group accrues employee health care claims, including management's estimate of incurred but not reported claims, based on the Group's claims experience. Such accruals totaled $2.9 million and $2.0 million at December 31, 2020 and 2019, respectively.

The Group purchases reinsurance policies to insure for workers' compensation claims incurred above the self-insured retention (SIR) limits per claim. The policies have limits of $1.0 million per occurrence and in aggregate. Accruals for SIR risks are estimated by an actuary based on the Group's claims experience and were discounted at 2.5% in 2020 and 2019. Such accruals totaled $15.9 million and $16.2 million at December 31, 2020 and 2019, respectively. The accruals represent the total actuarially determined liability. The portion that is expected to be recoverable through reinsurance ($2.4 million and $2.5 million at December 31, 2020 and 2019, respectively) is included in prepaid expenses and other assets.

The Group purchases claims-made insurance policies to insure for professional (malpractice) and general liability claims reported above the SIR limits per claim. The policies have limits of $30.0 million per occurrence and $40.0 million in aggregate. Accruals for SIR risks are estimated by an actuary based on the Group's claims experience and were discounted at 2.5% in 2020 and 2019. Such accruals totaled $8.3 million and $9.1 million at December 31, 2020 and 2019, respectively. The accruals represent the total actuarially determined liability. The portion that is expected to be recoverable through reinsurance ($2.3 million and $2.6 million at December 31, 2020 and 2019, respectively) is included in prepaid expenses and other assets.

2. Summary of Significant Accounting Policies (continued)

Net Assets With Donor Restrictions

Net assets with donor restrictions are those whose use by the Group has been restricted by donors to a specific time period or purpose or those whose use has been restricted by donors and are to be maintained by the Group in perpetuity.

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 net assets with donor restrictions if they are received with donor stipulations that restrict the use of the donated assets. When a donor restriction expires – that is, when a stipulated time restriction ends or purpose restriction is accomplished – net assets with donor restrictions are reclassified as net assets without donor restrictions and reported as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions. Net assets released for use in operations are included in excess of revenues over expenses, while net assets released for acquisition of property and equipment are excluded from excess of revenues over expenses and recorded as an increase in net assets without donor restrictions.

The Group is a beneficiary of several split-interest agreements, primarily charitable remainder annuity trusts (CRATs) held by others. The Group recognizes its interest in these trusts as net assets with donor restrictions based on the Group's interest in the fair value of assets and the net present value of future payment obligations of the trust.

Patient Service Revenues and Patient Account Receivable

Patient service revenue is reported at the amount that reflects the consideration to which the Group expects to be entitled in exchange for providing patient care. These amounts, representing transaction price, are due from third-party payors (including health insurers and government programs), patients, and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Group bills the third-party payors and patients 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 Group. Generally, performance obligations satisfied over time apply to patients in the hospital receiving inpatient acute care services only. The Group measures the performance obligation from admission

2. Summary of Significant Accounting Policies (continued)

into the hospital to the point when the medical condition upon admission has been resolved and it is no longer required to provide services to that patient, usually at the time of discharge. Revenue for performance obligations satisfied over time is recognized pro rata based on actual charges incurred in relation to total expected (or actual) charges upon discharge. The Group believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the services provided needed to satisfy the obligation.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Group has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs on average within a week of the end of the reporting period.

The Group is utilizing the portfolio approach practical expedient in ASC 606 for contracts related to patient service revenue. The Group accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio.

As a result, the Group has concluded that revenue for a given portfolio would not be materially different than if accounting for revenue on a contract-by-contract basis.

The Group has agreements with third-party payors that generally provide for payments to the Group at amounts different from its established rates. For patients who do not qualify for charity care, the Group recognizes revenue based on established or contracted rates, subject to certain discounts and implicit price concessions as determined by the Group. The Group determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Group's policy, and implicit price concessions provided to patients. Implicit price concessions represent differences between amounts billed and the estimated consideration the Group expects to receive from payors and patients, which are determined based on historical collection experience, current market conditions, and other factors. The Group determines its estimates of contractual adjustments and discounts based on contractual agreements, discount policies, and historical experience.

2. Summary of Significant Accounting Policies (continued)

Generally, patients who are covered by third-party payors are responsible for patient responsibility balances, including deductibles and coinsurance established by their insurance plans, which vary in amount. The Group estimates the transaction price for patients with deductibles and coinsurance 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. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period such changes occur or it can be reasonably determined such change is probable. Adjustments arising from a change in the transaction price were not significant in the years ended December 31, 2020 and 2019.

The Group is paid a prospectively determined rate for the majority of inpatient acute care and outpatient services provided (principally Medicare, Medicaid, and certain insurers). These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. In addition, the Group is paid by Medicare for certain add-on payments such as medical education training costs and disproportionate share at a tentative rate, with final settlement determined after submission of annual cost reports by the Group and audits thereof by the Medicare Administrative Contractor.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation as well as significant regulatory action, and, in the normal course of business, the Group is subject to contractual reviews and audits, including audits initiated by the Medicare Recovery Audit Contractor program. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term. The Group believes it is in compliance with applicable laws and regulations governing the Medicare and Medicaid programs and that adequate provisions have been made for any adjustments that may result from final settlements.

Settlements with third-party payors for retroactive adjustments due to reviews and audits are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care in the period the related services are provided or when results of audits and appeals can reasonably be determined or finalized. These settlements are estimated based on the terms of the payment agreement with the payor, regulations, notification from the payor and the Group's historical settlement activity, including an assessment to establish that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as new or revised information become known

2. Summary of Significant Accounting Policies (continued)

or as years are settled or are no longer subject to such reviews and audits. Adjustments arising from a change in the transaction price were not significant for the years ended December 31, 2020 or 2019.

The Group has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Group's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Group does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The Group entered into a restructured, shared savings contractual agreement with a local medical group that receives professional and institutional at-risk capitation funding. This agreement establishes rates that include a monthly fixed institutional-based fee and claims-based rate for care provided to both commercial and Medicare Advantage members. Patient service revenue attributed to this medical group totaled $132.5 million and $148.5 million in 2020 and 2019, respectively.

Charity Care and Unreimbursed Cost of State Programs

HH provides care without charge to patients who meet certain criteria under its financial assistance policy. Because HH does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenues. Unreimbursed costs of charity care provided to the uninsured and patients in state and federal programs totaled approximately $2.6 million and $3.1 million in 2020 and 2019, respectively. The cost of uncompensated care is derived from the cost accounting system, taking into account the cost of resources used such as labor, supplies, drugs, and equipment to provide the care.

In addition, in 2020 and 2019, the unreimbursed costs (unaudited) of non-charity care provided to patients in state programs, including the Medi-Cal program or enrolled in HMO and PPO plans under contract with the Medi-Cal program, are estimated by management to be approximately $47.2 million and $34.0 million, respectively.

2. Summary of Significant Accounting Policies (continued)

California Hospital Quality Assurance Fee Program

In 2010, California legislation established a program that imposes a Hospital Quality Assurance (QA) Fee on certain general acute care hospitals in order to make supplemental and grant payments and increased capitation payments (Supplemental Payments) to hospitals up to the aggregate upper payment limit for various periods.

The California Hospital Quality Assurance (CHQA) Programs are designed to make supplemental inpatient and outpatient Medi-Cal payments to private hospitals, including additional payments for certain facilities that provide high-acuity care and trauma services to the Medi-Cal population.

The CHQA Programs provide a mechanism for increasing payments to hospitals that serve Medi-Cal patients, with no impact on the state's General Fund. Some of these payments will be made directly by the state, while others will be made by Medi-Cal managed care plans, which will receive increased capitation rates from the state in amounts equal to the Supplemental Payments. Outside of the legislation, the California Hospital Association has created a private program, operated by the California Health Foundation and Trust (CHFT), which was established to alleviate disparities potentially resulting from the implementation of the CHQA Programs and, therefore, resulted in pledges of grant income to these hospitals.

There are three CHQA programs that had activity in 2020 and 2019: a 36-month hospital fee program covering the period from January 1, 2014 through December 31, 2016, a 30-month hospital fee program covering the period from January 1, 2017 through June 30, 2019, and a 30-month hospital fee program coving the period from July 1, 2019 through December 31, 2021. Patient service revenues and provider fee expenses include amounts for the CHQA program as follows:

2. Summary of Significant Accounting Policies (continued)

For the years ended December 31,

	2020	2019
	(In Thousands)	
CHQA program revenue	**$ 43,485**	$ 44,005
CHQA program expense	**(46,975)**	(45,379)
Loss from operations from CHQA program	**$ (3,490)**	$ (1,374)
2019–2021 Hospital Fee Program summary (30 months)	**$ –**	$ 335
2017–2019 Hospital Fee Program summary (30 months)	**(3,509)**	(1,714)
2014–2016 Hospital Fee Program summary (36 months)	**19**	5
Total	**$ (3,490)**	$ (1,374)

Contributions

Contributions without donor restrictions or those released from donor restrictions in a given year generated from the Group's philanthropy operations, along with the related expenses, are included in total revenues and expenses.

Excess of Revenues Over Expenses

The consolidated statements of operations include the excess of revenues over expenses, which is considered the performance indicator. Changes in net assets without donor restrictions that are excluded from the excess of revenues over expenses, consistent with industry practice, primarily include contributions of long-lived assets (including assets acquired using contributions that by donor restrictions were to be used for the purposes of acquiring such assets) and changes in pension liabilities.

Income Taxes

HH has been determined to qualify as exempt from federal and state income taxes under Section 501(a) as organizations described in Section 501(c)(3) of the Code. Most of the income received by the Group is exempt from taxation, as income related to the mission of the

2. Summary of Significant Accounting Policies (continued)

organization. Accordingly, there is no material provision for income taxes for these entities. However, some of the income received by the exempt entities is subject to taxation as unrelated business income. The Group and its affiliates file federal and state income tax returns.

The Group completed an analysis of its tax positions, in accordance with ASC 740, *Income Taxes*, and determined that there are no uncertain tax positions taken or expected to be taken. The Group has recognized no interest or penalties related to uncertain tax positions. The Group is subject to routine audits by the taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

COVID-19 Pandemic and CARES Act Funding

COVID-19, a respiratory disease caused by a novel strain of coronavirus, has spread around the world, including in Southern California in which the Group does business. Since the Centers for Disease Control and Prevention confirmed the spread of the disease to the United States in January 2020 and the World Health Organization declared COVID-19 a pandemic in March 2020, the federal government and the State of California have declared, and remain in, a state of emergency. The State of California was one of the first states in the United States with a confirmed case of COVID-19 on January 26, 2020, and California Governor Gavin Newsom was the first governor to issue a community shelter-in-place order on March 19, 2020.

The need for the Group to respond to COVID-19 has been, and continues to be, a costly and difficult endeavor. The impact of COVID-19 on future operations and financial results will depend upon many factors, many of which could be beyond the Group's ability to control. Such factors include, but are not limited to, the scope and duration of community shelter-in-place orders, which began in March 2020 and continued intermittently throughout 2020 and into 2021, business closures and other restrictions, the effects of restrictions on providing non-emergency health care services, declines in patient volumes for an indeterminable length of time, increases in the number of uninsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in liability exposures as a result of COVID-19. These financial statements include the impact of these factors on the information provided herein as of and for the year ended December 31, 2020. Because of these uncertainties, the Group cannot estimate the length or severity of the impact of COVID-19 on its operations, which could continue to impact cash flows, revenues, reserves, and potential impairments of goodwill and long-lived assets.

2. Summary of Significant Accounting Policies (continued)

From April 2020 through December 2020, the Group received approximately $65.3 million in COVID-19 Relief Funds (Relief Funds) from the Department of Health and Human Services. These Relief Funds are not subject to repayment, provided the Group is able to comply with the terms and conditions of the funding, including demonstrating that the Relief Funds received have been used for health care-related expenses attributable to COVID-19 and the remainder applied to lost revenues. Based on an analysis of the compliance and reporting requirements of the Relief Funds and the impact of the pandemic on the Group's operating results, the Group believes the applicable terms and conditions have been met to recognize all of the Relief Funds as of December 31, 2020. Therefore, the Group reported Relief Funds of $65.3 million as other revenues in the consolidated statements of operations. The Group will continue to monitor the terms and conditions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the impact of COVID-19 on its revenues and expenses. If the Group is unable to comply with future terms and conditions, the ability to retain some or all of the Relief Funds received may have an impact on the revenue recognized historically or in the future.

Additionally, the Group received approximately $66.8 million from Center for Medicare & Medicaid Services as part of the Medicare Advance and Accelerated Payment Program (AAPP), pursuant to which providers receive advance Medicare disbursements. These AAPP disbursements are reported in cash, other, and other accrued liabilities and are a loan that providers repay by offsetting future Medicare claims. As a result of the H.R. 8319 Continuing Resolution enacted into law on October 1, 2020, hospitals that receive funds under this program are subject to the following repayment terms.

- No repayment until one year after first receiving the loan.
- Medicare will withhold 25% per claim for the first 11 months of repayment.
- Medicare will withhold 50% per claim for the next 6 months of repayment.
- After 29 months, the HHS Secretary can require the outstanding balance be paid in full and determine the percent Medicare will withhold per claim.
- An interest rate of 4% will be assessed on loan balances outstanding after 29 months.

2. Summary of Significant Accounting Policies (continued)

The CARES Act also provides for a deferral of payments of the employer portion of payroll tax incurred during the pandemic, allowing half of such payroll taxes to be deferred until December 2021 and the remaining half deferred until December 2022. As of December 31, 2020, the Group deferred $8.2 million of payroll taxes that are reported in accrued payroll and employee benefits, other, and other accrued liabilities in the consolidated balance sheets.

Cedars-Sinai Affiliation

On March 9, 2020, Pasadena Hospital Association, Ltd. signed a letter of intent (LOI) to affiliate with Cedars-Sinai Health System, which has subsequently been extended to July 31, 2021. The LOI memorialized capital commitments for continued improvements in the Hospital facilities, enterprise information technology, growth in ambulatory services, and physician development. A definitive agreement was negotiated, approved by both Boards of Trustees, signed on July 14, 2020, and submitted to the California Attorney General's Office for review and approval. The Attorney General's Office approved the affiliation on December 11, 2020, subject to customary closing conditions for similar affiliations, but additionally included a number of competitive impact conditions that management believes would put the Hospital at a competitive disadvantage and limit its ability to provide access to affordable, coordinated care to the community. The conditions referenced are the subject of a lawsuit brought by the Hospital and Cedars-Sinai Health System against the California Department of Justice and the Office of the Attorney General filed March 30, 2021.

Subsequent Events

The Group allowed its revolving credit facility in the amount of $50.0 million maturing on April 23, 2020 to expire without renewal. The Group is currently in discussions to extend its $30.0 million line of credit.

In February 2021, the Trust transferred the real property on which HH is located at 100 W. California, along with the real property for the medical office building at 47 Congress and the Senior Care building at 620-624 South Pasadena Ave., along with associated improvements, with an aggregate carrying value of $14.5 million to HH.

The Group evaluated subsequent events through April 30, 2021, which is the date these consolidated financial statements were issued.

2. Summary of Significant Accounting Policies (continued)

Recently Adopted Accounting Guidance

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement* (Topic 820). This ASU improves the effectiveness of the notes to financial statements through changes in the disclosure requirements for fair value measurement. The ASU is effective January 1, 2020, and has been applied using a retrospective approach. The adoption did not have a material effect on the Group's consolidated financial statements.

New Accounting Standards Not Yet Adopted

In August 2018, the FASB issued ASU 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General*. This standard intends to make minor changes to the disclosure requirements for employers that sponsor defined benefit pension and other postretirement benefit plans. The amendments in this standard remove disclosures that no longer are considered cost beneficial, clarify the specific requirements of disclosures, and add disclosure requirements identified as relevant. ASU 2018-14 is effective for the Group for annual reporting periods beginning after December 15, 2021, with early adoption permitted. Upon adoption, the Group is required to apply the new standard retrospectively to all periods presented in the consolidated financial statements. The Group has evaluated the impact that ASU 2018-14 will have on its consolidated financial statements and does not believe them to be material.

In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other, Internal-Use Software (Subtopic 350-40), Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The ASU is effective January 1, 2021, and will be applied using a prospective approach. The Group has evaluated the impact that ASU 2018-15 will have on its consolidated financial statements and does not believe them to be material. The Group will adopt the provisions as of the January 1, 2021, effective date.

3. Patient Accounts Receivable

Patient service revenue by major payor source for the years ended December 31 are as follows:

	2020	2019
	(In Thousands)	
Government (excluding provider fee)	**$ 159,223**	$ 170,361
Contracted and others	**406,931**	441,497
Self-pay	**2,714**	3,996
Patient service revenues, excluding provider fee	**568,868**	615,854
Provider fee revenue	**43,485**	44,005
Patient service revenues	**$ 612,353**	$ 659,859

Concentrations of credit risk with respect to patient accounts receivable are limited, except with respect to larger insurers' programs under contract with federal and state governments, due to the large number of payors comprising the Group's patient base. With respect to larger insurers, patient accounts receivable was composed of amounts due from Anthem Blue Cross, Blue Shield and Kaiser of $11.4 million, $5.6 million, and $5.3 million, respectively, at December 31, 2020, and $15.1 million, $11.9 million, and $6.1 million at December 31, 2019, respectively. With respect to programs under contract with federal and state governments, patient accounts receivable due directly or indirectly from Medicare and Medi-Cal were $23.1 million and $10.9 million, respectively, at December 31, 2020, and $23.6 million and $14.1 million, respectively, at December 31, 2019.

The Group's implicit price concessions are recorded as a direct reduction to patient service revenue. During the year ended December 31, 2019, the Group recorded a reduction of $17.1 million in net patient services revenue earned prior to January 1, 2019. This change in estimate resulted from temporary challenges in revenue cycle leadership, systems, processes, and staffing and represented a deficit of cash collected during the year ended December 31, 2019, and an increase in the reserves for collectability on accounts receivable as of December 31, 2019.

4. Investments

The Group's investments as of December 31 by financial statement line item are as follows:

	2020	2019
	(In Thousands)	
Short-term investments	**$ 480,890**	$ 416,915
Investments held in trust for current debt service	**9,420**	9,435
Investments held in trust under bond master indenture	**1,699**	66,129
Investments designated by Board for specific purposes	**63,811**	63,530
Investments restricted by donors for capital expenditures or to provide a permanent source of income	**49,221**	57,212
Interest in charitable remainder annuity trusts	**11,850**	11,163
	$ 616,891	$ 624,384

Investment income or loss on marketable securities included in donor-restricted net assets (including realized and unrealized gains and losses on investments, interest, and dividends) is reported as investment income unless the income or loss is restricted by donor or law, in which case the investment income or loss is recorded directly to net assets with donor restrictions.

Investment income includes the following for the years ended December 31:

	Investment Income (Loss)		
	Without Donor Restrictions	With Donor Restrictions	Total
	(In Thousands)		
2020			
Interest and dividends	**$ 6,614**	**$ 799**	**$ 7,413**
Net realized gains	**37,998**	**4,705**	**42,703**
Net unrealized gains	**15,581**	**1,888**	**17,469**
	$ 60,193	**$ 7,392**	**$ 67,585**
2019			
Interest and dividends	$ 7,927	$ 964	$ 8,891
Net realized gains	4,171	174	4,345
Net unrealized gains	59,676	11,868	71,544
	$ 71,774	$ 13,006	$ 84,780

5. Fair Value Measurements

Fair value is defined as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

As a basis for considering such assumptions, the Group establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Quoted prices are available in active markets for identical assets as of the measurement date.

Level 2 – Assets that are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Assets whose fair value cannot be determined by using observable measures and can only be calculated using estimates or risk-adjusted value ranges when little or no market data is available. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are therefore determined using factors that involve considerable judgment and interpretations, including, but not limited to, private and public comparables, third-party appraisals, discounted cash flow models, and fund manager estimates. The Group held no Level 3 financial instruments at December 31, 2020 and 2019.

Financial assets and liabilities measured at fair value are based on one or more of the following three valuation techniques:

(a) Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

(b) Cost approach – Amount that would be required to replace the service capacity of an asset (replacement cost).

(c) Income approach – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing, and excess earnings models).

5. Fair Value Measurements (continued)

The Group's assets and liabilities measured at fair value and net asset value on a recurring basis are as follows as of December 31:

	Investments at Fair Value			Valuation
	Total	**Level 1**	**Level 2**	**Technique**
		(In Thousands)		
2020				
Cash and equivalents	**$ 13,988**	**$ 13,988**	**$ –**	**(a)**
Equity securities:				
Marketable equity securities	**2,497**	**2,497**	**–**	**(a)**
U.S. equity mutual fund	**127,096**	**127,096**	**–**	**(a)**
Fixed-income securities:				
Global fixed-income and equity mutual funds	**376,053**	**376,053**	**–**	**(a)**
Debt securities – corporate and other	**1,426**	**–**	**1,426**	**(a)**
Charitable remainder annuity trusts:				
Interest in charitable remainder annuity trusts	**11,850**	**–**	**11,850**	**(c)**
Total	**532,910**	**$ 519,634**	**$ 13,276**	
Investments measured at net asset value:				
Global equity mutual fund	**47,547**			
Pooled hedge funds	**29,844**			
Private equity fund	**6,590**			
Total	**83,981**			
Total investments	**$ 616,891**			
Liabilities				
Gift annuity/CRATs	**$ 1,039**	**$ –**	**$ 1,039**	**(c)**
Total	**$ 1,039**	**$ –**	**$ 1,039**	

5. Fair Value Measurements (continued)

	Investments at Fair Value			Valuation
	Total	**Level 1**	**Level 2**	**Technique**
		(In Thousands)		
2019				
Cash and equivalents	$ 87,217	$ 87,217	$ –	(a)
Equity securities:				
Marketable equity securities	2,183	2,183	–	(a)
Fixed-income securities:				
U.S. fixed-income and equity mutual funds	120,905	120,905	–	(a)
Global fixed-income and equity mutual funds	248,814	248,814	–	(a)
Debt securities – corporate and other	1,454	–	1,454	(a)
Charitable remainder annuity trusts:				
Interest in charitable remainder annuity trusts	11,163	–	11,163	(c)
Total	471,736	$ 459,119	$ 12,617	
Investments measured at net asset value:				
U.S. fixed-income mutual fund	23,096			
Global equity mutual fund	86,301			
Pooled hedge funds	36,597			
Private equity fund	6,653			
Total	152,646			
Total investments	$ 624,383			
Liabilities				
Gift annuity/CRATs	$ 1,110	$ –	$ 1,110	(c)
Total	$ 1,110	$ –	$ 1,110	

At December 31, 2020 and 2019, the Group's investments of $84.0 million and $152.6 million, respectively, in alternative investment funds, including hedge funds, mutual funds, and private equity funds, are measured using the funds' net asset value per unit as a practical expedient to estimate fair value. For the mutual funds and hedge funds, redemption clauses range between

5. Fair Value Measurements (continued)

monthly and biannually, with various notice requirements between 10 and 95 days. The Group may not withdraw or sell, assign, or transfer its interest in the private equity fund except in certain limited circumstances, subject to consent by the general partners of the fund.

The total unfunded commitments related to private equity funds were $2.1 million at December 31, 2020.

The fair value of the Group's receivable from charitable remainder annuity trusts (CRATs) is based on the Group's percentage of the fair value of the trust's assets adjusted for any outstanding liabilities (discounted using a rate per Internal Revenue Service regulations), based on each trust arrangement.

The fair value of gift annuity/CRAT liabilities was determined using techniques that are consistent with the income approach. The fair value is determined using a net present value approach based on IRS 1457 tables and Applicable Federal Rates. The rates used were 0.6 % and 2% at December 31, 2020 and 2019, respectively. Mortality tables regularly published by the federal government are utilized to estimate remaining lives of trust donors.

6. Availability of Financial Assets

The following reflects the Group's financial assets available for general expenditures within one year of December 31. Amounts not available include amounts set aside for long-term investing in the operating and capital reserves that could be drawn upon if the governing board approves that action.

	2020	2019
	(In Thousands)	
Cash and cash equivalents	**$ 116,980**	$ 46,391
Short-term investments	**480,890**	416,915
Receivables	**140,821**	161,107
	$ 738,691	$ 624,413

6. Availability of Financial Assets

The Group has certain board-designated and donor-restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the information above for financial assets to meet general expenditures within one year. The Group has other assets limited to use for donor-restricted purposes and debt service. Additionally, certain other board-designated assets are designated for future capital expenditures. These restricted investments, which are more fully described in Note 9, are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

As part of the Group's liquidity management plan, cash in excess of daily requirements are invested in in short-term investments and money market funds. Additionally, the Group maintains a $30.0 million and a $50.0 million revolving line of credit, as discussed in more detail in Note 8. As of December 31, 2020, $80.0 million remained available on the Group's revolving line of credit.

7. Property and Equipment

Property and equipment consist of the following as of December 31:

	2020	2019
	(In Thousands)	
Land	**$ 21,854**	$ 21,848
Buildings and improvements	**717,040**	628,947
Leasehold improvements	**27,963**	22,738
Equipment	**297,717**	236,336
Equipment – finance leases	**16,085**	62,238
Construction-in-progress	**149,820**	158,239
	1,230,479	1,130,346
Accumulated depreciation and amortization	**(575,058)**	(509,658)
Accumulated depreciation and amortization – finance leases	**(5,888)**	(32,939)
	$ 649,533	$ 587,749

8. Long-Term Debt and Revolving Line of Credit

Long-term debt consists of the following as of December 31:

	Interest Rate(s)	Final Maturity	2020	2019
			(In Thousands)	
Bonds payable:				
Series 2018 Bonds, including unamortized premiums of $8,663 and $8,786 at December 31, 2020 and 2019, respectively	5%	2048	**$ 106,893**	$ 108,546
Series 2014A Bonds, including unamortized premiums of $1,164 and $1,169 at December 31, 2020 and 2019, respectively	5%	2044	**51,164**	51,169
Series 2014B Bonds, including unamortized premiums of $13,120 and $13,680 at December 31, 2020 and 2019, respectively	3% to 5%	2044	**155,164**	158,926
Obligations under finance leases			**11,120**	12,101
			324,341	330,742
Less current maturities			**(8,557)**	(7,780)
			315,784	322,962
Less debt issuance costs			**(4,212)**	(4,398)
			$ 311,572	$ 318,564

Bond premiums are amortized over the term of the bonds using the effective interest method.

Debt issuance costs are classified as a direct deduction from the carrying amount of the debt liability. Costs incurred in obtaining long-term financing are deferred and amortized over the terms of the related obligations using the effective interest method.

HH and the Trust are co-obligors on the bonds, comprising the Obligated Group. The Obligated Group members are jointly and severally liable for the debt.

8. Long-Term Debt and Revolving Line of Credit (continued)

The bonds are collateralized by the Gross Receivables of the Obligated Group, and trustee-held funds established in accordance with the bond indenture. Certain receivables are excluded from the Gross Receivables pledge, such as donations or grants restricted for purposes other than debt service, as well as real property held by the Trust. The Obligated Group must comply with certain covenants, including a required minimum debt service coverage ratio, the maintenance of certain required funds, and limitations on the use of bond proceeds. At December 31, 2020 and 2019, the Obligated Group was in compliance with all bond covenants.

On June 22, 2017, the Group entered into a revolving credit agreement with a commitment amount of $30.0 million and a term of three years, with the option to extend in writing, no sooner than 120 days prior to the current maturity date, should both parties desire to continue with the arrangement. The facility is provided by a major bank at the 1-month London Interbank Offered Rate (LIBOR) +50BPS and contains covenants similar to those associated with the Group's bonds noted above.

On April 24, 2020, the Group extended its $30.0 million line of credit agreement until April 23, 2021, and entered into an additional revolving credit facility in the amount of $50.0 million with the same institution, also maturing on April 23, 2021. Amounts outstanding under the revolving credit agreements were $0 and $18.0 million as of December 31, 2020 and 2019, respectively.

On May 1, 2020, the Group entered into two revolving credit agreements with commitment amounts of $82.0 million and $18.0 million and maturing on May 12, 2021. The facility was provided by a major bank at 1-month LIBOR +150BPS and contains covenants similar to those associated with the Group's bonds noted above. On December 11, 2020, the Group terminated both agreements, resulting in no related amounts being outstanding as of December 31, 2020.

8. Long-Term Debt and Revolving Line of Credit (continued)

The aggregate amounts of annual maturities and sinking fund payments on all long-term debt, including finance leases, for the years subsequent to December 31, 2020, are as follows (in thousands):

2021	$ 7,955
2022	8,333
2023	8,481
2024	6,645
2025	6,815
Thereafter	263,166
Total principal payments	301,395
Unamortized bond premiums (including current portion of $602)	22,946
	$ 324,341

Interest costs incurred totaled $14.7 million and $12.1 million in 2020 and 2019, respectively, of which $6.8 million and $4.0 million in 2020 and 2019, respectively, was capitalized.

9. Net Assets and Contributions

Net assets with donor restrictions are available for the following purposes as of December 31:

	2020	2019
	(In Thousands)	
Patient care services	**$ 69,126**	$ 64,931
Nursing/residency programs	**16,749**	16,748
Building and maintenance	**20,941**	28,944
Research and others	**1,812**	1,653
Time restricted under CRT	**11,957**	11,359
	$ 120,585	$ 123,635

9. Net Assets and Contributions (continued)

Restricted net assets for building and equipment are included in investments restricted for capital expenditures and other assets on the consolidated balance sheets. Net assets restricted for noncapital purposes are included in short-term investments, other assets, and receivable from charitable remainder annuity trusts.

Net unconditional promises to give, included in current and other noncurrent assets, consist of the following as of December 31. Promises to give are discounted using approximate five-year U.S. Treasury rates with active promises currently carrying rates between 2% and 6%.

	2020	2019
	(In Thousands)	
Unconditional promises to give, less:	**$ 15,584**	$ 15,573
Discounts	**(504)**	(311)
Allowance for uncollectibility	**(832)**	(628)
Total unconditional promises to give, net	**$ 14,248**	$ 14,634

As of December 31, 2020, future discounted receipts anticipated from unconditional promises to give, net of an allowance for uncollectibility, are as follows (in thousands):

2021	$ 4,241
2022 through 2024	9,450
Thereafter	557
	$ 14,248

9. Net Assets and Contributions (continued)

Split-Interest Agreements

The Hospital is party to many gift annuity arrangements. These generally take the form of charitable remainder annuity trusts (CRATs) or charitable remainder unit trusts (CRTs) where the Hospital pays a fixed return to the donor while still living and the remaining undistributed trust assets revert to the Hospital upon the donor's passing. The Hospital is also a named beneficiary under many legacy and bequest arrangements where it will receive all or a portion of the irrevocable trusts upon the passing of the donors. The fair value of these assets and the associated liabilities for amounts payable under the gift annuities are remeasured at each year-end as outlined in Note 5. Assets and liabilities recorded in relation to these split-interest agreements as of December 31 are as follows:

	2020	2019
	(In Thousands)	
Gift annuities and CRTs:		
Assets	**$ 3,938**	$ 3,827
CRATs:		
Assets	**$ 11,850**	$ 11,163
Gift annuities and CRATs:		
Liabilities	**$ (1,039)**	$ (1,110)

Contribution revenue of $26,537 and $0 was recognized in relation to split-interest agreements for the years ended December 31, 2020 and 2019, respectively. Changes in the value of split-interest agreements recognized totaled $271,000 and $210,000 for the years ended December 31, 2020 and 2019, respectively.

Endowment

The Group's endowment includes all net assets that contain donor restrictions as well as Board-designated funds.

9. Net Assets and Contributions (continued)

The changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
	(In Thousands)		
Endowment net assets, January 1, 2019	$ 62,948	$ 83,876	$ 146,824
Investment return	–	918	918
Net appreciation	–	11,581	11,581
Contributions	689	3,091	3,780
Adjustment to CRTs and legacies and bequests	–	2,006	2,006
Appropriation of endowment assets for expenditure	(300)	(4,610)	(4,910)
Transfers to create board-designated endowment funds	193	–	193
Endowment net assets, December 31, 2019	63,530	96,862	160,392
Investment return	**–**	**760**	**760**
Net appreciation	**–**	**6,302**	**6,302**
Contributions	**487**	**4,137**	**4,624**
Adjustment to CRTs and legacies and bequests	**–**	**241**	**241**
Appropriation of endowment assets for expenditure	**(400)**	**(6,486)**	**(6,886)**
Transfers to create board-designated endowment funds	**194**	**–**	**194**
Endowment net assets, December 31, 2020	**$ 63,811**	**$ 101,816**	**$ 165,627**

9. Net Assets and Contributions (continued)

The endowment net asset composition by type of fund as of December 31 consists of the following:

	2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
	(In Thousands)		
Donor-restricted endowment funds	**$ –**	**$ 101,815**	**$ 101,815**
Board-designated endowment funds	**63,811**	**–**	**63,811**
Total funds	**$ 63,811**	**$ 101,815**	**$ 165,626**

	2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
	(In Thousands)		
Donor-restricted endowment funds	$ –	$ 96,862	$ 96,862
Board-designated endowment funds	63,530	–	63,530
Total funds	$ 63,530	$ 96,862	$ 160,392

Funds With Deficiencies

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 Group to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets without donor restrictions. There were no such deficiencies as of December 31, 2020 or 2019.

Return Objectives and Risk Parameters

The Group has investment policies that attempt to provide a predictable stream of funding to programs supported by operations as well as endowment donations. Assets are invested in a manner that is intended to produce results that exceed the respective benchmark while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

9. Net Assets and Contributions (continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Group relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Group targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Interpretation of Relevant Law

In 2009, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) was enacted to update and replace Ohio's previous law, the Uniform Management of Institutional Funds Act. The Group has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Group classifies as net assets with donor restrictions (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in the permanent endowment is available for appropriation for expenditure by the Group in a manner consistent with the standard for expenditure prescribed by UPMIFA. In accordance with UPMIFA, the Group considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the Group and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Group

(7) The investment policies of the Group

9. Net Assets and Contributions (continued)

A description of endowment assets is as follows as of December 31:

	2020	2019
	(In Thousands)	
Net Assets with Donor Restrictions		
(1) Term endowment funds	**$ 58,568**	$ 53,773
(2) The portion of perpetual endowment funds subject to a time restriction under UPMIFA:		
Without purpose restrictions	**161**	161
With purpose restrictions	**43,086**	42,928
Total endowment funds classified as net assets with donor restrictions	**$ 101,815**	$ 96,862

Fundraising and Contributed Services

Fundraising costs consist solely of direct costs associated with philanthropic activities, such as salaries and benefits of individuals pursuing donations, costs of fundraising events, and the like. No allocations of general expense are made.

Contributed services consist of volunteer hours worked through the Hospital's volunteer program. The Group does not recognize these donated service hours as revenue. 28,060 and 126,723 volunteer hours (unaudited) were donated to the Hospital in 2020 and 2019, respectively. These services represent an approximate value (unaudited) of $0.8 million and $3.2 million for 2020 and 2019, utilizing hourly rates of $27.20 and $25.43 in 2020 and 2019, respectively.

10. Leases

The Group leases property and equipment under operating and finance leases. The related assets and obligations are recorded at the present value of lease payments over the term of the agreements. Some of the Group's leases include rental escalation clauses, renewal options, and/or termination options that are factored into the determination of lease payments. Variable lease payments are non-lease services related to the lease and are excluded from the right-of-use assets and lease liabilities and are recognized in the period in which the obligation of those payments is incurred.

10. Leases (continued)

Generally, the Group does not include renewal options in the lease terms for calculating the lease liability, as the Group maintains operational flexibility and is not reasonably certain the renewal options will be exercised. When a lease does not provide a readily determinable implicit rate in the contract, the incremental borrowing rate is estimated and utilized to discount the lease payments based on information available at lease commencement.

The Group elected the package of practical expedients permitted under the transition guidance within the new standard, which, among other things, allowed the historical lease classification not to be reassessed. The Group made an accounting policy election to not apply the recognition requirements of the guidance to short-term leases with a term of 12 months or less. The Group also made an accounting policy election not to separate non-lease components from lease components for all classes of assets. The Group did not elect the hindsight practical expedient, which permits entities to use hindsight in determining the lease term and assessing impairment.

The Group leases office space and facilities under leases ranging from 5 to 20 years. Building rent expense totaled approximately $11.0 million and $11.1 million in 2020 and 2019, respectively. The Group leases the Pavilion Medical Building under three master lease agreements. The rental agreements commenced on June 1, 2009, and have 20-year terms plus two consecutive options to extend the terms of the leases for 10 years each. The leases also include annual CPI escalation clauses (with a 3% floor and 6% cap). The Group subleases certain portions of the Pavilion Medical Building to an unconsolidated equity method investee. The Group’s portion of rental income and rental expense related to this unconsolidated equity method investee is eliminated in consolidation.

The Foundation has eight building leases with three- to ten-year terms, with short-term renewal options and annual escalation clauses from 0% to 3%.

10. Leases (continued)

Leases	Consolidated Balance Sheets	December 31 2020	2019
		(In Thousands)	
Assets			
Operating lease right-of-use assets	Other noncurrent assets	**$ 53,971**	$ 59,990
Finance lease right-of-use assets	Property and equipment, net	**11,120**	12,101
		$ 65,091	$ 72,091
Current liabilities			
Operating lease liabilities	Current portion of operating lease liability	**$ 7,831**	$ 7,417
Finance lease liabilities	Current portion of long-term debt	**2,990**	2,546
Noncurrent liabilities			
Operating lease liabilities	Long-term operating lease liability	**46,140**	52,573
Finance lease liabilities	Long-term debt, less current portion	**8,130**	9,555
		$ 65,091	$ 72,091

Weighted average operating leases remaining lease term	**8.79 years**	8.72 years
Weighted average finance leases remaining lease term	**4.72 years**	4.62 years
Weighted average operating lease discount rate	**3.27%**	3.27%
Weighted average finance lease discount rate	**3.27%**	3.28%

	Year Ended December 31 2020	2019
	(In Thousands)	
Lease costs		
Operating lease cost	**$ 12,553**	$ 13,379
Finance lease cost:		
Amortization of leased assets	**2,771**	2,324
Interest on lease liabilities	**420**	426

10. Leases (continued)

	Year Ended December 31	
	2020	**2019**
	(In Thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows for operating leases	**$ 12,218**	$ 13,227
Operating cash outflows for finance leases	**–**	–
Financing cash outflows for finance leases	**2,546**	2,577
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	**483**	8,575
Finance leases	**1,770**	10,963

Future payments as of December 31, 2020, for operating and finance leases are as follows:

	Operating Leases	**Finance Leases**
	(In Thousands)	
2021	$ 11,940	$ 3,327
2022	11,383	3,300
2023	10,318	3,038
2024	9,441	904
2025	9,103	749
Thereafter	28,895	642
	81,080	11,960
Less imputed interest	(27,109)	(840)
	$ 53,971	$ 11,120

11. Commitments and Contingencies

Contingencies

The Group records accruals for loss contingencies to the extent it is probable that a liability has been incurred and the amount of the related loss can be reasonably estimated. Certain legal actions arising in the ordinary course of business are pending against the Group. Management believes that the ultimate resolution of the various proceedings will not have a material adverse effect upon the consolidated financial position, results of operations, or cash flows of the Group.

The Hospital has been named in several lawsuits related to the treatment of patients in an inappropriate manner by an affiliated (not employed) private practice physician at his medical office and the Hospital. Litigation in this matter involves numerous complex issues, and discovery is still ongoing. Additional litigation could be filed, or the cases could be dismissed. Accordingly, based upon information currently available, it is not possible to predict the final resolution of these matters and their impact on the future consolidated financial position and results of operations of the Group.

12. Retirement Plans

HH has a defined benefit retirement plan. This plan was contributory through June 30, 2005, and became noncontributory on July 1, 2005. Effective July 1, 2013, the plan was closed to new participants and all benefit accruals under the plan were frozen. Additionally, HH adopted a 457(f) defined benefit retirement plan, effective December 31, 2005, covering key executives.

In 2020, the plans had a net actuarial loss of $29.0 million, resulting in an increase in the plans' projected benefit obligation that was primarily driven by a decrease in the discount rate from 3.49% at December 31, 2019, to 2.73% at December 31, 2020. In 2019, the plans had a net actuarial loss of $29.4 million, resulting in an increase in the plan's projected benefit obligation that was primarily driven by a decrease in the discount rate from 4.35% at December 31, 2018, to 3.49% at December 31, 2019. Plan-related cost components are presented in salaries and benefits expense.

12. Retirement Plans (continued)

The changes in benefit obligation and plan assets of the plans are as follows for the years ended December 31:

	2020	2019
	(In Thousands)	
Actuarial obligation at beginning of year	**$ 226,444**	$ 218,492
Interest cost	**7,163**	8,345
Benefits paid	**(3,835)**	(3,634)
Actuarial loss	**28,968**	29,369
Settlement	**(11,484)**	(26,127)
Actuarial obligation at end of year	**$ 247,256**	$ 226,445
Fair value of plan assets at beginning of year	**$ 151,152**	$ 152,470
Actual return on plan assets	**13,995**	22,072
Employer contributions	**7,657**	6,371
Benefits paid	**(3,835)**	(3,634)
Settlement	**(11,484)**	(26,127)
Fair value of plan assets at end of year	**$ 157,485**	$ 151,152
Funded status (long-term accrued pension liability)	**$ (89,771)**	$ (75,293)

Lump-sum settlements in 2020 reached a level requiring the current year recognition of $3.9 million in losses in changes in net assets without restrictions, arising from a defined benefit plan but not yet included in net periodic benefit cost, representing the settlement of 5.1% of the plan's obligations.

Lump-sum settlements in 2019 reached a level requiring the current year recognition of $6.9 million in losses in changes in net assets without restrictions, arising from a defined benefit plan but not yet included in net periodic benefit cost, representing the settlement of 10.9% of the plan's obligations.

12. Retirement Plans (continued)

	2020	2019
	(In Thousands)	
Pension liability recorded as changes in net assets without donor restrictions:		
Unrecognized prior actuarial loss	**$ 75,938**	$ 60,823
Accumulated benefit obligation	**$ 247,256**	$ 226,445

	2020	2019
	(In Thousands)	
Net periodic benefit cost recognized:		
Interest cost	**$ 7,163**	$ 8,345
Expected return on plan assets	**(5,811)**	(7,082)
Net actuarial loss amortization	**1,757**	1,118
Net periodic benefit cost	**$ 3,109**	$ 2,381

The actuarial assumptions as of December 31 are as follows:

	2020	2019
Weighted average assumptions:		
Discount rate (used for funded status)	**2.73%**	3.49%
Discount rate (used for pension cost)	**3.27%-4.35%**	3.27%-4.35%
Expected return on plan assets (based on historical market investment returns)	**5.60%**	5.90%

12. Retirement Plans (continued)

The following benefit payments are expected to be paid during the years ending December 31 (in thousands):

2021	$ 14,083
2022	16,743
2023	15,240
2024	15,452
2025	17,189
Years 2024–2030	64,581

Employer contributions for fiscal 2021 are expected to be $7.85 million.

The pension plan's weighted average asset allocation as of December 31, by asset category, is as follows:

	2020	2019
Asset categories:		
Equity securities	**60%**	58%
Debt securities	**39**	41
Other	**1**	1
Total	**100%**	100%

The pension plans' asset allocation and investment strategies are designed to earn returns on plan assets consistent with a reasonable and prudent level of risk. Investments are diversified across classes, sectors, and manager style to minimize the risk of large losses. The Group uses investment managers specializing in each asset category and, where appropriate, provides the investment manager with specific guidelines, which include allowable and/or prohibited investment types. The Group regularly monitors manager performance and compliance with investment guidelines.

The target allocations for plan assets are a 50%–80% equity fund and 25%–45% fixed-income fund. The equity fund includes U.S. and international investments and range from large-cap to small-cap companies. The fixed-income fund includes bonds and cash equivalents. The plan has also entered into an annuity contract in which the funds are held in an insurance company general

12. Retirement Plans (continued)

account that is reported at fair value, which approximates the contract value. The expected rate of return actuarial assumption considers the historical long-term rate of return of assets across these asset classes.

Fair Value Measurement

A fair value hierarchy has been established with three levels that prioritize the valuation inputs into each level (see Note 5).

The plans' assets measured at fair value and net asset value on a recurring basis as of December 31 were as follows:

	Investments at Fair Value				Valuation
	Total	**Level 1**	**Level 2**	**Level 3**	**Technique**
		(In Thousands)			
2020					
Cash and equivalents	**$ 2,325**	**$ 2,325**	**$ –**	**$ –**	**(a)**
Corporate bond mutual fund	**60,441**	**60,441**	**–**	**–**	**(a)**
Funds held in insurance company general account	**1,125**	**–**	**–**	**1,125**	**(b)**
Total	**63,891**	**$ 62,766**	**$ –**	**$ 1,125**	
Investments measured at net asset value:					
Commingled global equity fund	**20,582**				
U.S. equity securities and fixed-income mutual funds	**73,012**				
Total investments	**$ 157,485**				

12. Retirement Plans (continued)

	Investments at Fair Value				Valuation
	Total	**Level 1**	**Level 2**	**Level 3**	**Technique**
	(In Thousands)				
2019					
Cash and equivalents	$ 1,666	$ 1,666	$ –	$ –	(a)
Corporate bond mutual fund	32,869	32,869	–	–	(a)
Funds held in insurance company general account	957	–	–	957	(b)
Total	35,492	$ 34,535	$ –	$ 957	
Investments measured at net asset value:					
Commingled global equity fund	40,784				
U.S. equity securities and fixed-income mutual funds	74,876				
Total investments	$ 151,152				

There were no transfers to or from Level 1 or 2 during the years presented. The changes in fair value of the Plans' Level 3 assets are as follows for the year ended December 31:

	2020	**2019**
	(In Thousands)	
Beginning balance	**$ 957**	$ 1,001
Contributions	**15,797**	14,082
Distributions	**(15,319)**	(14,158)
Deposit in transit	**(285)**	35
Administrative charges	**(25)**	(3)
Ending balance	**$ 1,125**	$ 957

12. Retirement Plans (continued)

At December 31, 2020 and 2019, the Group's plan investments of $93.6 million and $115.7 million, respectively, in alternative investment funds, including hedge funds, mutual funds, and private equity funds, are measured using the fund's net asset value per unit as a practical expedient to estimate fair value. For the mutual funds and hedge funds, redemption clauses range between monthly and biannually, with various notice requirements between 10 and 95 days. The Group may not withdraw or sell, assign, or transfer its interest in the private equity fund except in certain limited circumstances, subject to consent by the general partners of the fund.

Defined Contribution Plan

The Group sponsors a defined contribution benefit plan for its employees. For the years ended December 31, 2020 and 2019, employer contributions of $12.4 million and $12.1 million, respectively, were recorded in salaries and benefits expense.

13. Functional Expenses

The Group provides general health care services to residents within its geographic location. The following table presents the Group's expenses by function for the years 2020 and 2019.

	Health Care Services		Support Services		
	Hospital	Physician	Management, General and Administration	Fundraising	Total
			(in Thousands)		
December 31, 2020					
Salaries and benefits	**$ 267,408**	**$ 11,439**	**$ 121,424**	**$ 1,394**	**$ 401,665**
Supplies and purchased services	**158,185**	**10,822**	**66,306**	**938**	**236,251**
Provider fee expense	**46,974**	**–**	**–**	**–**	**46,974**
Depreciation and amortization	**7,854**	**901**	**29,599**	**8**	**38,362**
Interest	**–**	**–**	**7,890**	**–**	**7,890**
Other	**5,104**	**5,119**	**33,428**	**311**	**43,962**
	$ 485,525	**$ 28,281**	**$ 258,647**	**$ 2,651**	**$ 775,104**

13. Functional Expenses (continued)

	Health Care Services		Support Services		
	Hospital	Physician	Management, General and Administration	Fundraising	Total
			(in Thousands)		
December 31, 2019					
Salaries and benefits	$ 272,898	$ 3,649	$ 107,345	$ 1,351	$ 385,243
Supplies and purchased services	158,547	8,345	50,302	906	218,100
Provider fee expense	45,379	–	–	–	45,379
Depreciation and amortization	8,608	716	26,966	7	36,297
Interest	–	–	8,064	–	8,064
Other	5,991	4,246	35,169	586	45,992
	$ 491,423	$ 16,956	$ 227,846	$ 2,850	$ 739,075

The consolidated financial statements report certain expense categories that are attributable to more than one health care service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, amortization, interest, and other occupancy costs, are allocated to a function based on a square footage or units of service basis. Allocated health care services cost not allocated on a units-of-service basis are otherwise allocated on revenue.

Supplementary Information

Collis P. and Howard Huntington Memorial Hospital Trust, Pasadena Hospital Association, Ltd. and Affiliates

Consolidating Balance Sheets

(In Thousands)

	As of December 31, 2020					As of December 31, 2019				
	Trust	**HH**	**Foundation**	**Eliminations**	**Consolidated**	**Trust**	**HH**	**Foundation**	**Eliminations**	**Consolidated**
Assets										
Current assets:										
Cash and cash equivalents	**$ 5,315**	**$ 109,903**	**$ 1,762**	**$ –**	**$ 116,980**	$ 5,952	$ 37,664	$ 2,775	$ –	$ 46,391
Investments:										
Short-term investments	**292,555**	**188,335**	**–**	**–**	**480,890**	260,084	156,831	–	–	416,915
Held in trust for current debt service	**–**	**9,420**	**–**	**–**	**9,420**	–	9,435	–	–	9,435
Total investments	**292,555**	**197,755**	**–**	**–**	**490,310**	260,084	166,266	–	–	426,350
Receivables:										
Patient accounts receivable	**–**	**73,723**	**3,081**	**–**	**76,804**	–	98,801	4,171	–	102,972
Provider fee receivable	**–**	**56,947**	**–**	**–**	**56,947**	–	52,791	–	–	52,791
Estimated settlements from third-party payors	**–**	**7,070**	**–**	**–**	**7,070**	–	5,344	–	–	5,344
Total receivables	**–**	**137,740**	**3,081**	**–**	**140,821**	–	156,936	4,171	–	161,107
Inventories	**–**	**20,990**	**36**	**–**	**21,026**	–	14,148	36	–	14,184
Prepaid expenses and other	**1,016**	**63,681**	**1,255**	**(41,703)**	**24,249**	946	59,211	1,440	(33,235)	28,362
Total current assets	**298,886**	**530,069**	**6,134**	**(41,703)**	**793,386**	266,982	434,225	8,422	(33,235)	676,394
Investments restricted or designated for specific purposes:										
Held in trust under bond master indenture	**–**	**1,699**	**–**	**–**	**1,699**	–	66,129	–	–	66,129
Designated by Board for specific purposes	**–**	**63,811**	**–**	**–**	**63,811**	–	63,530	–	–	63,530
Donor restricted for capital expenditures or to provide a permanent source of income	**2,034**	**47,187**	**–**	**–**	**49,221**	2,034	55,177	–	–	57,211
Receivable from charitable remainder annuity trusts	**–**	**11,850**	**–**	**–**	**11,850**	–	11,163	–	–	11,163
Total investments restricted or designated for specific purposes	**2,034**	**124,547**	**–**	**–**	**126,581**	2,034	195,999	–	–	198,033
Property and equipment, net	**58,304**	**587,799**	**3,430**	**–**	**649,533**	56,196	527,448	4,105	–	587,749
Operating lease right-of-use assets	**–**	**46,340**	**7,631**	**–**	**53,971**	–	51,913	8,077	–	59,990
Other assets:										
Due from affiliates	**5,831**	**–**	**–**	**(5,831)**	**–**	5,799	–	–	(5,799)	–
Goodwill	**–**	**10,006**	**–**	**–**	**10,006**	–	10,006	–	–	10,006
Other noncurrent assets	**–**	**22,145**	**–**	**–**	**22,145**	–	21,201	–	–	21,201
Total assets	**$ 365,055**	**$ 1,320,906**	**$ 17,195**	**$ (47,534)**	**$ 1,655,622**	$ 331,011	$ 1,240,792	$ 20,604	$ (39,034)	$ 1,553,373

Collis P. and Howard Huntington Memorial Hospital Trust, Pasadena Hospital Association, Ltd. and Affiliates

Consolidating Balance Sheets (continued)

(In Thousands)

	As of December 31, 2020					As of December 31, 2019				
	Trust	**HH**	**Foundation**	**Eliminations**	**Consolidated**	**Trust**	**HH**	**Foundation**	**Eliminations**	**Consolidated**
Liabilities and net assets										
Current liabilities:										
Accounts payable	**$ 752**	**$ 54,762**	**$ 6,553**	**$ (3,982)**	**$ 58,085**	$ 766	$ 48,026	$ 7,646	$ (4,798)	$ 51,640
Current maturities of long-term debt	**–**	**8,557**	**–**	**–**	**8,557**	–	7,780	–	–	7,780
Current portion of accrued self-insurance claims	**–**	**7,675**	**–**	**–**	**7,675**	–	6,898	–	–	6,898
Accrued payroll and employee benefits	**–**	**38,559**	**1,783**	**–**	**40,342**	–	35,820	961	–	36,781
Current portion of operating lease liability	**–**	**6,197**	**1,634**	**–**	**7,831**	–	6,113	1,304	–	7,417
Current maturities of notes payable to affiliate	**–**	–	**31,064**	**(31,064)**	**–**	–		23,932	(23,932)	–
Accrued provider fee	**–**	**54,277**	**–**	**–**	**54,277**	–	45,379	–	–	45,379
Other accrued liabilities	**5,050**	**52,274**	**1,428**	**(5,454)**	**53,298**	3,041	14,015	123	(3,062)	14,117
Revolving credit line	**–**	**–**	**–**	**–**	**–**	–	18,000	–	–	18,000
Total current liabilities	**5,802**	**222,301**	**42,462**	**(40,500)**	**230,065**	3,807	182,031	33,966	(31,792)	188,012
Long-term debt, less current maturities	**–**	**311,572**	**–**	**–**	**311,572**	–	318,564	–	–	318,564
Accrued pension liability	**–**	**89,771**	**–**	**–**	**89,771**	–	75,292	–	–	75,292
Accrued self-insurance claims, less current portion	**–**	**19,480**	**–**	**–**	**19,480**	–	20,036	–	–	20,036
Long-term due to affiliates	**–**	**5,534**	**–**	**(5,534)**	**–**	–	5,742	–	(5,742)	–
Long-term operating lease liability	**–**	**40,143**	**5,997**	**–**	**46,140**	–	45,800	6,773	–	52,573
Other	**3,511**	**43,686**	**–**	**–**	**47,197**	3,851	151	–	–	4,002
Total liabilities	**9,313**	**732,487**	**48,459**	**(46,034)**	**744,225**	7,658	647,616	40,739	(37,534)	658,479
Net assets:										
Without donor restrictions	**353,239**	**470,337**	**(31,264)**	**(1,500)**	**790,812**	321,025	471,869	(20,135)	(1,500)	771,259
With donor restrictions	**2,503**	**118,082**	**–**	**–**	**120,585**	2,328	121,307	–	–	123,635
Total net assets (deficit)	**355,742**	**588,419**	**(31,264)**	**(1,500)**	**911,397**	323,353	593,176	(20,135)	(1,500)	894,894
Total liabilities and net assets	**$ 365,055**	**$ 1,320,906**	**$ 17,195**	**$ (47,534)**	**$ 1,655,622**	$ 331,011	$ 1,240,792	$ 20,604	$ (39,034)	$ 1,553,373

Collis P. and Howard Huntington Memorial Hospital Trust, Pasadena Hospital Association, Ltd. and Affiliates

Consolidating Statements of Operations and Changes in Net Assets Without Donor Restrictions

(In Thousands)

	Year Ended December 31, 2020					Year Ended December 31, 2019				
	Trust	**HH**	**Foundation**	**Eliminations**	**Consolidated**	**Trust**	**HH**	**Foundation**	**Eliminations**	**Consolidated**
Revenues without donor restrictions:										
Net patient service revenue	**$ –**	**$ 612,352**	**$ –**	**$ –**	**$ 612,352**	$ –	$ 659,859	$ –	$ –	$ 659,859
Contributions	**–**	**7,270**	**–**	**–**	**7,270**	–	4,887	–	–	4,887
Other	**11,001**	**72,164**	**17,094**	**(929)**	**99,330**	10,163	8,932	22,765	(929)	40,931
Net assets released from restrictions	**155**	**6,487**	**–**	**–**	**6,642**	300	4,609	–	–	4,909
Total revenue without donor restrictions	**11,156**	**698,273**	**17,094**	**(929)**	**725,594**	10,463	678,287	22,765	(929)	710,586
Expenses:										
Salaries and benefits	**–**	**390,226**	**11,439**	**–**	**401,665**	–	373,779	11,464	–	385,243
Supplies and purchased services	**2,870**	**222,559**	**10,822**	**–**	**236,251**	2,753	204,660	10,687	–	218,100
Provider fee expense	**–**	**46,974**	**–**	**–**	**46,974**	–	45,379	–	–	45,379
Depreciation and amortization	**2,337**	**35,124**	**901**	**–**	**38,362**	2,077	33,251	969	–	36,297
Interest	**(261)**	**8,151**	**–**	**–**	**7,890**	(358)	8,422	–	–	8,064
Other expenses	**1,446**	**38,326**	**5,119**	**(929)**	**43,962**	1,423	40,075	5,423	(929)	45,992
Total expenses before provider fee	**6,392**	**741,360**	**28,281**	**(929)**	**775,104**	5,895	705,566	28,543	(929)	739,075
Excess (deficiency) of revenues over expenses before other income & expense	**4,764**	**(43,087)**	**(11,187)**	**–**	**(49,510)**	4,568	(27,279)	(5,778)	–	(28,489)
Other income and expense:										
Investment income	**32,965**	**27,228**	**–**	**–**	**60,193**	44,370	27,404	–	–	71,774
Other	**–**	**(2,018)**	**–**	**–**	**(2,018)**	–	(1,716)	159	–	(1,557)
Excess (deficiency) revenues over expenses	**37,729**	**(17,877)**	**(11,187)**	**–**	**8,665**	48,938	(1,591)	(5,619)	–	41,728
Change in pension liability	**–**	**(15,115)**	**–**	**–**	**(15,115)**	–	(6,346)	–	–	(6,346)
Net assets released from restrictions used for acquisition of plant and equipment	**–**	**25,799**	**–**	**–**	**25,799**	–	11,245	–	–	11,245
Transactions with related parties	**–**	**147**	**57**	**–**	**204**	–	–	–	–	–
Other changes in unrestricted net assets	**(5,515)**	**5,515**	**–**	**–**	**–**	(4,945)	7,325	–	–	2,380
Change in unrestricted net assets	**$ 32,214**	**$ (1,531)**	**$ (11,130)**	**$ –**	**$ 19,553**	$ 43,993	$ 10,633	$ (5,619)	$ –	$ 49,007

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APPENDIX C

SUMMARY OF BOND INDENTURE AND LOAN AGREEMENT

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APPENDIX C

SUMMARY OF BOND INDENTURE AND LOAN AGREEMENT

The following is a summary of certain provisions of the Bond Indenture and the Loan Agreement that are not described elsewhere in this Official Statement. These summaries do not purport to be comprehensive and reference should be made to the Bond Indenture and the Loan Agreement for a full and complete statement of their provisions.

This Official Statement summarizes the Bonds in the Initial Fixed Period while the Bonds bear interest at the Fixed Rates set forth on the inside cover of this Official Statement. If the System elects to convert the Bonds to a different Interest Rate Mode or to a new Fixed Period, the Bonds will be subject to mandatory tender for purchase on the Conversion Date, and a new reoffering circular or supplement to this Official Statement or other disclosure document will be prepared in connection with any such Conversion.

DEFINITIONS OF CERTAIN TERMS

The following is a summary of certain terms used in this "SUMMARY OF BOND INDENTURE AND LOAN AGREEMENT" and not defined elsewhere in this Official Statement. Unless the context otherwise requires, the terms defined in this Appendix C shall, for all purposes of this Appendix C, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined. Unless otherwise defined in this Appendix C, all terms used herein shall have the meanings assigned to such terms in the Bond Indenture.

"**Act**" means the California Health Facilities Financing Authority Act, constituting Part 7.2 of Division 3 of Title 2 of the Government Code of the State of California, 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 System pursuant to the 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, and reasonable fees and expenses of attorneys and other reasonable expenses incurred by either of them in connection with any Loan Default Event, including, without limitation, fees and expenses incurred in the collection of amounts due under the Bond Obligation or any other sum due or the enforcement of performance of any other obligations of the System or the Obligated Group under the Loan Agreement.

"**Amended and Restated Master Indenture**" means the Master Indenture, dated as of September 15, 1997, amended and restated as of December 1, 2021, and effective on the Date of Issuance, among the System, the other Obligated Group Members named therein, and the Master Trustee, which amends and restates the Original Master Indenture.

"**Authority**" means the California Health Facilities Financing Authority, or its successors and assigns.

"**Authorized Denominations**" means with respect to any Fixed Period, $5,000 and any integral multiple thereof.

"**Beneficial Owner**" means any Person which (a) 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), or (b) is treated as the owner of any Bond for federal income tax purposes.

"**Bond Counsel**" means a firm of 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 duly admitted to practice law before the highest court of any state of the United States of America.

"**Bond Indenture**" means the Bond Indenture, dated as of December 1, 2021 between the Authority and the Bond Trustee relating to the Bonds, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Bond Indenture or otherwise in accordance with the terms thereof.

"**Bond Obligation**" means Obligation No. 17 issued, authenticated and delivered under Supplement No. 17, which evidences and secures the obligation of the System, with respect to the loan of the proceeds of the Bonds to the System under the Loan Agreement.

"**Bond Purchase Fund**" means the fund by that name established pursuant to the Bond Indenture.

"**Bond Sinking Fund**" means the fund by that name established pursuant to the Bond Indenture, as more particularly described in this Appendix C under the section captioned "THE BOND INDENTURE—Bond Sinking Fund."

"**Bond Trustee**" means The Bank of New York Mellon Trust Company, N.A., a national banking association organized under the laws of the United States of America, and, subject to the limitations contained in the Bond Indenture, any successor or successors to said trustee in the trusts created under the Bond Indenture.

"**Bonds**" means the California Health Facilities Financing Authority Revenue Bonds (Cedars-Sinai Health System), Series 2021A, authorized by, and at any time Outstanding pursuant to, the Bond Indenture, and includes all Bank Bonds.

"**Business Day**" means a day that is not a Saturday, Sunday or legal holiday on which banking institutions in (a) the State of California or the State of New York, (b) the state in which the Corporate Trust Office is located or (c) the state in which the principal office of the Master Trustee is located, in each case under the preceding clauses (a)-(c) are authorized to remain closed, or a day on which the New York Stock Exchange is closed.

"**Certificate**," "**Statement**," "**Request**" and "**Requisition**" of the Authority or the System means, respectively, a written certificate, statement, request or requisition signed in the name of the Authority or the System by an Authorized Representative. 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, as amended from time to time. Each reference to a section of the Code shall be deemed to include the United States Treasury Regulations relating to such section, including temporary and proposed regulations, relating to such section which are applicable to the Bonds or the use of the proceeds thereof.

"**Continuing Disclosure Agreement**" means any continuing disclosure agreement or certificate executed by the System with respect to the Bonds and which complies with Rule 15c2-12 promulgated by the Securities and Exchange Commission.

"**Conversion**" means a conversion of all or a portion of the Bonds from one Interest Rate Mode to one or more other Interest Rate Modes in accordance with the terms and provisions of the Bond Indenture and shall also include a conversion from any Fixed Period to a new Fixed Period.

"**Conversion Date**" means the effective date of a Conversion of the Bonds or a portion of the Bonds.

"**Corporate Trust Office**" means the office of the Bond Trustee at which its corporate trust business with respect to the Bonds is conducted, which as of the date of the Bond Indenture is located at The Bank of New York Mellon Trust Company, N.A., 400 South Hope Street, Suite 500, Los Angeles, CA 90071, Attention: Global Corporate Trust Department.

"**Date of Issuance**" means the date of issuance and delivery of the Bonds.

"**Electronic Means**" means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Bond Trustee, or another method or system specified by the Bond Trustee as available for use in connection with its services under the Bond Indenture.

"**Electronic Notice**" means a notice transmitted through Electronic Means.

"**Event of Default**" means any of the events specified as such in the Bond Indenture, described in this Appendix C under the section captioned "THE BOND INDENTURE—Events of Default."

"**Favorable Opinion of Bond Counsel**" means an opinion of Bond Counsel, addressed to the Authority, the System and the Bond Trustee, to the effect that the action proposed to be taken is authorized or permitted or not prohibited by or in contravention of the Bond Indenture and will not, in and of itself, cause interest on the Bonds to be included in gross income for purposes of federal income taxation.

"**Fitch**" means Fitch Ratings, a corporation organized and existing under the laws of the State of New York, 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 System by notice in writing to the Authority and the Bond Trustee.

"**Fixed Bonds**" means Bonds that bear interest at Fixed Rates.

"**Fixed Mode**" means the Interest Rate Mode during which the Bonds bear interest at a Fixed Rate or Fixed Rates to their Maturity Date.

"**Fixed Period**" means the period to the Maturity Date, or to the date on which Fixed Bonds are converted to a new Interest Rate Mode, during which Bonds constitute Fixed Bonds.

"**Fixed Rate**" means the interest rates per annum on Fixed Bonds, set forth on the inside cover of this Official Statement, to their Maturity Date or until the Fixed Rate Conversion Date, if any, and after any Fixed Rate Conversion Date, the fixed interest rate or rates per annum determined prior to such Fixed Rate Conversion Date as provided in the Bond Indenture.

"**Fixed Rate Conversion Date**" means the effective date of a Conversion of the Bonds or a portion of the Bonds into a Fixed Period or from one Fixed Period to a new Fixed Period or another Interest Rate Mode, pursuant to the Bond Indenture.

"**Government Obligations**" means (a) noncallable United States Government Obligations or (b) evidences of a direct ownership of a proportionate or individual interest in future interest or principal payments on noncallable United States Government Obligations, which United States Government Obligations are held in a custodial account by a custodian on behalf of the Bond Trustee pursuant to the terms of a custody agreement; provided, however, that if such Government Obligations consist of obligations for which the principal and interest payments have been "stripped" into separate securities, such custodian shall be a Federal Reserve Bank.

"**Holder**," "**Bondholder**," "**Owner**," "**Registered Owner**" or "**holder**" whenever used with respect to a Bond, means the Person in whose name such Bond is registered; provided, however, that any time the Bonds are held in a book-entry system, "Holder" or "Bondholder" shall mean Beneficial Owner of the Bonds.

"**Initial Fixed Period**" means the Fixed Period commencing on the Date of Issuance with respect to the Bonds.

"**Interest Fund**" means the fund by that name established pursuant to the Bond Indenture, as described in this Appendix C under the section captioned, "THE BOND INDENTURE—Interest Fund."

"**Interest Payment Date**" means, with respect to any Fixed Period, such dates as described in the forepart of this Official Statement.

"**Interest Rate Mode**" means a Daily Mode, a Two Day Mode, a Weekly Mode, a Short-Term Mode, a Long-Term Mode, an FRN Mode, a VRO Mode, a Window Mode, a Flexible Mode, a Direct Purchase Mode or a Fixed Mode, each as further described in the Bond Indenture.

"**Loan**" means the loan made by the Authority to the System under the Loan Agreement.

"**Loan Agreement**" means the Loan Agreement dated as of December 1, 2021 between the Authority and the System, as it may from time to time be amended in accordance with its terms or the Bond Indenture, initially providing for the loan to the System of the proceeds of the Bonds.

"**Loan Default Event**" means any of the events described as such in the Loan Agreement and described in this Appendix C under the section captioned "THE LOAN AGREEMENT—Loan Default Events."

"**Loan Repayments**" means the payments so designated and required to be made by the System on the Loan pursuant to the Loan Agreement.

"**Mandatory Purchase Date**" means any Purchase Date on which Bonds are subject to mandatory purchase pursuant to a Conversion under the provisions of the Bond Indenture, including as set forth in the applicable Supplemental Bond Indenture.

"**Master Indenture**" means the Amended and Restated Master Indenture, as it may be supplemented and amended from time to time in accordance with its terms.

"**Master Trustee**" means The Bank of New York Mellon Trust Company, N.A., a national banking association, as Master Trustee under the Master Indenture, or its successor.

"**Maturity Date**" means with respect to the Bonds in the Initial Fixed Period, the maturities set forth on the inside cover of this Official Statement.

"**Moody's**" means Moody's Investors Service, 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 System by notice in writing to the Authority and the Bond Trustee.

"**New Project**" is more particularly described under in the Loan Agreement.

"**New Project Fund**" means the fund so designated and established pursuant to the Bond Indenture.

"**Obligated Group**" means the Obligated Group created by the Master Indenture.

"**Obligated Group Member**" or "**Member**" has the meaning set forth in the Master Indenture.

"**Official Statement**" means the official statement relating to the Bonds.

"**Opinion of Bond Counsel**" means a written Opinion of Counsel, which shall be Bond Counsel.

"**Opinion of Counsel**" means a written opinion, subject to customary qualifications and exceptions, of counsel (who may be Bond Counsel or counsel for the System or the Authority) selected by the System and not objected to by the Authority or the Bond Trustee.

"**Optional Redemption Fund**" means the account by that name established pursuant to the Bond Indenture.

"**Original Master Indenture**" means the Master Indenture, dated as of September 15, 1997, between Cedars-Sinai Medical Center and the Master Trustee, as previously amended and supplemented, including by Supplement No. 17.

"**Outstanding**" when used as of any particular time with reference to Bonds, means (subject to the provisions of the Bond Indenture described in this Appendix C under the section captioned "THE BOND INDENTURE—Disqualified Bonds") all Bonds theretofore, or thereupon being, authenticated and delivered by the Bond Trustee under the Bond Indenture except (a) Bonds theretofore canceled by the Bond Trustee or surrendered to the Bond Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Bond Indenture, including Bonds (or portions of Bonds) referred to in the provisions of the Bond Indenture described in this Appendix C under the section captioned "THE BOND INDENTURE—Moneys Held for Particular Bonds," (c) 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 Bond Indenture; (d) Bonds alleged to have been mutilated, destroyed, lost or stolen and for which security or indemnity has been provided, as provided in the Bond Indenture; and (e) any Undelivered Bond.

"**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.

"**Purchase Date**" means each date on which Bonds are subject to mandatory purchase pursuant to the Bond Indenture and shall include each Mandatory Purchase Date.

"**Purchase Price**" means, with respect to a Bond subject to purchase on a Purchase Date, an amount equal to 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 Bond Indenture.

"**Qualified Investments**" subject to the Tax Agreement, means investments in any of the following:

(a) United States Government Obligations and bonds or securities issued or guaranteed as to principal and interest by a commission, board or other instrumentality of the federal government;

(b) short-term discount obligations of the Federal National Mortgage Association;

(c) certificates of deposit (including those placed by a third party pursuant to an agreement between the System and the Bond Trustee), demand deposits, interest bearing money market accounts, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, other bank deposit products, bankers acceptances or time deposits constituting direct obligations of any bank, including the Bond Trustee or any of its affiliates, the full amount of which is insured by the Federal Deposit Insurance Corporation;

(d) time deposits in any credit union, bank, savings bank, trust company or savings and loan association that is authorized to transact business in the State of California if the time deposits mature in not more than three years;

(e) unsecured certificates of deposit, time deposits, and bankers' acceptances of any bank the short-term obligations of which are rated, at the time of purchase, in one of the three highest Rating Categories by a Rating Agency (without regard to any credit enhancement) (a "Required Rating");

(f) obligations of any state of the United States of America or any political subdivision of any state of the United States of America or any agency or instrumentality of any such state or political subdivision, which has at the time of their purchase a Required Rating;

(g) any security that matures or that may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating that is the highest or second highest rating category assigned by S&P, Moody's or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer that has such a rating;

(h) securities of an open-end management investment company or investment trust (including those for which the Bond Trustee or its affiliates receive and retain a fee for services provided to the fund, whether as a custodian, transfer agent or otherwise) if the investment company or investment trust does not charge a sales load, if the investment company or investment trust is registered under the Investment Company Act of 1940, 15 USC 80a-1 to 80a-64, and if the portfolio of the investment company or investment trust is limited to the following: (i) bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government, (ii) bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government and (iii) repurchase agreements that are fully collateralized by bonds or securities described under (i) or (ii); and

(i) commercial paper having, at the time of investment or contractual commitment to invest therein, a rating of A-1 or better from S&P or P-1 from Moody's.

(j) investment agreements with, or guaranteed by, a domestic or foreign bank, financial institution or other entity the long-term ratings of which are rated at the time of execution in one of the three highest Rating Categories by at least two Rating Agencies.

(k) Other forms of investments (including repurchase agreements) provided or guaranteed by a domestic or foreign bank, financial institution or other entity the long-term ratings of which are rated at the time of execution in one of the three highest Rating Categories by at least two Rating Agencies. In the event such obligations are variable rate obligations, the interest rate on such obligations must be reset not less frequently than annually.

"**Rating Agency**" means S&P, Moody's or Fitch.

"**Rating Category**" means a generic securities rating category, without regard, in the case of a long-term rating category, to any refinement or gradation of such long-term rating category by a numerical modifier or otherwise.

"**Rebate Amount**" means the rebate requirement determined in accordance with the Bond Indenture and the Tax Agreement.

"**Rebate Fund**" means the fund by that name created under the Bond Indenture.

"**Record Date**" means, with respect to any Interest Payment Date, the first day of the month in which such Interest Payment Date occurs, whether or not such day is a Business Day.

"**Redemption Price**" means the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Bond Indenture.

"**Registration Books**" means books maintained by the Bond Trustee on behalf of the Authority at the Corporate Trust Office of the Bond Trustee for the purpose of recording the registration, transfer, exchange or replacement of any of the Bonds.

"**Responsible Officer**" means any officer within the corporate trust department of the Bond Trustee, including any vice president, assistant vice president, senior associate, associate or any other officer of the Bond Trustee who customarily performs functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of the Bond Indenture.

"**Revenue Fund**" means the fund by that name established pursuant to the Bond Indenture.

"**Revenues**" means all amounts received by the Authority or the Bond Trustee pursuant or with respect to the Loan Agreement or the Bond Obligation, 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 Bond Indenture (other than the Rebate Fund and the Bond Purchase Fund), but not including indemnification payments, any Additional Payments or Administrative Fees and Expenses or any moneys required to be deposited in the Rebate Fund or the Bond Purchase Fund or any interest, profits or other income required to be retained in the Rebate Fund or the Bond Purchase Fund.

"**S&P**" means S&P Global Ratings, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the System by notice in writing to the Authority and the Bond Trustee.

"**Securities Act**" means the Securities Act of 1933, as amended.

"**Securities Depository**" means The Depository Trust Company and its successors and assigns, or any other securities depository selected as set forth in the Bond Indenture.

"**Series**" or "**Sub-Series**," when used with respect to the Bonds, means all the Bonds designated as being of the same Series or Sub-Series, whether upon initial issuance thereof or upon any Conversion of a portion of a Series or Sub-Series and redesignation thereof into one or more Sub-Series, authenticated and delivered in a simultaneous transaction, and any Bonds thereafter authenticated and delivered upon a transfer or exchange or in lieu of or in substitution for such Bonds of such Series or Sub-Series, or upon a Conversion of a portion of any Series or Sub-Series of the Bonds, as provided in the Bond Indenture. In the event that the Bonds or a portion of the Bonds have been so designated as being in more than a single Series or Sub-Series, references in the Bond Indenture and in the Loan Agreement to the Bonds shall, as the context may require, refer to only the Bonds of the particular Series or Sub-Series in question.

"**Sinking Fund Installment**" means the amount required by the Bond Indenture to be paid on any single date for the retirement of Bonds of a Series.

"**Supplement No. 17**" means that certain supplemental master indenture for Obligation No. 17, dated as of December 1, 2021, between Cedars-Sinai Medical Center and the Master Trustee.

"**Supplemental Bond Indenture**" means any indenture duly authorized and entered into after the date of the Bond Indenture between the Authority and the Bond Trustee, supplementing, modifying or amending the Bond Indenture; but only if and to the extent that such Supplemental Bond Indenture is specifically authorized under the Bond Indenture.

"System" means Cedars-Sinai Health System, a California nonprofit public benefit corporation or any corporation that is the surviving, resulting or transferee corporation in any merger, consolidation or transfer of assets permitted under the Master Indenture.

"**Tax Agreement**" means the Tax Certificate and Agreement, dated as of the Date of Issuance, between the Authority and the System.

"**Undelivered Bond**" means any Bond that constitutes an Undelivered Bond under the provisions of the Bond Indenture.

"**United States Government Obligations**" means obligations that are direct, full faith and credit obligations of the United States of America or are obligations with respect to which the United States of America has fully and unconditionally guaranteed the timely payment of all principal or interest or both, but only to the extent of the principal or interest so guaranteed.

"**Written Request**" means with reference to the Authority, a request in writing signed by an Authorized Representative of the Authority and, with reference to the System, means a request in writing signed by an Authorized Representative of the System.

THE BOND INDENTURE

General

The Bond Indenture, among other matters, sets forth the terms of the Bonds, the nature and extent of security, the various rights of the Holders of the Bonds, the rights, duties and immunities of the Bond Trustee and the rights and obligations of the Authority. Certain provisions of the Bond Indenture are summarized below. Other provisions are summarized in the forepart of this Official Statement under the captions "THE BONDS" and "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

This Official Statement summarizes the Bonds in the Initial Fixed Period while the Bonds bear interest at the Fixed Rates set forth on the inside cover of this Official Statement. If the System elects to convert the Bonds to a different Interest Rate Mode or to a new Fixed Period, the Bonds will be subject to mandatory tender for purchase on the Conversion Date, and a new reoffering circular or supplement to this Official Statement or other disclosure document will be prepared in connection with any such Conversion.

The following is a summary of certain provisions of the Bond Indenture not described elsewhere in this Official Statement. This summary does not purport to be complete or definitive and reference is made to the Bond Indenture for the complete terms thereof.

Registration, Transfer and Exchange

The Bond Trustee is, pursuant to the Bond Indenture, appointed "bond registrar" for the purpose of registering Bonds and transfers of Bonds as provided in the Bond Indenture. The Bond Trustee shall cause to be kept at its Corporate Trust Office the Registration Books, in which, subject to such reasonable regulations as it may prescribe, the Bond Trustee shall provide for the registration, transfer and exchange of Bonds as provided in the Bond Indenture.

Bonds may be transferred or exchanged only upon the Registration Books maintained by the Bond Trustee as provided in the Bond Indenture. Upon surrender for transfer or exchange of any Bond at the Corporate Trust Office of the Bond Trustee, the Authority shall execute, and the Bond Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same maturity and of any Authorized Denominations and of a like aggregate principal amount.

Every Bond presented or surrendered for transfer or exchange shall (if so required by the Bond Trustee, as bond registrar) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Bond Trustee, as bond registrar, duly executed by the Owner thereof or his attorney or legal representative duly authorized in writing.

All Bonds issued upon any transfer or exchange of Bonds shall be the valid special limited obligations of the Authority, evidencing the same debt, and entitled to the same security and benefits under the Bond Indenture, as the Bonds surrendered upon such transfer or exchange.

No service charge shall be imposed for any registration, transfer or exchange of Bonds, but the Bond Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds, and such charge shall be paid before any such new Bond shall be delivered. The fees and charges of the Bond Trustee for making any transfer or exchange and the expense of any bond printing necessary to affect any such transfer or exchange shall be paid by the System. In the event any Registered Owner fails to provide a certified taxpayer identification number to the Bond Trustee, the Bond Trustee may impose a charge against such Registered Owner sufficient to pay any governmental charge required to be paid as a result of such failure. In compliance with Section 3406 of the Code, such amount may be deducted by the Bond Trustee from amounts otherwise payable to such Registered Owner under the Bond Indenture or under the Bonds.

The Bond Trustee shall not be required to (a) transfer or exchange any Bond (other than a Bond tendered for purchase pursuant to a Conversion under the Bond Indenture) during a period beginning 15 days before the day of the mailing of a notice of redemption of such Bond and ending at the close of business on the day of such mailing, or (b) transfer or exchange any Bond so selected for redemption in whole or in part, during a period beginning at the opening of business on any Record Date for such Bonds and ending at the close of business on the relevant Interest Payment Date therefor.

The Person in whose name any Bond is registered on the Registration Books shall be deemed and regarded as the absolute Owner thereof for all purposes, except as otherwise provided in the Bond Indenture when a book-entry system is in effect for the Bonds, and payment of or on account of the principal and Redemption Price of and interest on any such Bond shall be made only to or upon the order of the Registered Owner thereof or his legal representative, but such registration may be changed as provided in the Bond Indenture. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

The Bond Trustee will keep the Registration Books on file at its Corporate Trust Office, which shall include a list of the names and addresses of the last known Owners of all Bonds and the serial numbers of such Bonds held by each of such Owners. At reasonable times and under reasonable regulations established by the Bond Trustee, the list may be inspected and copied by the Authority, the System, or the Owners of 10% in Outstanding principal amount of the Bonds or the authorized representative thereof, provided that the ownership of such Owner and the authority of any such designated representative shall be evidenced to the satisfaction of the Bond Trustee.

The transferor of a Bond shall also provide or cause to be provided to the Bond Trustee all information necessary to allow the Bond Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045. The Bond Trustee may rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

Establishment and Application of New Project Fund

The Bond Trustee shall establish, maintain and hold in trust a separate fund designated as the "New Project Fund." The moneys in the New Project Fund shall be used and withdrawn by the Bond Trustee to pay or reimburse the costs of the New Project, in accordance with the terms of the Tax Agreement.

When the New Project shall have been completed, the Bond Trustee shall, as directed by the System, transfer any remaining balance in such New Project Fund as set forth in the Bond Indenture. Upon such transfer, the New Project Fund shall be closed.

Pledge and Assignment

(a) Subject only to the provisions of the Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Indenture, the Authority, under the Bond Indenture, pledges and assigns to the Bond Trustee all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Bond Indenture (except the Rebate Fund and the Bond Purchase Fund) to secure the

payment of the principal, Redemption Price and Purchase Price of and interest on the Bonds in accordance with their terms and the provisions of the Bond Indenture. Said pledge shall constitute a first 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) The Authority, under the Bond Indenture, transfers in trust, grants a security interest in and assigns to the Bond Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and other assets described in paragraph (a) above and pledged under the Bond Indenture and all of the right, title and interest of the Authority in the Loan Agreement (except for (i) the right to receive any Administrative Fees and Expenses to the extent payable to the Authority, (ii) any rights of the Authority to be indemnified, held harmless and defended and rights to inspection and to receive notices, certificates and opinions, (iii) express rights to give approvals, consents or waivers, and (iv) the obligation of the System to make deposits pursuant to the Tax Agreement) and the Bond Obligation. The Authority will also cause the Bond Obligation to be registered in the name of the Bond Trustee. 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 (other than those rights specifically retained by the Authority pursuant to the Bond Indenture) and all of the obligations of the System under the Loan Agreement and the Bond Obligation.

Revenue Fund

(a) All Revenues shall be promptly deposited by the Bond Trustee upon receipt thereof in a special fund designated as the "Revenue Fund – Cedars-Sinai Health System – Series 2021A," which the Bond Trustee shall establish, maintain and hold in trust. All Revenues deposited with the Bond Trustee shall be held, disbursed, allocated and applied by the Bond Trustee only as provided in the Bond Indenture.

(b) If, on the date any Loan Repayment or payment upon the Bond Obligation is due, the Bond Trustee does not receive such payment, the Bond Trustee shall request the Master Trustee to give immediate Electronic Notice or telephonic notice promptly confirmed in writing to the System of the nonpayment.

Interest Fund

(a) The Bond Trustee shall establish and maintain so long as any of the Bonds are outstanding a fund to be known as the "Interest Fund — Cedars-Sinai Health System — Series 2021A" (the "Interest Fund").

(b) On each Interest Payment Date, the Bond Trustee shall deposit in the Interest Fund from the Revenue Fund, moneys in an amount which, together with the amounts already on deposit therein and available to make such payment, is not less than the interest becoming due on the Bonds on such date.

(c) In connection with any partial redemption or defeasance prior to maturity of the Bonds, the Bond Trustee may, at the written request of the System, use any amounts on deposit in the Interest Fund in excess of the amount needed to pay the interest on the Bonds remaining outstanding on the first Interest Payment Date occurring on or after the date of such redemption or defeasance to pay or provide for the payment of the principal of and interest on the Bonds to be redeemed or defeased or as otherwise directed by the System if a Favorable Opinion of Bond Counsel has been delivered.

Bond Sinking Fund

(a) The Bond Trustee shall establish and maintain so long as any of the Bonds are outstanding a fund to be known as the "Bond Sinking Fund – Cedars Sinai Health System — Series 2021A" (the "Bond Sinking Fund").

(b) On each Sinking Fund Installment date established pursuant to the Bond Indenture and each Maturity Date, after making the deposit required by the Bond Indenture and described in this Appendix C under the section captioned "THE BOND INDENTURE—Interest Fund", the Bond Trustee shall deposit in the Bond Sinking Fund from the Revenue Fund moneys in an amount which, together with any moneys already on deposit in the Bond Sinking Fund and available to make such payment is not less than the principal becoming due on the Bonds on such dates.

(c) In lieu of such mandatory Bond Sinking Fund redemption, the Bond Trustee shall, at the Written Request of the System, purchase for cancellation an equal principal amount of Bonds of the maturity to be redeemed in the open

market identified by the System at prices specified by the System not exceeding the principal amount of the Bonds being purchased plus accrued interest with such interest portion of the purchase price to be paid from the Interest Fund and the principal portion of such purchase price to be paid from the Bond Sinking Fund. In addition, the amount of Bonds to be redeemed on any date pursuant to the mandatory Bond Sinking Fund redemption schedule shall be reduced by the principal amount of Bonds of the maturity required to be redeemed which are acquired by the System or any other Member and delivered to the Bond Trustee for cancellation.

(d) In connection with any partial redemption or defeasance prior to maturity of the Bonds, the Bond Trustee may, at the written request of the System, use any amounts on deposit in the Bond Sinking Fund in excess of the amount needed to pay principal on the Bonds remaining outstanding on the first principal or Sinking Fund Installment date occurring on or after the date of such redemption or defeasance to pay or provide for the payment of the principal or Redemption Price of and interest on the Bonds to be redeemed or defeased or as otherwise directed by the System if a Favorable Opinion of Bond Counsel has been delivered.

Optional Redemption Fund

There is established with the Bond Trustee and maintained so long as any of the Bonds are outstanding a separate fund to be known as the "Optional Redemption Fund — Cedars-Sinai Health System — Series 2021A" (the "Optional Redemption Fund"). In the event of (i) prepayment by or on behalf of the System or any other Obligated Group Member of Loan Prepayments or amounts payable on the Bond Obligation, including prepayment with condemnation or insurance proceeds or proceeds of a sale consummated under threat of condemnation, or (ii) deposit with the Bond Trustee by the System, any other Member or the Authority of moneys from any other source for redeeming Bonds or purchasing Bonds for cancellation, such moneys shall, except as otherwise provided in the Bond Indenture, be deposited in the Optional Redemption Fund. Moneys on deposit in the Optional Redemption Fund shall be used, first, to make up any deficiencies existing in the Interest Fund and the Bond Sinking Fund (in the order listed) and, second, for the redemption or purchase of Bonds in accordance with the provisions of the Bond Indenture.

Investment of Funds

Upon a Written Request of the System to the Bond Trustee, moneys in the New Project Fund, Revenue Fund, the Interest Fund, the Bond Sinking Fund, the Optional Redemption Fund and the Rebate Fund shall be invested in Qualified Investments specified by the System at least two Business Days in advance of the making of such investment, subject to the limitations set forth in the Bond Indenture.

Trust Funds; Establishment of Funds and Accounts

Except in relation to certain tendered Bonds only, as more particularly described in the Bond Indenture, all moneys received by the Bond Trustee under the provisions of the Bond Indenture shall be trust funds under the terms of the Bond Indenture for the benefit of all Bonds outstanding under the Bond Indenture (except as otherwise provided) and shall not be subject to lien or attachment of any creditor of the Authority or the System. Such moneys shall be held in trust and applied in accordance with the provisions of the Bond Indenture. The Bond Trustee is authorized under the Bond Indenture to establish the funds, accounts or subaccounts, or any additional funds, accounts or subaccounts as are necessary or advisable to carry out its duties thereunder.

Rebate Fund

The Bond Trustee shall establish and maintain a separate account to be known as the "Rebate Fund — Cedars-Sinai Health System — Series 2021A" (the "Rebate Fund"). The Bond Trustee shall make information regarding the Bonds and investments under the Bond Indenture available to the System and shall deposit income from such investments upon receipt thereof in the Rebate Fund and shall maintain records for each investment relating to the purchase price thereof.

If a deposit to the Rebate Fund is required as a result of the computations made by the System pursuant to the Tax Agreement, the Bond Trustee shall, upon receipt of written direction from the System, accept such payment and deposit such payment in the Rebate Fund for the benefit of the System.

Tax Covenants

The Authority shall at all times do and perform all acts and things reasonably within its control which are necessary or desirable in order to assure that interest paid on the Bonds will be excluded from gross income for federal income tax

purposes and shall take no action reasonably within its control that would result in such interest not being so excluded. Without limiting the generality of the foregoing, the Authority agrees to comply with the provisions of the Tax Agreement. This covenant shall survive payment in full or defeasance of the Bonds.

Amendment of Loan Agreement

(a) Except as provided in paragraph (b) below, the Authority shall not amend, modify or terminate any of the terms of the Loan Agreement, or consent to any such amendment, modification or termination unless the written consent of the Holders of a majority in principal amount of the Bonds then Outstanding to such amendment, modification or termination is filed with the Bond Trustee, 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 System pursuant to the Loan Agreement, or extend the time for making such payments, without the written consent of all of the Holders of the Bonds then Outstanding.

(b) Notwithstanding the provisions of paragraph (a) above, the terms of the 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 only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority or the System contained in the Loan Agreement and to add 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 System, provided, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Bonds;

(ii) 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 Loan Agreement, or in regard to matters or questions arising under the Loan Agreement, as the Authority may deem necessary or desirable and not inconsistent with the Loan Agreement or the Bond Indenture, and which shall not materially adversely affect the interests of the Holders of the Bonds;

(iii) to maintain the exclusion from gross income of interest payable with respect to the Bonds;

(iv) to make any changes required by any Rating Agency to obtain or maintain a rating on the Bonds and which shall not materially adversely affect the interests of the Holders of the Bonds;

(v) to comply with the provisions of federal or state securities laws;

(vi) to make any modification or amendment to the Loan Agreement which will be effective upon the Conversion and/or remarketing of Bonds following the mandatory tender of the Bonds pursuant to the Bond Indenture; or

(vii) to make any other changes which will not materially adversely affect the interests of the Holders of the Bonds.

Release and Substitution of the Bond Obligation Upon Delivery of Replacement Obligation under Replacement Master Indenture

At the option of the System and without the consent of any Holders, the Bond Obligation may be surrendered by the Bond Trustee and delivered to the Master Trustee for cancellation in accordance with the terms and conditions set forth in the Master Indenture.

Upon satisfaction of such conditions, all references in the Bond Indenture, in the Loan Agreement and in the Bonds to (i) the Bond Obligation shall become references to the Replacement Obligation (as defined in the Master Indenture), (ii) the Master Indenture shall become references to the Replacement Master Indenture (as defined in the Master Indenture), (iii) the Master Trustee shall become references to the master trustee under the Replacement Master Indenture, (iv) the Obligated Group and the Members shall become references to the obligated group and the members of the obligated group under the Replacement Master Indenture and (v) Supplement No. 17 shall become references to the supplemental master indenture, if any, pursuant to which the Replacement Obligation shall be issued.

Additionally, upon release and substitution of the Bond Obligation as described in this paragraph the Holders are deemed to have consented to the Continuing Disclosure Agreement, being amended at the time of the release and substitution

of the Bond Obligation to conform to the continuing disclosure undertaking for the new obligated group most recently in place or the continuing disclosure undertaking for the new obligated group to be put in place at the time of the release and substitution of the Bond Obligation.

Continuing Disclosure

Pursuant to the Loan Agreement, the System has undertaken all responsibility for compliance with continuing disclosure requirements, and the Authority shall have no liability to the Holders of the Bonds or any other Person with respect to Rule 15c2-12. Notwithstanding any other provision of the Bond Indenture, failure of the System or the Dissemination Agent (as defined in the Continuing Disclosure Agreement) to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Bond Trustee may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Holders of at least 25% aggregate principal amount of Outstanding Bonds and being provided indemnification satisfactory to it, shall) or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the System to comply with its obligations under the continuing disclosure provisions of the Loan Agreement or to cause the Bond Trustee to comply with its obligations under this section of the Bond Indenture.

Events of Default

The following events, among others, shall be Events of Default:

(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 to pay the Purchase Price of any Bond tendered pursuant to the applicable provisions of the Bond Indenture when such payment is due (failure to pay Purchase Price on a Conversion of Bonds from a Fixed Period is not considered an Event of Default);

(d) a Loan Default Event;

(e) the Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Bond Indenture or any agreement supplemental to the Bond Indenture to be performed on the part of the Authority, and such default shall continue for the period of 60 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority and the System by the Bond Trustee which notice the Bond Trustee may give in its discretion and must give at the written request of the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding under the Bond Indenture exclusive of Bonds then owned by the Authority or any Member; provided that, if such default cannot with due diligence and dispatch be cured within 60 days but can be cured, the failure of the Authority to remedy such default within such 60 day period shall not constitute a default under the Bond Indenture if the Bond Trustee is provided with a certification from the Authority or the System, as the case may be, to the effect that such default cannot with due diligence and dispatch be cured within 60 days but can be cured and the Authority or the System, as the case may be, shall immediately upon receipt of such notice commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, shall thereafter prosecute and complete the same with due diligence and dispatch within 180 days of the delivery of such default notice; or

(f) a declaration by the Master Trustee of the entire principal amount of all Outstanding Obligations (as defined in the Master Indenture) and the interest accrued thereon to be immediately due and payable pursuant to the provisions of the Master Indenture.

Acceleration; Annulment of Acceleration

(a) If an Event of Default, described in paragraphs (a), (b), (c) or (f) of the section above captioned "THE BOND INDENTURE—Events of Default," shall occur, then the Bond Trustee shall declare the principal of all the

Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately. If the Bond Trustee declares the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be immediately due and payable, the Bond Trustee also, in its capacity as the holder of the Bond Obligation, shall request the Master Trustee to declare the aggregate principal amount of the Bond Obligation and the interest accrued thereon to be immediately due and payable in accordance with the Master Indenture.

(b) If an Event of Default described in paragraph (d) of the section above captioned "THE BOND INDENTURE—Events of Default" shall occur, the Bond Trustee may take whatever action the Authority would be required to take pursuant to the Loan Agreement in order to remedy the Loan Default Event. In addition, if an Event of Default described in paragraph (d) of the section above captioned "THE BOND INDENTURE—Events of Default" shall occur, the Bond Trustee, may and, upon the written request of Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, shall declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately. If the Bond Trustee declares the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be immediately due and payable, the Bond Trustee also, in its capacity as the holder of the Bond Obligation, shall request the Master Trustee to declare the aggregate principal amount of the Bond Obligation and the interest accrued thereon to be immediately due and payable in accordance with the Master Indenture.

(c) If an Event of Default, described in paragraph (e) of the section above captioned "THE BOND INDENTURE—Events of Default," shall occur, the Bond Trustee 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, agreement or condition by the Authority under the Bond Indenture. In addition, if an Event of Default described in paragraph (e) of the section above captioned "THE BOND INDENTURE—Events of Default," shall occur, the Bond Trustee, may and, upon the written request of Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, shall declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately. If the Bond Trustee declares the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be immediately due and payable, the Bond Trustee also, in its capacity as the holder of the Bond Obligation, shall request the Master Trustee to declare the aggregate principal amount of the Bond Obligation and the interest accrued thereon to be immediately due and payable in accordance with the Master Indenture.

(d) Upon the declaration by the Bond Trustee of the principal of all Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, the principal of all the Bonds then Outstanding, and the interest accrued thereon, shall become and shall be immediately due and payable, anything in the Bond Indenture to the contrary notwithstanding. The Bond Trustee shall give or cause to be given notice of acceleration of the Bonds by first class mail to the Bondholders and of such date for payment upon acceleration at least eight days before such date for payment. Notice of such declaration having been given as aforesaid, anything to the contrary contained in the Bond Indenture or in the Bonds, interest shall cease to accrue on such Bonds from and after the date set forth in such notice (which date shall be no more than eight days from the date of such declaration). The Bond Trustee shall not be required to make payment to any Bondholder until the Bonds shall be presented to the Bond Trustee for appropriate endorsement or for cancellation if fully paid. 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 (but only out of Revenues received from or on behalf of the System) or the System shall deposit with the Bond Trustee a sum sufficient to pay all the principal, Redemption Price and Purchase Price of and installments of interest on the Bonds payment of which is overdue (other than amounts overdue solely as a result of acceleration), 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 if the Bond Trustee has received notification from the Master Trustee that the declaration of acceleration of the Bond Obligation has been annulled pursuant to the Master Indenture and any and all other Events of Default 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, then the Bond Trustee shall, by written notice to the Authority, the System and the Bond Trustee, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

(e) In the event that the Master Trustee has accelerated the Bond Obligation and is pursuing its available remedies under the Master Indenture, the Bond Trustee, without waiving any Event of Default under the Bond Indenture, agrees not to pursue its available remedies under the Bond Indenture or the Loan Agreement in a manner that would hinder or frustrate the pursuit by the Master Trustee of its remedies under the Master Indenture provided that the Bond Trustee may take any action permitted of an Obligation holder under the Master Indenture.

Rights of the Bond Trustee and the Authority Concerning the Bond Obligation

The Bond Trustee, as pledgee and assignee of certain of the right, title and interest of the Authority in and to the Loan Agreement and all of its right, title and interest as assignee of the Bond Obligation shall, upon compliance with applicable requirements of law and except as otherwise set forth in the Bond Indenture, be the real party in interest with standing to enforce each and every right granted to the Authority under the Loan Agreement (other than those rights specifically retained by the Authority pursuant to the Bond Indenture) and under the Bond Obligation which have been assigned to the Bond Trustee by the Bond Indenture. The Authority and the Bond Trustee agree, under the Bond Indenture, without in any way limiting the effect and scope thereof, that the pledge and assignment under the Bond Indenture to the Bond Trustee of rights of the Authority in and to the Bond Obligation and certain rights of the Authority under the Loan Agreement shall constitute an agency appointment coupled with an interest on the part of the Bond Trustee which, for all purposes of the Bond Indenture, shall be irrevocable and shall survive and continue in full force and effect notwithstanding the bankruptcy or insolvency of the Authority or its default under the Bond Indenture or on the Bonds. In exercising such rights and the rights given the Bond Trustee under the Bond Indenture, the Bond Trustee shall take such action as, in the judgment of the Bond Trustee, would best serve the interests of the Bondholders, taking into account the provisions of the Master Indenture, together with the security and remedies afforded to Holders of Obligations thereunder.

Additional Remedies and Enforcement of Remedies

(a) Upon the occurrence and continuance of any Event of Default, the Bond Trustee may, upon the written request of the Holders of a majority in principal amount of the Bonds Outstanding, together with indemnification of the Bond Trustee to its satisfaction therefor, proceed forthwith to protect and enforce its rights and the rights of the Bondholders under the Bond Indenture and under the Act and the Bonds by such suits, actions or proceedings as the Bond Trustee, being advised by counsel, shall deem expedient, including but not limited to: (i) civil action to recover money or damages due and owing; (ii) civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders of Bonds; (iii) enforcement of any other right of the Authority and the Bondholders conferred by law or by the Bond Indenture; and (iv) enforcement of any other right conferred by the Loan Agreement, the Bond Obligation or the Master Indenture.

(b) Regardless of the happening of an Event of Default, the Bond Trustee, if requested in writing by the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Bond Indenture by any acts which may be unlawful or in violation thereof, or (ii) to preserve or protect the interests of the Holders; provided that such request is in accordance with law and the provisions of the Bond Indenture.

Application of Revenues and Other Funds After Default

If an Event of Default shall occur and be continuing, all moneys received by the Bond Trustee pursuant to any right given or action taken under the provisions of the Bond Indenture (subject to the provisions of the Bond Indenture described in this Appendix C under the section captioned "THE BOND INDENTURE—Moneys Held for Particular Bonds" and other than moneys required to be deposited in the Bond Purchase Fund) shall be applied by the Bond Trustee as follows and in the following order:

(a) 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 Bond Indenture and the creation of a reasonable reserve for anticipated fees, costs and expenses;

(b) To the payment of Administrative Fees and Expenses to the Authority; and

(c) 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 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 Purchase Price or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption or purchase, 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.

(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.

(iii) Notwithstanding anything in the Bond Indenture to the contrary, in no event shall the Bond Trustee be entitled to payment of its fees or expenses from any amounts held under the Bond Indenture which constitute remarketing proceeds or any moneys held under the Bond Purchase Fund.

Remedies Not Exclusive

No remedy by the terms of the Bond Indenture conferred upon or reserved to the Bond Trustee or the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Bond Indenture or existing at law or in equity or by statute (including the Act) on or after the date of the Bond Indenture.

Remedies Vested in Bond Trustee

All rights of action (including the right to file proof of claims) under the Bond Indenture or under any of the Bonds may be enforced by the Bond Trustee, without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding may be brought without the necessity of joining as plaintiffs or defendants any Holders of the Bonds. Subject to the provisions of the Bond Indenture summarized in this Appendix C under the section captioned "THE BOND INDENTURE—Application of Revenues and Other Funds After Default", any recovery or judgment shall be for the equal benefit of the Holders of the Outstanding Bonds. Nothing in the Bond Indenture shall be deemed to authorize the Bond Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Bond Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owner so affected.

Bondholders' Control of Proceedings

If an Event of Default shall have occurred and be continuing, the Holders of a majority in principal amount of all Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Bond Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of the Bond Indenture, provided that such direction is in accordance with law and the provisions of the Bond Indenture (including indemnity to the Bond Trustee as provided in the Bond Indenture). Nothing in this paragraph shall impair the right of the Bond Trustee in its discretion to take any other action under the Bond Indenture which it may deem proper and which is not inconsistent with such direction by Bondholders.

Individual Bondholder Action Restricted

(a) No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Bond Indenture or for the execution of any trust under the Bond Indenture or for any remedy thereunder except upon the occurrence of all of the following events:

(i) the Holders of at least a majority in aggregate principal amount of Bonds Outstanding shall have made written request to the Bond Trustee to proceed to exercise the powers granted in the Bond Indenture; and

(ii) such Bondholders shall have offered the Bond Trustee indemnity as provided in the Bond Indenture; and

(iii) the Bond Trustee shall have failed or refused to exercise the duties or powers granted in the Bond Indenture for a period of 60 days after receipt by it of such request and offer of indemnity; and

(iv) during such 60 day period no direction inconsistent with such written request has been delivered to the Bond Trustee by the Holders of a majority in principal amount of Bonds then Outstanding.

(b) No one or more Holders of Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the security of the Bond Indenture or to enforce any right under the Bond Indenture except in the manner therein provided and for the equal benefit of the Holders of all Bonds Outstanding.

(c) Nothing contained in the Bond Indenture shall affect or impair, or be construed to affect or impair, the right of the Holder of any Bond (i) to receive payment of the principal of or interest on such Bond, as the case may be, on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Holder of any Bond may institute or prosecute any such suit or enter judgment therein if, and to the extent that, the judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien of the Bond Indenture on the money, funds and properties pledged under the Bond Indenture for the equal and ratable benefit of all Holders of Bonds.

Termination of Proceedings

In case any proceedings taken on account of an Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bond Trustee or the Bondholders, then the Authority, the Bond Trustee and the Bondholders shall be restored to their former positions and rights under the Bond Indenture, and all rights and powers of the Bond Trustee and the Bondholders shall continue as if no such proceeding had been taken.

Waiver of Event of Default

(a) No delay or omission of the Bond Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or in acquiescence therein.

(b) The Bond Trustee may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Bond Indenture, on or before the completion of the enforcement of any other remedy thereunder.

(c) The Bond Trustee, upon the written request of the Holders of a majority in principal amount of the Bonds then Outstanding, shall waive any Event of Default under the Bond Indenture and its consequences; provided, however, that a default in the payment of the principal or Redemption Price of or interest on any Bond, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Bonds at the time Outstanding, for which payment of the principal or Redemption Price of or interest on has not been made.

(d) In case of any waiver by the Bond Trustee of an Event of Default under the Bond Indenture, the Authority, the Bond Trustee and the Bondholders shall be restored to their former positions and rights thereunder, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon. The Bond Trustee shall not be responsible to anyone for waiving or refraining from waiving any Event of Default described in this section.

Limitations on Remedies

It is the purpose and intention of the Bond Indenture to provide rights and remedies to the Bond Trustee and Bondholders which may be lawfully granted, but should any right or remedy therein granted be held to be unlawful, the Bond Trustee and the Bondholders shall be entitled, as above set forth, to every other right and remedy provided in the Bond Indenture and by law.

Amendments to Bond Indenture

(a) The 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 Holders of a majority in aggregate principal amount of the Bonds then Outstanding and the System, shall have been filed with the Bond Trustee. No such modification or amendment shall (1) extend the Maturity Date of any Bond, or reduce the amount of principal thereof, 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, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid 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 prior to or on a parity with the lien created by the Bond Indenture, or deprive the Holders of the Bonds of the lien created by the Bond Indenture (except as expressly provided in the 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 the provisions of the Bond Indenture described in this paragraph (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 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 consent of the System, but without the necessity of obtaining the consent of any Bondholders, only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority contained in the 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 therein 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, as evidenced by an Opinion of Counsel as described under this heading;

(ii) 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 Bond Indenture, or in regard to matters or questions arising under the Bond Indenture, including but not limited to reflecting the creation of separate Sub-Series for the Bonds, reflecting the serialization of the Bonds upon their Conversion to a Fixed Mode or reflecting the conversion of serial Bonds to term Bonds or other adjustments to the amortization and payment schedule in connection with their Conversion from a Fixed Mode, as the Authority or the System may deem necessary or desirable and not inconsistent with the Bond Indenture, and which shall not materially adversely affect the interests of the Holders of the Bonds;

(iii) to modify, amend or supplement the Bond Indenture in such manner as to permit the qualification thereof 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, as evidenced by an Opinion of Counsel as described under this heading;

(iv) to facilitate and implement any book-entry system (or any termination of a book-entry system) with respect to the Bonds in accordance with the terms of the Bond Indenture;

(v) to maintain the exclusion from gross income of interest payable with respect to the Bonds;

(vi) to make any modification or amendment to the Bond Indenture which will be effective upon the Conversion and/or remarketing of Bonds following the mandatory tender of the Bonds pursuant to the Bond Indenture;

(vii) to provide for the appointment of a successor bond trustee or co-trustee pursuant to the Bond Indenture; or

(viii) to make any modification or amendment to the Bond Indenture which shall not materially adversely affect the interests of the Holders of the Bonds.

(c) The Bond Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Bond Indenture authorized by paragraphs (a) or (b) above which adversely affects the Bond Trustee's own rights, duties or immunities under the Bond Indenture or otherwise.

(d) In executing, or accepting the additional trusts created by, any Supplemental Bond Indenture permitted by the Bond Indenture or the modification thereby of the trusts created by the Bond Indenture, the Bond Trustee shall be provided, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such Supplemental Bond Indenture is authorized or permitted by the Bond Indenture and complies with the terms of the Bond Indenture.

Effect of Supplemental Bond Indenture

Upon the execution of any Supplemental Bond Indenture pursuant to the Bond Indenture, the Bond Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Bond Indenture of the Authority, the Bond Trustee and all Holders of Bonds Outstanding shall thereafter be determined, exercised and enforced under the Bond Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Bond Indenture shall be deemed to be part of the terms and conditions of the Bond Indenture for any and all purposes.

Amendment of Particular Bonds

The foregoing provisions shall not prevent any Bondholder from accepting any amendment as to the particular Bonds held by such Bondholder; provided that due notation thereof is made on such Bonds.

Discharge of Bond Indenture

Bonds may be paid in any of the following ways, provided that the System also pays or causes to be paid any other sums payable under the Bond Indenture and related to such Bonds:

(a) by paying or causing to be paid the principal or Redemption Price of and interest on Outstanding Bonds, as and when the same become due and payable;

(b) by depositing with the Bond Trustee, in trust, at or before maturity, money or United States Government Obligations in the amount necessary (as provided in the Bond Indenture and described in this Appendix C under the section captioned "THE BOND INDENTURE—Deposit of Money or Securities with Bond Trustee") to pay or redeem all Bonds Outstanding; or

(c) by delivering to the Bond Trustee, for cancellation by it, Outstanding Bonds.

If the Authority, the System or the Bond Trustee shall also pay or cause to be paid all other sums payable under the Bond Indenture by the Authority, and if the System shall have paid all expenses payable to the Authority and the Bond Trustee, and any indemnification owed to the Authority and Bond Trustee, then and in that case, at the election of the System (evidenced by a Certificate of the System, filed with the Bond Trustee, signifying the intention of the System to discharge all such indebtedness and the Bond Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Bond Indenture and the pledge of the Revenues and other assets made under the Bond Indenture and all covenants, agreements and other obligations of the Authority under the Bond Indenture shall cease, terminate, become void and be completely discharged and satisfied (except with respect to the transfer or exchange of Bonds provided for in the Bond Indenture or Bonds, the payment of principal of and interest on the Bonds when due, the redemption of Bonds provided for in the Bond Indenture and the payment of or the provision for any rebate payments then due and payable to the United States Treasury as specified in the Tax Agreement). In such event, upon Written Request of the System, the Bond Trustee shall execute and deliver to the Authority and the System all such instruments as may be necessary or desirable (and prepared by or on behalf of the Authority or the System) to evidence such discharge and satisfaction, and the Bond Trustee shall pay over, transfer, assign or deliver to the System all moneys or securities or other property held by it pursuant to the Bond

Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption; provided that, prior to the Bond Trustee paying over, transferring, assigning or delivering to the System such moneys, securities or other property, all Administrative Fees and Expenses and any indemnification owed the Authority shall have been paid. The release of the obligations of the Authority under the Bond Indenture shall be without prejudice to the right of the Bond Trustee to be paid reasonable compensation for all services rendered thereunder by it and all reasonable expenses, charges and other disbursements (from any money in its possession under the provisions of the Bond Indenture, subject only to the prior lien of the Bonds for the payment of the principal thereof and the interest thereon) incurred on or about the administration of the trust created by the Bond Indenture and the performance of its duties under the Bond Indenture, nor its right to indemnification thereunder and under the Loan Agreement.

Effect of Defeasance

Upon the deposit with the Bond Trustee, in trust, at or before maturity, of money or securities in the amount necessary (as provided in the Bond Indenture and described in this Appendix C under the section captioned "THE BOND INDENTURE—Deposit of Money or Securities with Bond Trustee") to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond) and, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the redemption provisions of the Bond Indenture or provisions satisfactory to the Bond Trustee shall have been made for the giving of such notice, the Bond Indenture may be released and discharged in accordance with the relevant provisions thereof, but the liability of the Authority in respect of such Bonds shall continue but only to the extent that the Holder thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Bond Trustee as aforesaid for their payment; and, provided, further, that the provisions of the Bond Indenture described in this Appendix C under the section captioned "THE BOND INDENTURE—Payment of Bonds After Discharge of Bond Indenture" shall apply in any event.

Deposit of Money or Securities with Bond Trustee

Whenever in the 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 amount necessary to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Bond Trustee in the funds and accounts established pursuant to the Bond Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, 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 redemption provisions of the 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), the principal of and interest on which when due will provide money sufficient, without regard to any reinvestment thereof, to pay the principal, or Redemption Price of and all unpaid interest to maturity or redemption date, as the case may be, on the Bonds to be paid, purchased 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 redemption provisions of the Bond Indenture or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice; and, provided further, in each case, that the Bond Trustee shall have been irrevocably instructed (by the terms of the Bond Indenture or by Written Request of the System or the Authority) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

Prior to any defeasance becoming effective as described in this section, the System shall deliver, or caused to be delivered, to the Bond Trustee and the Authority if United States Government Obligations comprise all or part of the defeasance deposit, a copy of a certificate or report of a verification agent or an independent certified public accountant firm indicating the sufficiency of the maturing principal and the interest income on such United States Government Obligations to pay when due the principal or Redemption Price of and interest on such Bonds.

Payment of Bonds After Discharge of Bond Indenture

Notwithstanding the discharge of the lien of the Bond Indenture as provided in the Bond Indenture, the Bond Trustee shall nevertheless retain such rights, powers and duties under the Bond Indenture as may be necessary and convenient for the payment of amounts due or to become due on the Bonds and the registration, transfer, exchange and

replacement of Bonds as provided therein. Subject to any applicable escheat law, any money held by the Bond Trustee for the payment of the principal, Redemption Price or Purchase Price of or interest on any Bond remaining unclaimed for three years after the principal or Purchase Price of all Bonds has become due and payable, whether at maturity or proceedings for redemption or tender for purchase or by declaration as provided in the Bond Indenture, shall then be paid to the System (without liability for interest) and the Holders of any Bonds not theretofore presented for payment shall thereafter be entitled to look only to the System for payment thereof and all liability of the Bond Trustee and the Authority with respect to such moneys shall thereupon cease.

Redemption after Satisfaction of Bond Indenture

Notwithstanding anything to the contrary in the Bond Indenture, upon the provision for payment of the Bonds or a portion thereof through a date subsequent to any optional redemption date as specified in sub-paragraph (b) under the section captioned "THE BOND INDENTURE—Discharge of Bond Indenture", the optional redemption provisions of the Bond Indenture allowing such Bonds to be called prior to maturity upon proper notice (notwithstanding provision for the payment of such Bonds having been made through a date subsequent to the first optional redemption date as provided for in the Bond Indenture) shall remain available to the Authority, upon direction of the System, unless, in connection with making such deposit, the Authority, at the direction of the System, shall have irrevocably elected in writing to waive any future right to call the Bonds or portions thereof for redemption prior to maturity. Notwithstanding anything to the contrary in the Bond Indenture, upon the provision for payment of the Bonds or a portion thereof prior to the maturity thereof as specified in sub-paragraph (b) under the section captioned "THE BOND INDENTURE—Discharge of Bond Indenture," the Authority, upon direction of the System, may elect to pay such Bonds on the respective maturity dates therefor unless, in connection with making such deposits, the Authority, at the direction of the System, shall have irrevocably elected in writing to waive such right to provide for the payment thereof on the Maturity Date. No such redemption or restructuring shall occur, however, unless the System shall deliver on behalf of the Authority to the Bond Trustee, (a) United States Government Obligations and/or cash sufficient to discharge such Bonds (or portion thereof) on the redemption or maturity date or dates selected, (b) a copy of a certificate or report of a verification agent or an independent certified public accountant firm indicating that such United States Government Obligations, together with the expected earnings thereon, and/or cash will be sufficient to provide for the payment of such Bonds to the redemption or maturity dates, and (c) a Favorable Opinion of Bond Counsel. The Bond Trustee will give written notice of any such redemption or restructuring to the owners of the Bonds affected thereby.

Liability of Authority Limited to Revenues

The Bonds shall not be deemed to constitute a debt or liability of the State of California or of any political subdivision thereof other than the Authority or a pledge of the faith and credit of the State of California or of any political subdivision thereof, but shall be payable solely from the funds provided in the Bond Indenture. Neither the State of California nor the Authority shall be obligated to pay the principal, Purchase Price or Redemption Price of or interest on the Bonds, except from Revenues and the other assets pledged thereunder and neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal, Purchase Price or Redemption Price of or interest on the Bonds. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State of California or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Authority has no taxing power. Notwithstanding anything in the Bond Indenture or in the Bonds contained, the Authority shall have no pecuniary liability under the Bond Indenture except that which can be satisfied from Revenues and the other assets pledged thereunder, and the Authority shall not be required to advance any moneys derived from any source other than Revenues and the other assets pledged thereunder for any of the purposes in the Bond Indenture mentioned, whether for the payment of the principal, Purchase Price or Redemption Price of or interest on the Bonds or for any other purpose of the Bond Indenture. Nevertheless, the Authority may, but shall not be required to, advance for any of the purposes under the Bond Indenture any funds of the Authority which may be made available to it for such purposes.

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 Bond Indenture, Bonds which are owned or held by or for the account of the Authority, the System, 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 System or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination; except that in determining whether the Bond Trustee shall be protected in relying upon any such demand, request, direction, consent or waiver of an Owner, only Bonds which a Responsible Officer of the Bond Trustee actually knows to be owned or held by or for the account of the Authority or the System, 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 or the System or any other obligor on the Bonds, shall be disregarded unless all Bonds are so owned or held, in which case such Bonds shall be considered Outstanding for the purpose of such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for purposes of the Bond Indenture summarized under this caption if the pledgee shall establish to the satisfaction of the Bond Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority, the System or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Bond Trustee taken upon the advice of counsel shall be full protection to the Bond Trustee. Upon request of the Bond Trustee, the Authority and the System shall specify in a certificate to the Bond Trustee those Bonds disqualified pursuant to the provisions of the Bond Indenture summarized under this caption and the Bond Trustee may conclusively rely on any such certificate.

Money Held for Particular Bonds

The money held by the Bond Trustee for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto, subject, however, to the provisions described under the section captioned "THE BOND INDENTURE—Payment of Bonds After Discharge of Bond Indenture."

Deemed Consent to Amended and Restated Master Indenture

The Holders and Beneficial Owners, by purchasing the Bonds, will be deemed to have irrevocably consented to and approved the amendments to the Original Master Indenture set forth in the Amended and Restated Master Indenture, and to have waived, and be deemed to have waived, and to have authorized and directed the Bond Trustee to waive, any and all other formal notice, implementation, execution or timing requirements that may otherwise be required under the Original Master Indenture in order to implement the Amended and Restated Master Indenture. Such consent and waiver will be effective on the Date of Issuance, will be binding on any subsequent Holder and Beneficial Owner of any Bonds, and may not be revoked after the issuance of the Bonds. Pursuant to the consent of the Holders and Beneficial Owners, the Bond Trustee, as the assignee of the Bond Obligation, is irrevocably directed to consent to the amendments to the Original Master Indenture set forth in the Amended and Restated Master Indenture, waive any and all other formal notice, implementation, execution or timing requirements that may otherwise be required under the Original Master Indenture in order to implement the Amended and Restated Master Indenture, and to evidence its consent to such amendments by executing any direction, consent, instruction, approval or other document, in the Bond Trustee's capacity as holder of the Bond Obligation for the benefit of the Holders and Beneficial Owners, as may be requested by the Master Trustee.

THE LOAN AGREEMENT

The Loan Agreement provides the terms of a loan of the proceeds of the Bonds by the Authority to the System and the repayment of such loan by the System.

The following is a summary of certain provisions of the Loan Agreement not described elsewhere in this Official Statement. This summary does not purport to be complete or definitive and reference is made to the Loan Agreement for the complete terms thereof.

Issuance of the Bonds; Application of Proceeds of Bonds; Issuance of Bond Obligation.

(a) Pursuant to the Bond Indenture, the Authority has authorized the issuance of the Bonds. The proceeds of the Bonds shall be applied under the terms and conditions of the Loan Agreement and the Bond Indenture. The System pursuant to the Loan Agreement approves the Bond Indenture and the issuance of the Bonds thereunder by the Authority, and the assignment thereunder to the Bond Trustee of the right, title and interest (but none of the obligations) of the Authority in the Loan Agreement (other than those rights specifically retained by the Authority pursuant to the Bond Indenture) and the Bond Obligation.

(b) In consideration of the issuance of the Bonds by the Authority and the application of the proceeds thereof as provided in the Bond Indenture, the System agrees to cause to be issued, and to cause to be authenticated and delivered to the Authority or its designee, pursuant to the Master Indenture and Supplement No. 17, concurrently with the issuance and delivery of the Bonds, the Bond Obligation in substantially the form set forth in Supplement No. 17. The Authority agrees that the Bond Obligation shall be registered in the name of the Bond Trustee. The System agrees that the aggregate principal amount of the Bond Obligation shall be limited to the principal amount of the Bonds except for any Obligation authenticated

and delivered in lieu of another Obligation as provided in Supplement No. 17 with respect to the mutilation, destruction, loss or theft of the Bond Obligation or, subject to the provisions described in subsection (c) below, upon registration of transfer of the Bond Obligation. Issuance and delivery of the Bonds by the Authority shall be a condition of the issuance and delivery of the Bond Obligation.

(c) The System agrees that, except as described in subsection (d) below, so long as any Bond remains Outstanding, the Bond Obligation shall be issuable only as a single obligation without coupons, registered as to principal and interest in the name of the Bond Trustee, and no transfer of the Bond Obligation shall be registered under the Master Indenture or be recognized by the System except for transfers to a successor Bond Trustee.

(d) Upon the principal of all Obligations Outstanding (within the meaning of that term as used in the Master Indenture) being declared immediately due and payable, the Bond Obligation may be transferred if and to the extent that the Bond Trustee requests that the restrictions described in subsection (c) above on transfers be terminated.

Loan of Bond Proceeds; Loan Repayments

(a) Pursuant to the Bond Indenture, the Authority has authorized the issuance of the Bonds and pursuant to the Loan Agreement loans and advances to the System, and the System pursuant to the Loan Agreement borrows and accepts from the Authority (solely from the proceeds of the sale of such Bonds), the proceeds of the Bonds to be applied under the terms and conditions of the Loan Agreement and the Bond Indenture. In consideration of the loan of such proceeds to the System, the System 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 provisions of the Bond Indenture summarized in this Appendix C under the sections captioned "THE BOND INDENTURE—Interest Fund" and. "—Bond Sinking Fund." Each Loan Repayment shall be made in immediately available funds. Notwithstanding the foregoing, the System 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 (including premium, if any) and interest on the Bonds from time to time Outstanding under the Bond Indenture and other amounts required to be paid under the Bond Indenture, as the same shall become due whether at maturity, upon redemption, by declaration of acceleration or otherwise.

(b) Except as otherwise expressly provided in the Loan Agreement, all amounts payable under the Loan Agreement by the System to the Authority shall be paid to the Bond Trustee as assignee of the Authority and the Loan Agreement and all right, title and interest of the Authority in any such payments are assigned and pledged pursuant to the Loan Agreement to the Bond Trustee so long as any Bonds remain Outstanding.

Additional Payments

In addition to Loan Repayments, the System shall also pay to the Authority or to the Bond Trustee, as the case may be, "Additional Payments," provided in the Loan Agreement and some of which is summarized under this heading. The obligations of the System summarized under this heading shall survive the resignation and removal of the Bond Trustee, payment of the Bonds and discharge of the Bond Indenture.

The Additional Payments to the Authority include:

(a) All taxes and assessments of any type or character charged to the Authority affecting the amount available to the Authority from payments to be received under the Loan Agreement or in any way arising due to the transactions contemplated by the 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); provided, however, that the System shall have the right to protest any such taxes or assessments and to require the Authority, at the System's expense, to protest and contest any such taxes or assessments levied upon them and that the System 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 and the System has provided the Authority with security and indemnification reasonably deemed adequate by the Authority in respect of such affected rights or interests; (b) all amounts payable to the Authority pursuant to the indemnification provisions of the Loan Agreement; (c) the reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority to prepare audits, financial statements, reports, opinions or provide such other services required under the Loan Agreement, the Bond Obligation or the Bond Indenture; (d) the annual fee of the Authority, any and all fees and expenses incurred primarily in connection with the authorization, issuance, sale and delivery of any Bonds and the reasonable fees and expenses of the Authority or any agency of the State of California selected by the Authority to act on its behalf in connection with the Loan Agreement, the Bond Obligation, the Bonds or the Bond Indenture, including, without limitation, in connection with any

litigation, investigation, inquiry or other proceeding which may at any time be instituted involving the Loan Agreement, the Bond Obligation, the Bonds or the Bond Indenture or any of the other documents contemplated thereby, or by the Attorney General of the State of California or such other counsel as the Authority may select in connection with the reasonable supervision or inspection of any Member, their properties, assets or operations or otherwise in connection with the administration (both before and after the execution of the Loan Agreement) of the Loan Agreement or the Bond Indenture; and (e) all other reasonable and necessary fees and expenses attributable to the Bonds, the Loan Agreement, the Bond Obligation or related documents, including without limitation all payments required pursuant to the Tax Agreement.

The Additional Payments to the Bond Trustee include:

(a) All taxes and assessments of any type or character charged to the Bond Trustee affecting the amount available to the Bond Trustee from payments to be received under the Loan Agreement or in any way arising due to the transactions contemplated by the 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); provided, however, that the System shall have the right to protest any such taxes or assessments and to require the Bond Trustee, at the System's expense, to protest and contest any such taxes or assessments levied upon them and that the System 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 Bond Trustee and the System has provided the Bond Trustee with security and indemnification reasonably deemed adequate by the Bond Trustee in respect of such affected rights or interests; (b) all reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Bond Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Loan Agreement or the Bond Indenture; (c) all amounts payable to the Bond Trustee pursuant to the indemnification provisions of the Loan Agreement; and (d) all other reasonable and necessary fees and expenses attributable to the Bonds, the Loan Agreement, or related documents, including without limitation all payments required pursuant to the Tax Agreement.

Credits for Payments

The System shall receive credit against its payments required to be made under the Loan Agreement, in addition to any credits resulting from payment or repayment from other sources, as follows:

(a) on installments of interest in an amount equal to moneys deposited in the Interest Fund, which amounts are available to pay interest on the Bonds, to the extent such amounts have not previously been credited against such payments;

(b) on installments of principal in an amount equal to moneys deposited in the Bond Sinking Fund, which amounts are available to pay principal of the Bonds, to the extent such amounts have not previously been credited against such payments;

(c) on installments of principal and interest in an amount equal to the principal amount of Bonds for the payment at maturity or redemption of which sufficient amounts (as determined by the provisions of the Bond Indenture described in this Appendix C under the section captioned "THE BOND INDENTURE—Deposit of Money or Securities with Bond Trustee") in cash or United States Government Obligations are on deposit as provided in the provisions of the Bond Indenture described in this Appendix C under the section captioned "THE BOND INDENTURE—Deposit of Money or Securities with Bond Trustee", to the extent such amounts have not previously been credited against such payments, and the interest on such Bonds from and after the date fixed for payment at maturity or redemption thereof. Such credits shall be made against the installments of principal and interest which would have been used, but for such call for redemption, to pay principal of and interest on such Bonds when due or called for mandatory redemption; and

(d) on installments of principal and interest in an amount equal to the principal amount of Bonds acquired by the System and delivered to the Bond Trustee for cancellation or purchased by the Bond Trustee and cancelled, and the interest on such Bonds from and after the date interest thereon has been paid prior to cancellation. Such credits shall be made against the installments of principal and interest which would have been used, but for such cancellation, to pay principal of and interest on such Bonds when due, and with respect to Bonds called for mandatory redemption, against principal installments which would have been used to pay Bonds of the same date.

Prepayment

The System shall have the right 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 by the System, and

the Bond Trustee shall call for redemption Bonds as directed by the System. The System shall be required to prepay Loan Repayments in the amounts and at the times that Bonds are subject to optional or mandatory redemption pursuant to the Bond Indenture. All such prepayments (and the additional payment of any amount necessary to pay the Redemption Price payable upon the redemption of Bonds) shall be deposited upon receipt at the System's direction in (i) the Bond Sinking Fund or (ii) the Optional Redemption Fund (or in such other Bond Trustee escrow account as may be specified by the System) and, at the request of and as determined by the System, credited against payments due under the 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 Bond Indenture.

Obligations of the System Unconditional; Net Contract

The obligations of the System to make the Loan Repayments, Additional Payments required and other payments under the Loan Agreement and to perform and observe the other agreements on its part contained in the Loan Agreement shall be absolute and unconditional, and shall not be abated, rebated, setoff, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever, while any Bonds remain Outstanding or any Additional Payments or other payments remain unpaid, regardless of any contingency, event or cause whatsoever, including, without limiting the generality of the foregoing, any natural disaster, acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to its facilities, commercial frustration of purpose, any changes in the laws of the United States of America or of the State of California or any political subdivision of either or in the rules or regulations of any governmental authority, or any failure of the Authority or the Bond Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Loan Agreement or the Bond Indenture. The Loan Agreement shall be deemed and construed to be a "net contract," and the System shall pay absolutely net the Loan Repayments, Additional Payments and all other payments required under the Loan Agreement, regardless of any rights of setoff, recoupment, abatement or counterclaim that the System might otherwise have against the Authority or the Bond Trustee or any other party or parties.

Tax Covenant

The System covenants and agrees that it will at all times do and perform all acts and things permitted by law and the Loan Agreement which are necessary in order to assure that interest paid on the Bonds will be excluded from gross income for federal income tax purposes and will take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, the System agrees to comply with the provisions of the Tax Agreement. This covenant shall survive payment in full or defeasance of the Bonds.

Continuing Disclosure

The System pursuant to the Loan Agreement covenants and agrees to comply with the continuing disclosure requirements under Rule 15c2-12 and that it will enter into, comply with and carry out all of the provisions of the Continuing Disclosure Agreement with respect to the Bonds that complies with the provisions of Rule 15c2-12, in form and substance satisfactory to the Participating Underwriter (as defined in Rule 15c2-12). Notwithstanding any other provision of the Loan Agreement or the Bond Indenture, failure of the System to enter into and comply with such a Continuing Disclosure Agreement shall not be considered a Loan Default Event or an Event of Default; however, the Bond Trustee may, and, at the request of any Participating Underwriter (as defined in such Continuing Disclosure Agreement) or the Holders of at least 25% in aggregate principal amount of Outstanding Bonds after receiving indemnification to its satisfaction, shall or any Bondholder or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the System to comply with its obligations under this section.

Loan Default Events

The following events shall be "Loan Default Events:"

(a) Failure by the System to pay in full any payment required under the Loan Agreement or under the Bond Obligation when due, whether on an interest payment date at maturity, upon a date fixed for prepayment, by declaration, or otherwise pursuant to the terms of the Loan Agreement or thereof;

(b) Failure by the System to observe and perform any other covenant, condition or agreement on its part to be observed or performed in the Loan Agreement for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the System by the Authority or the Bond Trustee; provided, however,

that if the failure is such that it can be corrected but not within such 60-day period, and corrective action is instituted by the System within such period and diligently pursued until such failure is corrected, then such period shall be increased to 180 days after the delivery of such notice of default;

(c) Any representation or warranty made by the System in any document delivered by the System to the Bond Trustee or the Authority in connection with the sale and delivery of the Bonds or the Bond Obligation proves to be untrue when made in any material respect;

(d) An Event of Default under the Bond Indenture or under the Master Indenture; or

(e) The System (i) shall admit in writing its inability to pay its debts generally, (ii) shall make a general assignment for the benefit of creditors, (iii) shall institute any proceeding or voluntary case (A) seeking to adjudicate it a bankrupt or insolvent or (B) seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors or (C) seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property, (iv) shall take any action to authorize any of the actions described above in this subsection (e), or (v) shall have instituted against it any proceeding (A) seeking to adjudicate it a bankrupt or insolvent or (B) seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors or (C) seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property, and, if such proceeding is being contested by the System in good faith, such proceeding shall remain undismissed or unstayed for a period of 60 days.

Upon having actual knowledge or written notice of the existence of a Loan Default Event, the Bond Trustee shall give written notice thereof to the System (with a copy to the Authority) unless the System has expressly acknowledged the existence of such Loan Default Event in a writing delivered by the System to the Bond Trustee (with a copy to the Authority) or filed by the System in any court.

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, subject to the limitations and its protections in the Bond Indenture as to the enforcement of remedies, may take such action as it deems necessary or appropriate to collect amounts due under the Loan Agreement, to enforce performance and observance of any obligation or agreement of the System under the 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 thereby or available under the Loan Agreement or given by or available under any other instrument of any kind securing the System's performance under the Loan Agreement (including, without limitation, the Bond Obligation and the Master Indenture);

(b) By written notice to the System, declare an amount equal to all amounts then due and payable on the Bonds, whether by acceleration of maturity or otherwise, to be immediately due and payable under the 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 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 System under the Loan Agreement.

Notwithstanding any other provision of the 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 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 Bond Obligation and all interest thereon immediately due and payable in accordance with the Master Indenture.

Remedies Not Exclusive; No Waiver of Rights

No remedy in the Loan Agreement conferred upon or reserved to the Authority or the Bond Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy, to the extent permitted by law, shall be cumulative and shall be in addition to every other remedy given under the Loan Agreement or now or hereafter existing at law or in equity or otherwise. In order to entitle the Authority or the Bond Trustee to exercise any remedy, to the extent permitted by law, reserved to it contained in the Loan Agreement, it shall not be necessary to give any notice, other than such notice as may be expressly required in the Loan Agreement. Such rights and remedies as are given to the Authority under the Loan Agreement (other than those rights specifically retained by the Authority pursuant to the Bond Indenture) shall also extend to the Bond Trustee, and the Bond Trustee may exercise any rights of the Authority (other than those rights specifically retained by the Authority pursuant to the Bond Indenture) and its own rights under the Loan Agreement, and the Bond Trustee and the Holders of the Bonds shall be deemed third-party beneficiaries of all covenants and conditions in the Loan Agreement contained.

No delay in exercising or omitting to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

Expenses on Default

In the event the System should default under any of the provisions of the Loan Agreement and the Authority or the Bond Trustee should employ attorneys or incur other expenses for the collection of the payments due under the Loan Agreement, the System agrees that it will on demand therefor pay to the Authority or the Bond Trustee the fees and expenses of such attorneys and such other expenses so incurred by the Authority or the Bond Trustee.

Notice of Default

The System agrees that, as soon as is practicable, and in any event within ten (10) days of a Loan Default Event, the System will furnish the Bond Trustee notice of any event which is a Loan Default Event pursuant to the Loan Agreement which has occurred and is continuing on the date of such notice, which notice shall set forth the nature of such event and the action which the System proposes to take with respect thereto; provided, however, that with respect to a Loan Default Event pursuant to subsection (a) of the provisions of the Loan Agreement summarized in this Appendix C under the section captioned "THE LOAN AGREEMENT—Loan Default Events", the Bond Trustee shall give the System written notice on the date such default occurs. The System shall contemporaneously provide the Authority with a copy of any notice given to the Bond Trustee under the provisions of the Loan Agreement.

Assignment by Authority or Bond Trustee

The Loan Agreement, including the right to receive payments required to be made by the System under the Loan Agreement and to compel or otherwise enforce performance by the System of its other obligations under the Loan Agreement and thereunder, may be assigned and reassigned in whole or in part to one or more assignees or subassignees by the Authority or the Bond Trustee at any time subsequent to its execution without the necessity of obtaining the consent of the System. The Authority expressly acknowledges that all right, title and interest of the Authority in and to the Loan Agreement (other than those rights specifically retained by the Authority pursuant to the Bond Indenture) have been assigned to the Bond Trustee, as security for the Bonds under and as provided in the Bond Indenture, and that if any Loan Default Event shall occur, the Bond Trustee shall be entitled to act under the Loan Agreement in the place and stead of the Authority.

Application of Moneys Collected

Any amounts collected pursuant to action taken under the provisions of the Loan Agreement relating to loan default events and remedies be applied in accordance with the provisions of the Bond Indenture relating to events of defaults and remedies, and to the extent applied to the payment of amounts due on the Bonds shall be credited against amounts due on the Bond Obligation.

Non-Liability of Authority

The Authority shall not be obligated to pay the principal, Purchase Price or Redemption Price of (including premium, if any) or interest on the Bonds, except from Revenues and other assets pledged under the Bond Indenture. Neither

the faith and credit nor the taxing power of the State of California or any political subdivision thereof is pledged to the payment of the principal, Purchase Price or Redemption Price of (including premium, if any) or interest on the Bonds. The Authority shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind or any conceivable theory, under or by reason of or in connection with the Loan Agreement, the Bond Obligation, the Bonds or the Bond Indenture, except only to the extent amounts are received for payment thereof from the System under the Loan Agreement or from Members under the Bond Obligation.

The System acknowledges that the Authority's sole source of moneys to repay the Bonds will be provided by the payments made by the System pursuant to the provisions of the Loan Agreement, the Bond Obligation and other Revenues, together with investment income on certain funds and accounts held by the Bond Trustee under the Bond Indenture, and agrees that if the payments to be made pursuant to the Loan Agreement and under the Bond Obligation shall ever prove insufficient to pay all the principal, Purchase Price or Redemption Price of (including premium, if any), or interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Bond Trustee, the System shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal, Purchase Price or Redemption Price of (including premium, if any), or interest on the Bonds, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Bond Trustee, the Master Trustee, the System, the other Members, the Authority or any third party.

Amendments of Loan Agreement

The Loan Agreement may not be effectively amended, changed, modified, altered or terminated except by the written agreement of the System and the Authority in accordance with the provisions of the Bond Indenture as summarized in this Appendix C under the section captioned "THE BOND INDENTURE—Amendment of Loan Agreement," and the concurring written consent of the Bond Trustee (subject to its rights under the Loan Agreement and under the Bond Indenture).

Bond Indenture Provisions

The Bond Indenture provisions concerning the Bonds and the other matters therein are an integral part of the terms and conditions of the Loan made by the Authority to the System pursuant to the Loan Agreement, and the execution of the Loan Agreement shall constitute conclusive evidence of approval of the Bond Indenture by the System to the extent it relates to the System. Additionally, the System agrees that, whenever the Bond Indenture by its terms imposes a duty or obligation upon the System, such duty or obligation shall be binding upon the System to the same extent as if the System were an express party to the Bond Indenture, and the System agrees to carry out and perform all of its obligations under the Bond Indenture as fully as if the System were a party to the Bond Indenture.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

California Health Facilities
Financing Authority
Sacramento, California

California Health Facilities Financing Authority
Revenue Bonds (Cedars-Sinai Health System), Series 2021A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California Health Facilities Financing Authority (the "Authority") in connection with the issuance of $[PAR] aggregate principal amount of California Health Facilities Financing Authority Revenue Bonds (Cedars-Sinai Health System), Series 2021A (the "Bonds"), issued pursuant to a bond indenture, dated as of December 1, 2021 (the "Bond Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Bond Trustee"). The Bond Indenture provides that the Bonds are issued for the stated purpose of making a loan of the proceeds thereof to Cedars-Sinai Health System (the "System") pursuant to a loan agreement, dated as of December 1, 2021 (the "Loan Agreement"), between the Authority and the System. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Bond Indenture.

In such connection, we have reviewed the Bond Indenture; the Loan Agreement; the Tax Agreement; opinions of counsel to the Authority, the Bond Trustee and the Obligated Group Members; certificates of the Authority, the Bond Trustee, the System, on behalf of itself and the other Obligated Group Members and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have relied on the opinion of McDermott Will & Emery LLP, counsel to the Obligated Group Members, regarding, among other matters, the current qualification of each Obligated Group Member as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"). We note that such opinion is subject to a number of qualifications and limitations. We have also relied upon representations of the System, on behalf of itself and the other Obligated Group Members, regarding the use of the facilities financed or refinanced with the proceeds of the Bonds in activities that are not considered unrelated trade or business activities of the Obligated Group Members within the meaning of Section 513 of the Code. We note that the opinion of counsel to the Obligated Group Members does not address Section 513 of the Code. Failure of an Obligated Group Member to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or use of the bond-financed or refinanced facilities in activities that are considered unrelated trade or business activities of the Obligated Group Members within the meaning of Section 513 of the Code, may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds.

The 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 original delivery of the Bonds on 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 original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second and third paragraphs hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Bond Indenture, the Loan Agreement and the Tax Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Bond Indenture, the Loan Agreement and the Tax Agreement and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public instrumentalities of the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or having the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Bond Indenture, or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.

2. The Bond Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Bond Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts held by the Bond Trustee in any fund or account established pursuant to the Bond Indenture, except the Rebate Fund and the Bond Purchase Fund, subject to the provisions of the Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Indenture.

3. The Loan Agreement has been duly executed and delivered by, and constitutes a valid and binding agreement of, the Authority.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Interest on the

Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by Cedars-Sinai Health System, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "System"), as Credit Group Representative (the "Credit Group Representative") under the Master Indenture (as defined below), and The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America (the "Bond Trustee"), in connection with the issuance of $_____ California Health Facilities Financing Authority Revenue Bonds (Cedars-Sinai Health System), Series 2021A (the "Bonds"). The Bonds are being issued pursuant to a bond indenture, dated as of December 1, 2021 (the "Bond Indenture"), between the California Health Facilities Financing Authority (the "Authority") and the Bond Trustee. The proceeds of the Bonds are being loaned by the Authority to the System pursuant to a loan agreement, dated as of December 1, 2021 (the "Loan Agreement"), between the Authority and the System. The obligations of the System under the Loan Agreement are secured by payments made by Members of the Obligated Group (the "Members of the Obligated Group") on Obligation No. 17 issued under the Master Indenture, dated as of September 15, 1997, as supplemented and amended, including by Supplemental Master Indenture for Obligation No. 17, dated as of December 1, 2021 ("Supplement No. 17"), between Cedars-Sinai Medical Center ("CSMC") and The Bank of New York Mellon Trust Company, N.A., in its capacity as successor master trustee (the "Master Trustee"), and as further amended and restated as of December 1, 2021 and effective on the Effective Date described therein (as so amended and restated, the "Master Indenture"), among the System, the other Members of the Obligated Group and the Master Trustee. Pursuant to Section 6.12 of the Bond Indenture and Section 5.06 of the Loan Agreement, the System, on its own behalf and on behalf of the other Members of the Obligated Group, and the Bond Trustee covenant and agree as follows:

SECTION 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the System, as Credit Group Representative, and the Bond Trustee for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter (defined below) in complying with the Rule (defined below). The System and the Bond Trustee acknowledge that the Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Holder or Beneficial Owner of the Bonds, with respect to the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Indenture and the Master Indenture (and in the event of a conflict between the definition of any term that is defined in both such agreements, the definition in the Bond Indenture shall control), which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the System pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" or "Holder" shall mean any person or entity that 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).

"Combined Group" shall have the meaning set forth in the Master Indenture.

"Credit Group" shall have the meaning set forth in the Master Indenture.

"Dissemination Agent" shall mean The Bank of New York Mellon Trust Company, N.A., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the System and which has filed with the Bond Trustee a written acceptance of such designation.

"Financial Information" means the audited financial statements required to be delivered pursuant to Section of 3.10(a) of the Master Indenture as in effect as of the date hereof.

"Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Health System" means the System and the organizations that are directly or indirectly (through one or more intermediaries) controlled by, or under common control with, the System.

"Listed Events" shall mean any of the events listed in Section 5 of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive continuing disclosure filings pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Official Statement" shall mean the official statement with respect to the Bonds, dated November ___, 2021.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual and Quarterly Reports.

(a) The System shall, or shall cause the Dissemination Agent to, not later than one hundred fifty (150) days after the end of the System's fiscal year (which fiscal year as of the date hereof ends June 30), commencing with the fiscal year ending June 30, 2022, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Report must be submitted in electronic format as prescribed by the MSRB, may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Combined Group may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the System's fiscal year changes, the System shall give notice of such change in the same manner as for a Listed Event under Section 5.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the System shall provide the Annual Report to the Dissemination Agent and the Bond Trustee (if the Bond Trustee is not the Dissemination Agent). If by such date the Bond Trustee has not received a copy of the Annual Report, the Bond Trustee shall contact the System and the Dissemination Agent to determine if the System is in compliance with subsection (a).

(c) In addition to the Annual Report required to be filed pursuant to subsection (a), the System shall, or shall cause the Dissemination Agent to, provide to the MSRB, not later than 45 days after the end of each quarter of the System's fiscal year (except for the fourth fiscal quarter, which must be delivered within 90 days), beginning with the second fiscal quarter of the fiscal year ending June 30, 2022, unaudited financial information for the Combined Group, for such fiscal quarter prepared by the System, including a balance sheet, a statement of changes in net assets and a statement of operations, all prepared on substantially the same basis as the most recently prepared Financial Information.

(d) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice, in a timely manner, to the MSRB in substantially the form attached as Exhibit A.

(e) If the Dissemination Agent provides the Annual Report to the MSRB pursuant to Section 3(a) hereof, the Dissemination Agent shall file a report with the System, the Authority and (if the Dissemination Agent is not the Bond Trustee) the Bond Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided.

The Dissemination Agent and the Bond Trustee shall have no duty or obligation to review such Annual Report.

SECTION 4. Content of Annual Reports. The Annual Report shall contain or include by reference the following:

1. Financial Information for the prior fiscal year. If the Financial Information is not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. An update of the following information contained in Appendix A to the Official Statement:

    a. A list of Members of the Obligated Group and the Credit Group as of the end of the most recently completed fiscal year.

    b. The number of licensed beds and the number of available beds for the Obligated Group as of the end of the most recently completed fiscal year.

    c. The sources of net patient revenue of the Health System by payor for the most recently completed fiscal year.

    d. The historical utilization statistics for the Obligated Group's acute care facilities for the most recently completed fiscal year.

    e. The liquidity (cash and investments) information for the Health System for the most recently completed fiscal year.

    f. The days cash on hand information for the Health System for the most recently completed fiscal year.

    g. The long-term debt to capitalization ratio for the Health System at June 30 of the most recently completed fiscal year.

    h. The Annual Debt Service Coverage Ratio (as defined in the Master Indenture) for the most recently completed fiscal year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the System is an "obligated person" (as defined by the Rule), which are available to the public on the MSRB's website or which have been filed with the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The System shall clearly identify each such other document so included by reference. Neither the Bond Trustee nor the Dissemination Agent need verify the content or correctness of the Annual Report.

SECTION 5. Reporting of Significant Events.

1. Pursuant to the provisions of this Section 5, the System shall give, or upon delivery of the information to the Dissemination Agent, the Dissemination Agent shall give, notice to the MSRB of the occurrence of any of the

following Listed Events, in a timely manner but not in excess of 10 business days after the occurrence of such Listed Event:

a. Principal and interest payment delinquencies;

b. Nonpayment related defaults, if material;

c. Unscheduled draws on debt service reserves reflecting financial difficulties;

d. Unscheduled draws on credit enhancements reflecting financial difficulties;

e. Substitution of credit or liquidity providers, or their failure to perform;

f. 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;

g. Modifications to rights of Holders, if material;

h. Bond calls, if material, and tender offers;

i. Defeasances;

j. Release, substitution or sale of property securing repayment of the Bonds, if material;

k. Rating changes;

l. Bankruptcy, insolvency, receivership, or similar event of an obligated person (as defined in the Rule);[1]

m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such

[1] Pursuant to the Rule, this event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for obligated person in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

n. Appointment of a successor or additional bond trustee, or the change in the name of bond trustee, if material;

o. 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 Holders, if material; and

p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of an obligated person, any of which reflect financial difficulties.

2. If the Dissemination Agent has been instructed by the System 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 System. Documents submitted to the MSRB, pursuant to this Disclosure Agreement shall be in electronic format and accompanied by identifying information as prescribed by the MSRB, in accordance with the Rule.

SECTION 6. Termination of Reporting Obligation. The System's and the Dissemination Agent's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the System's obligations under the Loan Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the System and the System shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the System shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 5.

SECTION 7. Dissemination Agent. The System may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the System pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing thirty (30) days written notice to the System and the Bond Trustee. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the System in a timely manner and in a form suitable for filing. If at any time there is not any other designated Dissemination Agent, the Bond Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be The Bank of New York Mellon Trust Company, N.A..

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the System and the Dissemination Agent may amend this Disclosure

Agreement (and the Dissemination Agent shall agree to any amendment so requested by the System which does not impose any greater duties, nor greater risk of liability, on the Dissemination Agent) 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, 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 Bond Indenture for amendments to the Bond 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 System shall describe such amendment in the 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. 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, 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 the System 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 the System 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, the System shall have no obligation under this Disclosure 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 System or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Bond Trustee may (and, at the request of any Participating Underwriter or the Holders of at least twenty-five percent (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 cause the System 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 Bond Indenture or a Loan Default Event under the Loan Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the System or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Bond Trustee and Dissemination Agent. Article VIII of the Bond Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Bond Indenture and the Trustee and Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Bond Trustee thereunder. The Dissemination Agent and the Bond Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the System agrees to indemnify and save the Dissemination Agent, the Bond Trustee, their respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or Bond Trustee's negligence or willful misconduct. The obligations of the System under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall be paid compensation by the System for its services provided hereunder in accordance with it schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Bond Trustee shall have no duty or obligation to review any information provided to them hereunder and are only responsible for the obligations set forth herein.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the System:	Cedars-Sinai Health System 6500 Wilshire Boulevard, 24th Floor Los Angeles, California 90048 Attention: Chief Financial Officer Telephone: (310) 423-2312 FAX: (310) 423-0120
To the Dissemination Agent or Bond Trustee:	The Bank of New York Mellon Trust Company, N.A. 400 South Hope Street, Suite 500 Los Angeles, California 90071 Attention: Global Corporate Trust Services Telephone: (213) 630-6231 FAX: (877) 269-6192

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 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the System, the Bond Trustee, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. The laws of the State of California govern all matters arising out of or relating to this Disclosure Agreement, including, without limitation, its validity, interpretation, construction, performance, and enforcement.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

_____, 2021

CEDARS-SINAI HEALTH SYSTEM,
as Credit Group Representative

By: _____
Edward M. Prunchunas
Chief Financial Officer

By: _____
David M. Wrigley
Chief Financial Officer of
Cedars-Sinai Medical Center

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,
as Bond Trustee and Dissemination Agent

By _____
Authorized Officer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Authority:	California Health Facilities Financing Authority
Name of Bond Issue:	California Health Facilities Financing Authority Revenue Bonds (Cedars-Sinai Health System), Series 2021A
Name of the Borrower:	Cedars-Sinai Health System
Date of Issuance:	_____, 2021

NOTICE IS HEREBY GIVEN that Cedars-Sinai Health System has not provided an Annual Report with respect to the above-named Bonds as required by Section 6.12 of the Bond Indenture, dated as of December 1, 2021, between the Authority and The Bank of New York Mellon Trust Company, N.A., and by Section 5.06 of the Loan Agreement, dated as of November 1, 2021, between the Authority and Cedars-Sinai Health System. Cedars-Sinai Health System anticipates that the Annual Report will be filed by _____.

Dated:_____

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.
on behalf of Cedars-Sinai Health System

cc: Cedars-Sinai Health System

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APPENDIX F

BOOK-ENTRY SYSTEM

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APPENDIX F

BOOK-ENTRY SYSTEM

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by 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 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be

the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Trustee 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 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity of Bonds to be redeemed.

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Bond Trustee, on a payment 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 Participants and not of DTC, the Bond Trustee, the System or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments on the Bonds made to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the System, the Authority or the Bond Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner of the Bonds shall give notice to elect to have its Bonds purchased or tendered, through its DTC Direct or Indirect Participant, to the applicable Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Direct or Indirect Participant's interest in such Bonds, on DTC's records, to the applicable Remarketing Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of the tendered Bonds to the applicable Remarketing Agent's DTC account.

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

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

The Authority, the System and the Underwriters cannot and do not give any assurances that DTC will distribute to Participants or that Participants or others will distribute to the Beneficial Owners payments of principal of, premium, if any, and interest on the Bonds paid, 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. None of the Authority, the System or the Underwriters 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 Bonds or any error or delay relating thereto.

None of the Authority, the System, the Underwriters or the Bond Trustee will have any responsibility or obligation to Direct Participants, to Indirect Participants or to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC, any Direct Participant, or any Indirect Participant; (ii) the payment by DTC or any Direct Participant or Indirect Participant of any amount with respect to the principal of or premium, if any, or interest on the Bonds; (iii) any notice that is permitted or required to be given to Holders under the Bond Indenture; (iv) the selection by DTC, any Direct Participant or any Indirect Participant of any person to receive payment in the event of a partial redemption of the Bonds; (v) any consent given or other action taken by DTC as Bondholder; or (vi) any other procedures or obligations of DTC, Direct Participants or Indirect Participants under the book-entry system.

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APPENDIX G

FORMS OF AMENDED AND RESTATED MASTER INDENTURE AND SUPPLEMENT NO. 17

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MASTER INDENTURE

CEDARS-SINAI HEALTH SYSTEM,

OTHER OBLIGATED GROUP MEMBERS FROM TIME TO TIME HEREUNDER

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as successor Master Trustee

Dated as of September 15, 1997
and
Amended and Restated as of December 1, 2021 and Effective on the Effective Date

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MASTER INDENTURE

THIS MASTER INDENTURE, dated as of September 15, 1997 and amended and restated as of December 1, 2021 and effective on the Effective Date defined herein (this "**Master Indenture**"), among CEDARS-SINAI HEALTH SYSTEM, a California nonprofit public benefit corporation (as further defined in Article I, the "**System**"), the other Obligated Group Members from time to time, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under the laws of the United States of America and being qualified to accept and administer the trusts hereby created, as master trustee, as successor to The Bank of New York Mellon (as more specifically defined herein, the "**Master Trustee**"),

W I T N E S S E T H:

WHEREAS, Cedars-Sinai Medical Center (as further defined in Article I, "**CSMC**") previously entered into that certain Master Indenture, dated as of September 15, 1997, as heretofore supplemented and amended (as so supplemented and amended, the "**Original Master Indenture**"), which provided for the issuance from time to time of obligations thereunder to provide for the financing or refinancing of the acquisition, construction, equipping or improvement of health care or other facilities, or for other lawful and proper corporate purposes; and

WHEREAS, CSMC desires to supplement, amend and restate the Original Master Indenture by this Master Indenture; and

WHEREAS, pursuant to Section 6.02(a) of the Original Master Indenture, CSMC, in its capacity as Obligated Group Representative under and as defined in the Original Master Indenture, and the Master Trustee may supplement and amend certain provisions of the Original Master Indenture with the consent of the Holders of not less than a majority in aggregate Principal Amount of the Outstanding Obligations; and

WHEREAS, there has been filed with the Master Trustee evidence of the consent of the Holders of not less than a majority in aggregate Principal Amount of the Obligations then Outstanding to this Master Indenture; and

WHEREAS, the Master Trustee agrees to accept and administer the trusts created hereby;

NOW, THEREFORE, in consideration of the premises, of the acceptance by the Master Trustee of the trusts hereby created, and of the giving of consideration for and acceptance of the Obligations issued hereunder by the Holders thereof, and for the purpose of fixing and declaring the terms and conditions upon which such Obligations are to be issued, authenticated, delivered and accepted by all Persons who shall from time to time be or become Holders thereof, the System and each other Member of the Obligated Group covenant and agree with the Master Trustee for the equal and proportionate benefit of the respective Holders from time to time of Obligations issued hereunder, as follows:

ARTICLE I
DEFINITIONS AND INTERPRETATION

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Master Indenture and of any supplemental indenture issued hereafter and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, equally applicable to both singular and plural forms of any of the terms herein defined.

"**Annual Debt Service**" means for each Fiscal Year the sum (without duplication) of the aggregate amount of principal and interest scheduled to become due and payable in such Fiscal Year on all Long-Term Indebtedness then Outstanding (by scheduled maturity, acceleration, mandatory redemption or otherwise, but not including purchase price becoming due as a result of mandatory or optional tender or put), less (1) any amounts of such principal or interest to be paid during such Fiscal Year from (a) the proceeds of Indebtedness or (b) moneys or Government Obligations deposited in trust, together with earnings thereon, for the purpose of paying such principal or interest, and (2) any Debt Service Subsidy payable in such Fiscal Year; provided that (x) with respect to any Guaranty, payments shall be included only to the extent that such payments were made under such Guaranty in such period, and (y) if an Identified Financial Product Agreement has been entered into with respect to Long-Term Indebtedness, interest on such Long-Term Indebtedness shall be included in the calculation of Annual Debt Service by including for each Fiscal Year an amount equal to the amount of interest payable on such Long-Term Indebtedness in such Fiscal Year at the rate or rates stated in such Long-Term Indebtedness plus any Financial Product Payments under an Identified Financial Product Agreement payable in such Fiscal Year minus any Financial Product Receipts under an Identified Financial Product Agreement receivable in such Fiscal Year; provided that in no event shall any calculation made pursuant to this clause result in a number less than zero being included in the calculation of Annual Debt Service. For purposes of computing Annual Debt Service, the following adjustments shall apply at the election of the Credit Group Representative: if applied to all of the Outstanding Long-Term Indebtedness of a Person or Group of Persons, it may be assumed that (i) the principal balance of such Long-Term Indebtedness will be refinanced on the date of such calculation, (ii) such principal balance will be payable over the Assumed Term from the date of such calculation, (iii) such principal balance will bear interest at the Index Rate from the date of such calculation, and (iv) the interest and principal on such Long-Term Indebtedness will be payable in equal annual installments or an alternate schedule of amortization sufficient to pay the principal of and interest over the Assumed Term.

"**Annual Debt Service Coverage Ratio**" means for any Fiscal Year, the ratio determined by dividing Income Available for Debt Service of the Combined Group or, at the option of the Credit Group Representative, the Credit Group for that Fiscal Year by the Annual Debt Service of the Combined Group or the Credit Group, as applicable, for such Fiscal Year.

"**Assumed Term**" means a period selected by the Credit Group Representative of up to 30 years; provided, however, for any Obligation that has a stated maturity more than 30 years from the date of the relevant calculation, the Assumed Term for such Obligation shall be a period selected by the Credit Group Representative up to the stated maturity of such Obligation.

"**Authorized Representative**" means with respect to the Credit Group Representative, so long as the Credit Group Representative is the System, any of (i) the Chair of its Governing Body, its president, its chief executive officer, or its chief financial officer, (ii) the chief executive officer or chief financial officer of CSMC or (iii) any other person designated as an Authorized Representative of the System by a Certificate of the System signed by any of the foregoing Persons and filed with the Master Trustee.

"**Book Value**" means, when used in connection with Property, Plant and Equipment or other Property, the value of such property, net of accumulated depreciation and amortization, provided that Book Value with respect to any Property, Plant and Equipment or other Property shall be calculated in such a manner that no portion of the value of any Property of any Credit Group Member or any Consolidated Entity is included more than once. For purposes of performing certain calculations under this Master Indenture, the Credit Group Representative may treat "total assets" as reflected in or derived from the most recent Financial Information as the Book Value of the Combined Group's Property.

"**Certificate**," "**Statement**," "**Request**," "**Consent**" or "**Order**" of any Credit Group Member means, respectively, a written certificate, statement, request, consent or order signed in the name of such Credit Group Member by its Authorized Representative. Any such instrument and supporting opinions or certificates, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or certificate and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.04, each such instrument shall include the statements provided for in Section 1.04.

"**Code**" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"**Combined Group**" means, collectively, the Credit Group Members and their respective Consolidated Entities.

"**Consolidated Entity**" means any entity that, in accordance with GAAP, is consolidated or combined with a Credit Group Member.

"**Controlling Member**" means the Obligated Group Member designated by the Credit Group Representative to establish and maintain control over a Designated Affiliate.

"**Corporate Trust Office**" means the office of the Master Trustee at which its corporate trust business is conducted, which on the Effective Date, is located at The Bank of New York Mellon Trust Company, N.A., 400 South Hope Street, Suite 500, Los Angeles CA, 90071, Attention: Corporate Trust Department.

"**Credit Group**" means, collectively, all Obligated Group Members and Designated Affiliates.

"**Credit Group Member**" or "**Member of the Credit Group**" means an Obligated Group Member or a Designated Affiliate.

"**Credit Group Representative**" means the System or such other Obligated Group Member (or Obligated Group Members acting jointly) as may have been designated pursuant to written notice to the Master Trustee executed by the then-acting Credit Group Representative.

"**CSMC**" means Cedars-Sinai Medical Center, a California nonprofit public benefit corporation, or any corporation which is the surviving, resulting or transferee corporation in any merger or consolidation of such Person, or any transfer of all or substantially all of such Person's assets, in either case permitted under this Master Indenture.

"**Days of Operating Expenses**" means, for any period, (x) total operating expenses before restructuring and impairment for the applicable period (provided however, that total operating expenses shall not include the following: (a) depreciation, (b) amortization, (c) extraordinary losses, (d) non-recurring losses and (e) non-cash losses) divided by (y) the number of days in the applicable period.

"**Debt Service Subsidy**" means payments made to or for the benefit of a Person pursuant to (a) Section 54AA of the Code, Section 6431 of the Code or Section 1400U-2 of the Code or any successor to or extension or replacement of any of such provisions of the Code, or any provisions of the Code that create substantially similar direct-pay subsidy programs to such programs, or (b) any other statutory framework or program providing for a subsidy, reimbursement, grant or other payment to or on behalf of a Person designed or permitted to be used to, or not inconsistent with its use to, offset payments with respect to Indebtedness of such Person.

"**Designated Affiliate**" means any Person which has been so designated by the Credit Group Representative in accordance with Section 3.03 so long as such Person has not been further designated by the Credit Group Representative as no longer being a Designated Affiliate in accordance with Section 3.03.

"**Effective Date**" means December __, 2021.

"**Event of Default**" means any of the events specified in Section 4.01.

"**Excluded Property**" means (a) any assets of "employee pension benefit plans" as defined in the Employee Retirement Income Security Act of 1974, as amended, and (b) the real estate described in Appendix A hereto, as amended as provided herein from time to time, and all improvements, fixtures, tangible personal property, and equipment located thereon and used in connection therewith.

"**Existing Obligations**" means Obligation Nos. 13, 14, 15, 17 and 18 issued under the Original Master Indenture and Outstanding on the Effective Date.

"**Extraordinary Items**" means the after-tax financial impact of significant events, transactions, or activities that are both unusual in nature and infrequent in occurrence. Such extraordinary events, transactions or activities include, but are not limited to, the following: (a) Force Majeure Events, (b) affiliation or asset acquisitions activities, including direct expenses incurred related to pre-affiliation, affiliation, acquisition or integration activities, such as, without limitation, legal fees, consultant fees and due diligence costs, as well as post affiliation or

acquisition adjustments, (c) payor bankruptcies or write downs on reorganization or settlements related thereto and (d) insurance settlements or other legal or buy out settlements that are not in the ordinary course.

"**Fair Market Value**," when used in connection with Property, means the fair market value of such Property as determined by either:

(a) an appraisal of the portion of such Property which is real property made within five years of the date of determination by a "Member of the Appraisal Institute" and by an appraisal of the portion of such Property which is not real property made within five years of the date of determination by any expert qualified in relation to the subject matter, provided that any such appraisal shall be performed by an Independent Consultant and adjusted for the period, not in excess of five years, from the date of the last such appraisal for changes in the implicit price deflator for the gross national product as reported by the United States Department of Commerce or its successor agency, or if such index is no longer published, such other index certified to be comparable and appropriate in an Officer's Certificate delivered to the Master Trustee;

(b) a bona fide offer for the purchase of such Property made on an arm's-length basis within six months of the date of determination, as established by an Officer's Certificate; or

(c) an officer of the Credit Group Representative (whose determination shall be made in good faith and set forth in an Officer's Certificate filed with the Master Trustee) if the fair market value of such Property as set forth in such Officer's Certificate is less than or equal to 10% of Unrestricted Cash and Investments of the Combined Group or, at the option of the Credit Group Representative, the Credit Group, as reflected in or derived from the most recent Financial Information.

"**Financial Information**" means one or more financial statements that, in the aggregate, include the results of operations and the financial position for the Combined Group, which:

(a) shall consist of either (x) consolidated or combined financial results including one or more Credit Group Members and their respective Consolidated Entities or (y) special purpose financial statements including only one or more Credit Group Members (and excluding their respective Consolidated Entities);

(b) shall be audited by an accountant as having been prepared in accordance with GAAP (except, in the case of special purpose financial statements, for required consolidations); and

(c) shall include a balance sheet, statement of operations and changes in net assets and statement of cash flows (provided however, that no statement of cash flows shall be required if not required to be delivered in accordance with GAAP).

"**Financial Product Agreement**" means any interest rate exchange agreement, hedge or similar arrangement, including, *inter alia*, an interest rate swap, asset swap, a constant maturity swap, a forward or futures contract, cap, collar, option, floor, forward or other hedging agreement, arrangement or security, direct funding transaction or other derivative, however denominated and whether entered into on a current or forward basis.

"**Financial Product Extraordinary Payments**" means any payments required to be paid to a counterparty by a Person pursuant to a Financial Product Agreement in connection with the termination thereof, tax gross-up payments, expenses, default interest, and any other payments or indemnification obligations to be paid to a counterparty by a Person under a Financial Product Agreement, which payments are not Financial Product Payments.

"**Financial Product Payments**" means regularly scheduled payments required to be paid to a counterparty by a Person pursuant to a Financial Product Agreement and excluding Financial Product Extraordinary Payments.

"**Financial Product Receipts**" means regularly scheduled payments required to be paid to a Person by a counterparty pursuant to a Financial Product Agreement.

"**Fiscal Year**" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter designated by the Credit Group Representative as the fiscal year of the Combined Group; provided, however, that if the Credit Group Representative elects to change the fiscal year end, the first period following such change (the "**Transition Period**") may be a period of less than twelve months, and any covenant calculations for such Transition Period Fiscal Year shall be based upon the unaudited financial results for the trailing twelve months that end on the last day of the Transition Period or, at the election of the Credit Group Representative, a prorated calculation based upon the number of months in that Transition Period.

"**Force Majeure Event**" means any of the following: acts of God; strikes, lockouts or other employee disturbances; acts of public enemies; validly issued orders of any kind of the government of the United States of America, the state or states in which such Credit Group Member or Consolidated Entity is doing business, or any of their departments, agencies, political subdivisions or officials, or any civil or military authority, imposed due to factors not within the control of such Credit Group Member or Consolidated Entity and having a material effect on its ability to carry out its agreements hereunder; insurrections; riots; epidemics; pandemics; landslides; lightning; earthquakes; fires; hurricanes; storms; floods; washouts; droughts; other natural disasters; civil disturbances; explosions, breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or similar acts or events, other than financial inability, not within the control of such Credit Group Member or Consolidated Entity.

"**GAAP**" means accounting principles generally accepted in the United States of America, consistently applied.

"**Governing Body**" means the board of directors, board of trustees or similar group in which the right to exercise the powers of corporate directors or trustees is vested or an executive committee of such board or any duly authorized committee of that board to which the relevant powers of that board have been lawfully delegated.

"**Government Issuer**" means any municipal corporation, political subdivision, state, territory or possession of the United States, or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, which obligations would constitute Related Bonds hereunder.

"**Government Obligations**" means: (1) direct obligations of 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) or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by the United States of America; (2) obligations issued or guaranteed by any agency, department or instrumentality of the United States of America if the obligations issued or guaranteed by such entity are rated in one of the two highest Rating Categories of a Rating Agency; (3) certificates which evidence ownership of the right to the payment of the principal of and interest on obligations described in clauses (1) and/or (2), provided that such obligations are held in the custody of a bank or trust company in a special account separate from the general assets of such custodian; and (4) obligations the interest on which is excluded from gross income for purposes of 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 of cash and/or obligations described in clauses (1), (2) and/or (3).

"**Government and Industry Restrictions**" means federal, state or other applicable governmental laws or regulations affecting any Credit Group Member or Consolidated Entity and its health care facilities or other licensed facilities, including conditions imposed specifically on such Credit Group Member or Consolidated Entity or its facilities, or general industry standards or general industry conditions, in each case, placing restrictions and limitations on the (i) fees and charges to be fixed, charged or collected by any Credit Group Member or Consolidated Entity or (ii) the timing of the receipt of such revenues.

"**Gross Receivables**" means all accounts, chattel paper, instruments, and payment intangibles; excluding, however, any of the foregoing in which a security interest cannot be granted under applicable law, and excluding any Restricted Moneys.

"**Guaranty**" means any obligation of a Person guaranteeing, directly or indirectly, any obligation of any other Person which would, if such other Person were a Credit Group Member, constitute Indebtedness.

"**Holder**" means the registered owner of any Obligation in registered form or the bearer of any Obligation in coupon form which is not registered or is registered to bearer or the party or parties to any contractual obligation designated to be an Obligation set forth in a Related Supplement and identified therein as the party to whom payment is due thereunder or the "holder" thereof.

"**Identified Financial Product Agreement**" means a Financial Product Agreement identified to the Master Trustee in an Officer's Certificate as having been entered into by a Credit Group Member with a Qualified Provider with respect to Indebtedness (which is either then-Outstanding or to be issued after the date of such Officer's Certificate) identified in such Certificate.

"**Income Available for Debt Service**" means, unless the context provides otherwise, with respect to any Person as to any period of time, net income, or excess of revenues over expenses (excluding income from all Irrevocable Deposits) before depreciation, amortization, and interest expense (including Financial Product Payments and Financial Product Receipts on

Identified Financial Product Agreements), as determined in accordance with GAAP and as reflected in or derived from the most recent Financial Information; provided, that no determination thereof shall take into account:

(a) Restricted Moneys;

(b) the net proceeds of insurance (other than business interruption insurance) and condemnation awards;

(c) any gain or loss resulting from the extinguishment or refinancing of Indebtedness or Financial Product Agreements;

(d) any gain or loss resulting from the sale, exchange or other disposition of capital assets not in the ordinary course of business;

(e) any gain or loss resulting from any discontinued operations;

(f) any gain or loss resulting from pension terminations, settlements, curtailments, restructurings or similar modifications;

(g) any unusual charges for employee severance;

(h) any loss from impairment of the value of an asset (including goodwill impairment or amortization);

(i) adjustments to the value of assets or liabilities resulting from changes in GAAP;

(j) unrealized gains or losses on investments, including "other than temporary" declines in Book Value;

(k) gains or losses resulting from changes in valuation of any hedging, derivative, interest rate exchange or similar contract (including Financial Product Agreements);

(l) any Financial Product Extraordinary Payments or similar payments on any hedging, derivative, interest rate exchange or similar contract that does not constitute a Financial Product Agreement;

(m) any Financial Product Payments or Financial Product Receipts with respect to Identified Financial Product Agreements, if such Financial Product Payments or Financial Product Receipts are used in calculating Annual Debt Service;

(n) income from moneys or Government Obligations deposited in trust for the purpose of paying principal or interest on Long-Term Indebtedness, if such principal or interest are excluded from the calculation of Annual Debt Service to which such Income Available for Debt Service is be compared;

(o) any items in a Person's financial statements for a particular fiscal year that are the result of or required by any correction, adjustment or restatement of, or the retrospective application of accounting standards to, such Person's financial statements for any other fiscal year;

(p) unrealized gains or losses from the write-up or write-down, reappraisal or revaluation of assets, or pension adjustments;

(q) any gains or losses that are Extraordinary Items and any expenses that are Extraordinary Items;

(r) any gains or losses of joint ventures classified as non-operating accounted for under the equity method of accounting;

(s) any expenses resulting from a forgiveness of or the establishment of reserves against Indebtedness of a Consolidated Entity that does not constitute an extraordinary expense and, if such calculation is being made with respect to the Combined Group, excluding any such expenses attributable to transactions between any Persons included in the Combined Group or, if such calculation is being made with respect to the Credit Group, excluding any such expenses attributable to transactions between any Persons included in the Credit Group;

(t) any revenues or expenses that represent the cumulative effect of accounting changes attributable primarily either to changes in GAAP, the adoption of different accounting methods permitted under GAAP or that result from or are required by any correction, adjustment or restatement of or the retrospective application of accounting standards; or

(u) other nonrecurring items of any extraordinary nature which do not involve the receipt, expenditure or transfer of assets, or any other non-cash expenses.

For the purposes of calculating Income Available for Debt Service, with respect to realized gains or losses, the Credit Group Representative may, at its option, calculate such realized gains or losses as the average of the most recent three (3) Fiscal Years.

"**Indebtedness**" means, for any Person, any Guaranty and any obligation (a) for repayment of borrowed money, (b) with respect to finance leases or (c) under installment sale agreements, in each case incurred or assumed by such Person; provided, however, that Indebtedness shall not include: (1) Financial Product Agreements; (2) purchase cards; (3) accounts payable (or programs to facilitate collection of payables) or accruals and obligations for salaries or other benefits; (4) operating leases; (5) physician income guaranties; (6) obligations to repay Medicare, Medicaid or other insurance provider advance payments pursuant to provider relief programs; (7) financial obligations under an agreement with a Person securing, or pursuant to which an instrument is issued by such Person to secure, payment of principal of or interest on Indebtedness or the purchase price of Indebtedness subject to mandatory or optional tender or put or obligations under Financial Product Agreements, except to the extent that amounts have been drawn on such agreement or instrument to pay principal of or interest on or the purchase price of the Indebtedness or obligations under Financial Product Agreements and have not been reimbursed to such Person at the time of determination; (8) Indebtedness of any Person included in the Combined Group to another Person included in

the Combined Group; (9) Guaranties by any Person included in the Combined Group of Indebtedness of another Person included in the Combined Group; or (10) the joint and several liability of any Obligated Group Member on Indebtedness issued by another Obligated Group Member; provided, that if more than one Combined Group Member shall have incurred or assumed a Guaranty of a Person that is not a Combined Group Member, or if more than one Combined Group Member shall be obligated to pay any obligations of any Person that is not a Combined Group Member, for purposes of any computations or calculations hereunder, such Guaranty or obligation shall only be included one time.

"**Independent Consultant**" means a firm (but not an individual) which (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in any Credit Group Member (other than the agreement pursuant to which such firm is retained and any similar agreements by which the firm is retained to provide similar services), (3) is not connected with any Credit Group Member as an officer, employee, promoter, trustee, partner, director or person performing similar functions and (4) is qualified to pass upon questions relating to the financial affairs of organizations similar to the Credit Group or facilities of the type or types operated by the Credit Group and having the skill and experience necessary to render the particular opinion or report required by the provision hereof in which such requirement appears.

"**Index Rate**" means, at the option of the Credit Group Representative, as to any Indebtedness: (a) the "25-Bond Revenue" index rate for 30-year tax-exempt revenue bonds, as published by *The Bond Buyer* on any date selected by the Credit Group Representative that is within 60 days prior to the date of any calculation made with respect to the Index Rate, or an index reasonably comparable to the "25-Bond Revenue" index rate for 30-year tax-exempt revenue bonds, such alternative index to be selected by the Credit Group Representative, (b) the weighted average coupon or, if applicable, arbitrage yield calculated for federal tax purposes of such Indebtedness, as selected by the Credit Group Representative and specified in an Officer's Certificate, (c) the SIFMA Swap Index, or (d) such other interest rate or interest index as may selected by the Credit Group Representative and specified in an Officer's Certificate as appropriate to the situation.

"**Interim Indebtedness**" means Indebtedness with an original maturity not in excess of one year, the proceeds of which are to be used to provide interim financing for capital improvements in anticipation of the issuance of Long-Term Indebtedness. Interim Indebtedness shall be considered Long-Term Indebtedness for purposes of this Master Indenture.

"**Irrevocable Deposit**" means the irrevocable deposit in trust of cash in an amount, or Government Obligations, or other securities permitted for such purpose pursuant to the terms of the documents governing the payment or discharge of Indebtedness, the principal of and interest on which (together with earnings thereon) will be payable in amounts and under terms sufficient to pay all or a portion of the principal of, premium, if any, and interest on, as the same shall become due, any such Indebtedness which would otherwise be considered Outstanding. The trustee of such deposit may be the Master Trustee, a Related Bond Trustee or any other trustee or escrow agent authorized to act in such capacity.

"**Lien**" means any mortgage or pledge of, or security interest in, or lien or encumbrance on, any Property of a Person, which secures any obligation of any Person, excluding Liens applicable to Property in which a Person has only a leasehold interest unless the Lien is with respect to such leasehold interest.

"**Long-Term Indebtedness**" means Indebtedness other than Short-Term Indebtedness.

"**Master Indenture**" means this Master Indenture, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms hereof.

"**Master Trustee**" means The Bank of New York Mellon Trust Company, N.A., a national banking association organized under the laws of the United States of America, as successor to The Bank of New York Mellon, and, subject to the limitations contained in Section 5.07, any other corporation or association that may be co-trustee with the Master Trustee, and any successor or successors to said trustee or co-trustee in the trusts created hereunder.

"Material Member" means any Obligated Group Member whose total assets account for 10% or more of the total assets of the Combined Group reflected in the most recent Financial Information

"**Merger Transaction**" has the meaning set forth in Section 3.07.

"**Nonrecourse Indebtedness**" means any Indebtedness which is not a general obligation and which is secured by a Lien on Property, Plant and Equipment acquired or constructed with the proceeds of such Indebtedness, liability for which is effectively limited to the Property, Plant and Equipment subject to such Lien with no recourse, directly or indirectly, to any other Property of any Person included in the Combined Group.

"**Obligated Group**" means all Obligated Group Members.

"**Obligated Group Member**" or "**Member**" means each Person that is obligated hereunder from and after the date upon which such Person joins the Obligated Group, but excluding any Person which withdraws from the Obligated Group to the extent and in accordance with the provisions of Section 3.09, from and after the date of such withdrawal.

"**Obligation**" means any obligation of the Obligated Group issued pursuant to Section 2.02, as a joint and several obligation of each Obligated Group Member, which may be in any form set forth in a Related Supplement, including, but not limited to, bonds, notes, obligations, debentures, reimbursement agreements, loan agreements, Financial Product Agreements or leases. Reference to a Series of Obligations or to Obligations of a Series means Obligations or Series of Obligations issued pursuant to a single Related Supplement. For the avoidance of doubt, all Existing Obligations on the Effective Date are Obligations under this Master Indenture.

"**Officer's Certificate**" means a certificate signed by an Authorized Representative of the Credit Group Representative.

"**Opinion of Bond Counsel**" means a written opinion, subject to customary qualifications and exceptions, signed by an attorney or firm of attorneys experienced in the field of public finance whose opinions are generally accepted by purchasers of bonds issued by or on behalf of a Government Issuer.

"**Opinion of Counsel**" means a written opinion, subject to customary qualifications and exceptions, signed by a reputable and qualified attorney or firm of attorneys who may be counsel for the Credit Group Representative.

"**Original Master Indenture**" shall have the meaning given such term in the recitals to this Master Indenture. For the avoidance of doubt, the Original Master Indenture shall include the Related Supplements for Obligations No. 13, 14 and 15 and Sections 14, 15 and 16 for the Related Supplement for Obligation No. 13 and Sections 14 and 15 for the Related Supplements for Obligations No. 14 and 15 are amended and deleted by this Master Indenture.

"**Outstanding**," when used with reference to Indebtedness or Obligations, means, as of any date of determination, all Indebtedness or Obligations theretofore issued or incurred and not paid and discharged other than (1) Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation or otherwise deemed paid in accordance with the terms hereof, (2) Obligations in lieu of which other Obligations have been authenticated and delivered or which have been paid pursuant to the provisions of a Related Supplement regarding mutilated, destroyed, lost or stolen Obligations unless proof satisfactory to the Master Trustee has been received that any such Obligation is held by a bona fide purchaser, (3) any Obligation held by any Credit Group Member or Consolidated Entity and (4) Indebtedness deemed paid and no longer outstanding pursuant to the terms thereof; provided, however, that if two or more obligations which constitute Indebtedness represent the same underlying obligation (as when an Obligation secures an issue of Related Bonds and another Obligation secures repayment obligations to a bank under a letter of credit which secures such Related Bonds) for purposes of calculating compliance with the various financial covenants contained herein, but only for such purposes, only one of such Obligations shall be deemed Outstanding and the Obligation so deemed to be Outstanding shall be the Obligation which produces the greatest amount of Annual Debt Service to be included in the calculation of such covenants.

"**Parity Financial Product Extraordinary Payments**" means Financial Product Extraordinary Payments that (1) are payable with respect to a Financial Product Agreement secured or evidenced by an Obligation and (2) have been specified to be payable on a parity with Financial Product Payments in the Related Supplement authorizing the issuance of such Obligation.

"**Permitted Liens**" means and include:

(a) Any judgment lien or notice of pending action against any Credit Group Member so long as (i) the judgment or pending action is being contested and execution thereon is stayed or while the period for responsive pleading has not lapsed or (ii) the judgment has been paid or (iii) the judgment is covered by insurance;

(b) (i) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property, to (A) terminate such right, power, franchise, grant, license or permit, provided that the exercise of such right would not materially impair the use of such Property or materially and adversely affect the Value thereof, or (B) purchase, condemn, appropriate or recapture, or designate a purchaser of, such Property; (ii) any liens on any Property for taxes, assessments, levies, fees, water and sewer charges, 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 delinquent, or the amount or validity of which are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen and laborers, have been due and payable for less than sixty (60) days, or the amount or validity of which are being contested; (iii) easements, rights-of-way, servitudes, restrictions and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the Value thereof; and (iv) rights reserved to or vested in any municipality or public authority to control or regulate any Property or to use such Property in any manner, which rights do not materially impair the use of such Property in any manner, or materially and adversely affect the Value thereof;

(c) Any Lien which is existing on the Effective Date or upon the date of the addition of a Credit Group Member with respect to Liens existing on the Property of such additional Credit Group Member, provided that no such Lien (or the amount of Indebtedness or other obligations secured thereby) may be increased, extended, renewed or modified to apply to any Property of any Credit Group Member not subject to such Lien on such date, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien;

(d) Any Lien in favor of the Master Trustee securing all Outstanding Obligations equally and ratably;

(e) Liens arising by reason of good faith deposits by any Credit Group Member in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Credit Group Member 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;

(f) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any other body created or approved 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 Credit Group Member 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 similar social security plans, or to share in the privileges or benefits required for companies participating in such arrangements;

(g) Any Lien arising by reason of any escrow or reserve fund established to pay debt service or the redemption price or purchase price with respect to Indebtedness;

(h) Any Lien in favor of a trustee on the proceeds of Indebtedness prior to the application of such proceeds;

(i) Liens on moneys deposited by patients or others with any Credit Group Member as security for or as prepayment for the cost of patient care;

(j) Liens on Property received by any Credit Group Member through gifts, grants, bequests or research grants, such Liens being due to restrictions on such gifts, grants, bequests or research grants or the income thereon, up to the Fair Market Value of such Property;

(k) Rights of the United States of America, including, without limitation, the Federal Emergency Management Agency ("FEMA"), or the State, by reason of FEMA and other federal and State funds made available to any Credit Group Member under federal or State statutes;

(l) Liens on Property securing Indebtedness incurred to refinance Indebtedness previously secured by a Lien on such Property, provided that (i) the principal amount of such new Indebtedness does not exceed the principal amount of such refinanced Indebtedness by more than 10%, (ii) such Liens do not encumber any Property other than the Property that secured the original Indebtedness, and (iii) the obligor with respect to such Indebtedness, whether direct or contingent, is not changed;

(m) Liens granted by a Credit Group Member to another Credit Group Member;

(n) Liens securing Nonrecourse Indebtedness incurred pursuant to the provisions hereof;

(o) Liens constituting purchase money security interests (as defined in the UCC) and lessors' interest in finance leases;

(p) Liens on the Credit Group Members' accounts receivable securing Indebtedness in an amount not to exceed 30% of the Credit Group Members' net accounts receivable;

(q) Liens on revenues constituting rentals in connection with any other Lien permitted hereunder on the Property from which such rentals are derived;

(r) The lease or license of the use of a part of the Credit Group Members' facilities for use in performing professional or other services necessary for the operation of such facilities in accordance with customary business practices in the industry;

(s) Liens created on amounts deposited by a Credit Group Member pursuant to a security annex or similar document to collateralize obligations of such Credit Group Member under a Financial Product Agreement;

(t) Liens junior to Liens in favor of the Master Trustee;

(u) Liens in favor of banking or other depository institutions encumbering the deposits of any Credit Group Member held by such banking or other depository institution (including any right of setoff or statutory bankers' liens);

(v) Any Lien purported to be created in favor of the lessor on the leasehold interest of a Credit Group Member in Property subject to an operating lease entered into by the Credit Group Member as lessee in the ordinary course of business;

(w) Rights of tenants under leases or rental agreements pertaining to Property, Plant and Equipment owned by any Credit Group Member so long as the lease arrangement is in the ordinary course of business of the Credit Group Member;

(x) Deposits of Property by any Credit Group Member to meet regulatory requirements for a governmental workers' compensation, unemployment insurance or social security program, other than any Lien imposed by ERISA;

(y) Deposits to secure the performance of another party with respect to a bid, trade contract, statutory obligation, surety bond, appeal bond, performance bond or lease, and other similar obligations incurred in the ordinary course of business of a Credit Group Member;

(z) Liens resulting from deposits to secure bids from or the performance of another party with respect to contracts incurred in the ordinary course of business of a Credit Group Member (other than contracts creating or evidencing an extension of credit to the depositor or otherwise for the payment of Indebtedness);

(aa) Present or future zoning laws, ordinances or other laws or regulations restricting the occupancy, use or enjoyment of Property, Plant and Equipment of any Credit Group Member;

(bb) Any Lien on inventory that does not exceed 25% of the Value thereof;

(cc) Any Lien on Property due to the rights of third-party payors for recoupment of amounts paid to any Credit Group Member;

(dd) Any Lien existing for not more than 10 days after the Credit Group Member shall have received notice thereof;

(ee) Any Lien on Excluded Property; and

(ff) Any other Lien on Property provided that the Value of all Property encumbered by all Liens permitted as described in this clause (ff) does not exceed 25% of the aggregated Value of all Property of the Combined Group, as reflected in or derived from the most recent Financial Information, calculated at the time of creation of such Lien.

"**Person**" means an individual, corporation, limited liability company, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"**Principal Amount**" means, when used with respect to Obligations, the principal amount of such Obligation, or, in the case of a Financial Product Agreement, the notional amount, or, in the case of any other Obligation which does not represent or secure Indebtedness, the aggregate amount payable by the Obligated Group pursuant to such Obligation.

"**Property**" means any and all rights, titles and interests in and to any and all assets, whether real or personal, tangible or intangible and wherever situated, other than Restricted Moneys and Excluded Property. For purposes of performing certain calculations under this Master Indenture, the Credit Group Representative may treat "total assets" as reflected in or derived from the most recent Financial Information as the Book Value of the Combined Group's Property.

"**Property, Plant and Equipment**" means all Property which is considered property, plant and equipment under GAAP.

"**Qualified Provider**" means any financial institution or insurance company or other entity which is a party to a Financial Product Agreement if (i) the unsecured long-term debt obligations of such provider (or of the parent or a subsidiary of such provider if such parent or subsidiary guarantees or otherwise assures the performance of such provider under such Financial Product Agreement), or (ii) obligations secured or supported by a letter of credit, contract, guarantee, agreement, insurance policy or surety bond issued by such provider (or such guarantor or assuring parent or subsidiary), are rated in one of the three highest Rating Categories of a Rating Agency at the time of the execution and delivery of the Financial Product Agreement.

"**Rating Agency**" means Fitch Inc., Moody's Investors Service, Inc., S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, and any other national rating agency then rating Obligations or Related Bonds.

"**Rating Category**" means a generic securities rating category, without regard to any refinement or gradation of such rating category by a numerical modifier, outlook or otherwise.

"**Related Bond Indenture**" means any indenture, bond resolution, trust agreement or other comparable instrument pursuant to which a series of Related Bonds is issued.

"**Related Bond Issuer**" means the Government Issuer or any Credit Group Member issuer of any Related Bonds.

"**Related Bond Trustee**" means the trustee and its successors in the trusts created under any Related Bond Indenture, and if there is no such trustee, means the Related Bond Issuer.

"**Related Bonds**" means (i) the revenue bonds or other obligations (including, without limitation, installment sale or lease obligations evidenced by certificates of participation) issued by any Government Issuer, the proceeds of which are loaned or otherwise made available to a Credit Group Member in consideration of the execution, authentication and delivery of an Obligation or Obligations to or for the order of such Government Issuer and (ii) revenue bonds or other obligations (including, without limitation, installment sale or lease obligations evidenced by certificates of participation) directly issued by a Credit Group Member and secured by an Obligation.

"**Related Supplement**" means an indenture supplemental to, and authorized and executed pursuant to the terms of, this Master Indenture. For the avoidance of doubt, each Related Supplement relating to each Existing Obligation, as amended by this Master Indenture on the Effective Date, are each a Related Supplement under this Master Indenture.

"**Required Payment**" means any payment, whether at maturity, by acceleration, upon proceeding for redemption or otherwise, including without limitation, Financial Product Payments, Financial Product Extraordinary Payments and the purchase price of Related Bonds tendered or deemed tendered for purchase pursuant to the terms of a Related Bond Indenture, required to be made by any Obligated Group Member pursuant to any Related Supplement or any Obligation.

"**Responsible Officer**" means, with respect to the Master Trustee, any managing director, any vice president, any assistant vice president, any assistant secretary, any assistant treasurer or any other officer of the Master Trustee customarily performing functions similar to those performed by the persons above designated or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and having direct responsibility for the administration of this Master Indenture.

"**Restricted Moneys**" means the proceeds of any grant, gift, bequest, contribution or other donation (and, to the extent subject to the applicable restrictions, the investment income derived from the investment of such proceeds) specifically restricted by the donor or grantor to an object or purpose inconsistent with their use for the payment of Required Payments or operating expenses.

"**Short-Term Indebtedness**" means all Indebtedness (other than Interim Indebtedness) that has either (a) an original term of one year or less and is not renewable at the option of the obligor for a term greater than one year from the date of original incurrence or issuance, or (b) an original term of more than one year or is renewable at the option of the obligor for a term greater than one year from the date of original incurrence or issuance if, by the terms of such Indebtedness, for a period of at least twenty (20) consecutive days during each calendar year the Outstanding principal amount of Short-Term Indebtedness is reduced to an amount which shall not exceed 3% of Total Revenues of the Combined Group. For purposes of this definition, (i) only the stated maturity of Indebtedness (and not any tender or put right of the holder of such Indebtedness) shall be taken into account in determining if such Indebtedness constitutes Short-Term Indebtedness hereunder and (ii) classification of Indebtedness as current or short-term under GAAP shall not be controlling. Interim Indebtedness shall not constitute Short-Term Indebtedness for any purpose under this Master Indenture.

"**SIFMA Swap Index**" means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry & Financial Markets Association (formerly The Bond Market Association) ("**SIFMA**") or any Person acting in cooperation with or under the sponsorship of SIFMA or, if such index is no longer available, "SIFMA Swap Index" shall refer to an index selected by the Credit Group Representative with the advice of an investment banking or financial services firm knowledgeable in health care matters.

"**State**" means the State of California.

"**Surviving Entity**" has the meaning set forth in Section 3.07.

"**System**" means Cedars-Sinai Health System, a California nonprofit public benefit corporation, or any corporation which is the surviving, resulting or transferee corporation in any merger or consolidation of such Person, or any transfer of all or substantially all of such Person's assets, in either case permitted under this Master Indenture.

"**Total Revenues**" means, for the period of calculation in question, total revenues, gains, and other support and nonoperating gains (losses) for such period, as reflected in or derived from the most recent Financial Information.

"**Transaction Test**" means, with respect to any specified transaction, that (i) no Event of Default then exists and (ii) the Annual Debt Service Coverage Ratio would have been equal to 1.10:1.0 for the most recent Fiscal Year for which Financial Information has been delivered pursuant to Section 3.10(a) as reflected in or derived from such Financial Information, calculating the Annual Debt Service Coverage Ratio as if such transaction had occurred on the first day of such Fiscal Year.

"**UCC**" means the Uniform Commercial Code of the State or another state, as applicable, as amended from time to time.

"**Unrestricted Cash and Investments**" means all unrestricted cash and cash equivalents, securities and investments, including without limitation, board-designated funds, whether classified as current or noncurrent assets.

"**Value**," when used with respect to Property, means the aggregate value of all such Property, with each component of such Property valued, at the option of the Credit Group Representative, at either its Fair Market Value or its Book Value.

Section 1.02. Interpretation.

(a) Any reference herein to any officer of an Obligated Group Member or Credit Group Member shall include those succeeding to the functions, duties or responsibilities of such officer pursuant to or by operation of law or who are lawfully performing the functions of such officer.

(b) Any agreement, instrument or law defined or referred to herein (i) means such agreement or instrument or law as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of law) by succession of comparable successor laws; and (ii) includes (in the case of agreements or instruments) all attachments thereto and instruments incorporated therein.

(c) References to a Person are also to its successors and permitted assigns.

(d) Regardless of the referenced gender, pronouns shall include Persons of every kind and character. The word "or" is deemed to mean "and/or." The singular shall include

the plural and vice versa. The words "including" and "includes" and terms of similar import shall be deemed to mean "including, without limitation." The terms "hereby," "hereof," "hereto," "herein," "hereunder," and any similar terms, refer to this Master Indenture.

(e) Headings of Articles and Sections herein and the table of contents hereto are solely for convenience of reference, and do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(f) Terms used herein that are defined in the UCC and not otherwise defined herein shall have the meanings set forth in the UCC, unless the context requires otherwise.

Section 1.03. References to Master Indenture. The terms "hereby," "hereof," "hereto," "herein," "hereunder," and any similar terms, used in this Master Indenture refer to this Master Indenture.

Section 1.04. Contents of Certificates and Opinions; Use of GAAP.

(a) Every Certificate or opinion provided for herein with respect to compliance with any provision hereof shall include: (i) a statement that the Person making or giving such Certificate or opinion has read such provision and the definitions herein relating thereto; (ii) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (iii) a statement that, in the opinion of such Person, such Person has made, or caused to be made, such examination or investigation as is necessary to enable such Person to provide the Certificate or express an informed opinion with respect to the subject matter referred to in the instrument to which such Person's signature is affixed; and (iv) a statement as to whether, in the opinion of such Person, such provision has been satisfied.

(b) Any such Certificate or opinion made or given by an officer of a Credit Group Member or the Master Trustee may be based, insofar as it relates to legal, accounting or health care matters, upon a Certificate or opinion or representation of counsel, an accountant or Independent Consultant unless such officer knows, or in the exercise of reasonable care should have known, that the Certificate, opinion or representation with respect to the matters upon which such Certificate or opinion may be based, as aforesaid, is erroneous. Any such Certificate, opinion or representation made or given by counsel, an accountant or an Independent Consultant, may be based, insofar as it relates to factual matters (with respect to which information is in the possession of any Credit Group Member) upon the Certificate or opinion of, or representation by an officer of any Credit Group Member unless such counsel, accountant or Independent Consultant knows that the Certificate, opinion of or representation by such officer, with respect to the factual matters upon which such Person's Certificate or opinion may be based, is erroneous. The same officer of any Credit Group Member or the same counsel or accountant or Independent Consultant, as the case may be, need not certify as to all the matters required to be certified under any provision hereof, but different officers, counsel, accountants or Independent Consultants may certify as to different matters.

(c) Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation, combination or other accounting computation is required to be made for the purposes of this Master Indenture or any agreement,

document or Certificate executed and delivered in connection with or pursuant to this Master Indenture, such determination or computation shall be done in accordance with GAAP in effect on, at the sole option of the Credit Group Representative, (i) the date such determination or computation is made for any purpose of this Master Indenture or (ii) the Effective Date if the Credit Group Representative delivers an Officer's Certificate to the Master Trustee describing why then current GAAP is inconsistent with the intent of the parties on the Effective Date; provided that intercompany balances and liabilities among the Credit Group Members and among the Credit Group Members and the Consolidated Entities shall be disregarded and that the requirements set forth herein shall prevail if inconsistent with GAAP.

ARTICLE II
AUTHORIZATION AND ISSUANCE OF OBLIGATIONS.

Section 2.01. Authorization of Obligations. Each Obligated Group Member hereby authorizes to be issued from time to time Obligations or Series of Obligations, without limitation as to amount, except as provided herein or as may be limited by law, and subject to the terms, conditions and limitations established herein and in any Related Supplement.

Section 2.02. Issuance of Obligations. From time to time when authorized by this Master Indenture and subject to the terms, limitations and conditions established in this Master Indenture or in a Related Supplement, the Credit Group Representative may authorize the issuance of an Obligation or a Series of Obligations by entering into a Related Supplement. The Obligation or the Obligations of any such Series may be issued and delivered to the Master Trustee for authentication upon compliance with the provisions hereof and of any Related Supplement.

Each Related Supplement authorizing the issuance of an Obligation or a Series of Obligations shall specify the purposes for which such Obligation or Series of Obligations are being issued, which may be for any lawful corporate purpose; the form, title, designation, manner of numbering or denominations, if applicable, of such Obligations; the date or dates of maturity or other final expiration of the term of such Obligations; the date of issuance of such Obligations; and any other provisions deemed advisable or necessary by the Credit Group Representative. Each Related Supplement authorizing the issuance of an Obligation shall also specify and determine the Principal Amount of such Obligation (if any) for purposes of calculating the percentage of Holders of Obligations required to take actions or give consents pursuant to this Master Indenture.

Section 2.03. Appointment of Credit Group Representative. Each Credit Group Member, by becoming a Credit Group Member, irrevocably appoints the Credit Group Representative as its agent and attorney-in-fact and grants requisite power and authority to the Credit Group Representative (a) to do and perform all acts as the Credit Group Representative hereunder on behalf of each Credit Group Member, including, without limitation, to execute and deliver Obligations, to execute and deliver Related Supplements (including Related Supplements authorizing the issuance of Obligations or Series of Obligations) and to execute and deliver any other documents or instruments relating to or securing any borrowings, Indebtedness, obligation or the like, including, without limitation, notes, bonds, debentures, finance leases, installment sales agreements, Financial Product Agreements, mortgages, deeds of trust, security agreements

and financing statements and (b) to take all other actions and execute and deliver all other documents, instruments and the like as may be deemed necessary or desirable by the Credit Group Representative in connection with any financing, refinancing or other transaction involving any Obligation, Related Supplement, Financial Product Agreement or this Master Indenture and (c) to prepare, or authorize the preparation of, any and all documents, certificates or disclosure and continuing disclosure materials reasonably and ordinarily prepared in connection with the issuance of Obligations hereunder, or Related Bonds associated therewith, and to execute and deliver such items to the appropriate parties in connection therewith.

Section 2.04. Execution and Authentication of Obligations.

(a) All Obligations shall be executed by an Authorized Representative of the Credit Group Representative for and on behalf of the Obligated Group as provided in the Related Supplement authorizing such Obligation. The signatures of such Authorized Representative may be mechanically or photographically reproduced on the Obligations. If any Authorized Representative whose signature appears on any Obligation ceases to be such Authorized Representative before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such Authorized Representative had remained in office until such delivery. Each Obligation shall be manually authenticated by an authorized signatory of the Master Trustee, and no Obligation shall be entitled to the benefits hereof without such authentication.

(b) The form of Certificate of Authentication to be printed on each Obligation and manually executed by an authorized signatory of the Master Trustee shall be as follows:

[FORM OF MASTER TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

The undersigned Master Trustee hereby certifies that this Obligation No. ___ is one of the Obligations described in the within mentioned Master Indenture.

Dated: _____

[Name of Master Trustee],
as Master Trustee

By _____
Authorized Signatory

Section 2.05. Conditions to the Issuance of Obligations. The issuance, authentication and delivery of any Obligation or Series of Obligations shall be subject to the following specific conditions:

(a) The Credit Group Representative and the Master Trustee shall have entered into a Related Supplement providing for the terms and conditions of such Obligations and the repayment thereof;

and

(b) The Master Trustee shall have received an Officer's Certificate to the effect that:

(i) each Obligated Group Member is in full compliance with all warranties, covenants and agreements set forth in this Master Indenture and in any Related Supplement;

and

(ii) neither an Event of Default nor any event which with the passage of time or the giving of notice or both would become an Event of Default has occurred and is continuing or would occur upon issuance of such Obligations under this Master Indenture or any Related Supplement;

and

(iii) all requirements and conditions, if any, to the issuance of such Obligations set forth in the Related Supplement have been satisfied;

and

(c) The Master Trustee shall have received an Opinion of Counsel, subject to customary qualifications and exceptions, to the effect that:

(i) such Obligations and Related Supplement have been duly authorized, executed and delivered by the Credit Group Representative on behalf of the Obligated Group and constitute valid and binding obligations of the Obligated Group, enforceable in accordance with their terms;

and

(ii) such Obligations are not subject to registration under federal securities laws and such Related Supplement is not subject to registration under the Trust Indenture Act of 1939, as amended (or that such registration, if required, has occurred).

ARTICLE III
PAYMENTS WITH RESPECT TO OBLIGATIONS; DESIGNATED AFFILIATES; CREDIT GROUP COVENANTS.

Section 3.01. Payment of Required Payments.

(a) Each Obligated Group Member jointly and severally agrees promptly to pay, or cause to be paid, all Required Payments at the place, on or before the dates and in the manner provided herein or in any Related Supplement or Obligation. Each Obligated Group Member acknowledges that the time of such payment and performance is of the essence of the Obligations hereunder. Each Obligated Group Member further agrees to faithfully observe and perform all of the conditions, covenants and requirements of this Master Indenture, any Related Supplement and any Obligation.

The obligation of each Obligated Group Member with respect to Required Payments shall not be abrogated, prejudiced or affected by:

(i) the granting of any extension, waiver or other concession given to any Obligated Group Member by the Master Trustee or any Holder or by any compromise, release, abandonment, variation, relinquishment or renewal of any of the rights of the Master Trustee or any Holder or anything done or omitted or neglected to be done by the Master Trustee or any Holder in exercise of the authority, power and discretion vested in them by this Master Indenture, or by any other dealing or thing which, but for this provision, might operate to abrogate, prejudice or affect such obligation; or

(ii) the liability of any other Obligated Group Member under this Master Indenture ceasing for any cause whatsoever, including the release of any other Obligated Group Member pursuant to the provisions of this Master Indenture or any Related Supplement; or

(iii) any Obligated Group Member's failing to become liable as, or losing eligibility to become, an Obligated Group Member with respect to an Obligation; or

(iv) the validity or sufficiency (or any contest with respect thereto) of the consideration given to support the obligations of the Obligated Group Members under this Master Indenture.

Subject to the provisions of Section 3.09 permitting withdrawal from the Obligated Group, the obligation of each Obligated Group Member to make Required Payments is a continuing one and is to remain in effect until all Required Payments have been paid or deemed paid in full in accordance with Article VII. All moneys from time to time received by the Credit Group Representative or the Master Trustee to reduce liability on Obligations, whether from or on account of the Obligated Group Members or otherwise, shall be regarded as payments in gross without any right on the part of any one or more of the Obligated Group Members to claim the benefit of any moneys so received until the whole of the amounts owing on Obligations has been paid or satisfied and so that if an event described in subsection (e) or (f) of Section 4.01 occurs, the Credit Group Representative or the Master Trustee shall be entitled to prove up the total indebtedness or other liability on Obligations Outstanding as to which the liability of such Obligated Group Member has become fixed.

Each Obligation shall be a primary obligation of the Obligated Group Members and shall not be treated as ancillary to or collateral with any other obligation and shall be independent of any other security so that the covenants and agreements of each Obligated Group Member hereunder shall be enforceable without first having recourse to any such security or source of payment and without first taking any steps or proceedings against any other Person. The Credit Group Representative and the Master Trustee are each empowered to enforce each covenant and agreement of each Obligated Group Member hereunder and to enforce the making of Required Payments. Each Obligated Group Member hereby authorizes each of the Credit Group Representative and the Master Trustee to enforce or refrain from enforcing any covenant or agreement of the Obligated Group Members hereunder and to make any arrangement or compromise with any Obligated Group Member or Obligated Group Members as the Credit

Group Representative or the Master Trustee may deem appropriate, consistent with this Master Indenture and any Related Supplement. Each Obligated Group Member hereby waives in favor of the Credit Group Representative and the Master Trustee all rights against the Credit Group Representative, the Master Trustee and any other Obligated Group Member, insofar as is necessary to give effect to any of the provisions of this Section.

Section 3.02. Transfers from Designated Affiliates. Each Controlling Member hereby agrees that it shall cause each of its Designated Affiliates to pay, loan or otherwise transfer to the Credit Group Representative such amounts as are necessary to enable the Obligated Group Members to comply with the provisions of this Master Indenture including without limitation the provisions of Section 3.01; provided, however, that nothing herein shall be construed to require any Controlling Member to cause its Designated Affiliate to pay, loan or otherwise transfer to the Credit Group Representative any amounts (x) that constitute Restricted Moneys or (y) to the extent that any such payment, loan or other transfer would violate any applicable provision of law, including any Government and Industry Restrictions.

Section 3.03. Designation of Designated Affiliates.

(a) The Credit Group Representative by resolution of its Governing Body may from time to time designate Persons as Designated Affiliates. In connection with such designation, the Credit Group Representative shall designate for each Designated Affiliate an Obligated Group Member to serve as the Controlling Member for such Designated Affiliate. The Credit Group Representative shall at all times maintain an accurate and complete list of all Persons designated as Designated Affiliates (and of the Controlling Members for such Designated Affiliates) and file such list with the Master Trustee annually on or before January 1 of each year.

(b) Each Controlling Member shall cause each of its Designated Affiliates to provide to the Credit Group Representative a resolution of its Governing Body accepting such Person's designation as a Designated Affiliate and acknowledging the provisions of this Master Indenture which affect the Designated Affiliates. So long as such Person is designated as a Designated Affiliate, the Controlling Member of such Designated Affiliate shall either (i) maintain, directly or indirectly, control of such Designated Affiliate to the extent necessary to cause such Designated Affiliate to comply with the terms of this Master Indenture, whether through the ownership of voting securities, by contract, corporate membership, reserved powers or the power to appoint corporate members, trustees or directors, or otherwise or (ii) execute and have in effect such contracts or other agreements which the Credit Group Representative and the Controlling Member, in the judgment of their respective Governing Bodies, deem sufficient for the Controlling Member to cause such Designated Affiliate to comply with the terms of this Master Indenture.

(c) Each Controlling Member agrees that it will cause each of its Designated Affiliates to comply with any and all directives of the Controlling Member given pursuant to the provisions of this Master Indenture.

(d) Any Person may cease to be a Designated Affiliate (and thus not subject to the terms of this Master Indenture), provided that prior to such Person ceasing to be a Designated

Affiliate the Master Trustee shall receive a resolution of the Governing Body of the Credit Group Representative declaring such Person no longer a Designated Affiliate.

Section 3.04. Maintenance of Properties, Etc.. Each Obligated Group Member agrees, and each Controlling Member agrees to cause each of its Designated Affiliates:

(a) At all times to cause its Property, Plant and Equipment to be maintained, preserved and kept in good repair, working order and condition, reasonable wear and tear excepted, and all needed and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing contained in this subsection shall be construed to (i) prevent it from ceasing to operate (A) any immaterial portion of its Property, Plant and Equipment, or (B) any material portion of its Property, Plant and Equipment if, in its judgment, it is advisable not to operate the same, and within a reasonable time endeavors to effect disposition of such material portion of its Property, Plant and Equipment, or (ii) obligate it to retain, preserve, repair, renew or replace any Property, Plant and Equipment no longer used or useful in the conduct of its business.

(b) To use its best efforts (as long as it is in its best interests and will not materially adversely affect the interests of the Holders) to procure and maintain all necessary licenses and permits necessary, in the judgment of its Governing Body, to the operation of its health care Property and the status of its health care Property (other than that not currently having such status or not having such status on the date a Person becomes a Member of the Credit Group) as providers of health care services eligible for payment under those third party payment programs which its Governing Body determines are appropriate; provided, however, that it need not comply with this subsection if and to the extent that its Governing Body shall have determined in good faith, evidenced by a resolution of the Governing Body, that such compliance is not in its best interests and that lack of such compliance would not materially impair its ability to make Required Payments when due.

For the purposes of this Section 3.04, the terms Property, Plant and Equipment shall be deemed to include Excluded Property.

Section 3.05. Against Encumbrances; No Limitation on Disposition of Property.

(a) Each Obligated Group Member agrees that it will not, and each Controlling Member agrees that it will not, permit any of its Designated Affiliates to, 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. Each Obligated Group Member, respectively, further agrees that if such a Lien (other than a Permitted Lien) is nonetheless created by someone other than an Obligated Group Member or Designated Affiliate and is assumed by any Obligated Group Member or Designated Affiliate, the Credit Group Representative will make or cause to be made effective a provision whereby all Obligations will be secured prior to any such Indebtedness or other obligation secured by such Lien.

(b) Except as provided in Section 3.07, each Credit Group Member may make dispositions of its Property without limitation.

(c) Upon written request of the Credit Group Representative, the Master Trustee shall execute and deliver such releases, subordinations, requests for reconveyance, termination statements or other instruments as may be reasonably requested by the Credit Group Representative in connection with (i) any disposition of Property, (ii) the withdrawal of an Obligated Group Member pursuant to Section 3.09 and the applicable provisions of any Related Supplement and (iii) the granting by a Credit Group Member of any Lien which constitutes a Permitted Lien hereunder, as certified to the Master Trustee in writing by the Credit Group Representative.

Section 3.06. Debt Service Coverage.

(a) Each Obligated Group Member agrees to, and each Controlling Member agrees to cause its Designated Affiliates to, manage its business such that the Annual Debt Service Coverage Ratio for each Fiscal Year, commencing with the Fiscal Year ending June 30, 2022, will not be less than 1.1 to 1.0, as set forth in the Officer's Certificate delivered pursuant to Section 3.10(b)(i), except as specifically provided in this Section 3.06.

(b) If for any Fiscal Year the Annual Debt Service Coverage Ratio as set forth in the Officer's Certificate delivered pursuant to Section 3.10(b)(i) is less than 1.1 to 1.0, the Credit Group Representative covenants to promptly retain an Independent Consultant to make recommendations to increase Income Available for Debt Service in the following Fiscal Year to the level required or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, to the highest level attainable. The Credit Group Representative agrees to transmit a copy thereof to the Master Trustee within twenty (20) days of the receipt of such recommendations. Each Obligated Group Member agree to, and each Controlling Member agrees to cause its Designated Affiliates to, promptly upon its receipt of such recommendations, subject to applicable requirements or restrictions imposed by law and to a good faith determination by the Governing Body of the Credit Group Representative that such recommendations are in the best interest of the Credit Group, take such action as shall be in substantial conformity with such recommendations.

(c) If the Credit Group substantially complies with the recommendations of the Independent Consultant, the Credit Group shall be deemed to have complied with the covenants set forth in this Section for such Fiscal Year, notwithstanding that the Annual Debt Service Coverage Ratio is less than 1.1:1.0; except as provided in subsection (g) hereof.

(d) If a report of an Independent Consultant is delivered to the Master Trustee stating that Government and Industry Restrictions have been imposed which make it impossible for the Annual Debt Service Coverage Ratio to be at least 1.1 to 1.0, then the required amount of Income Available for Debt Service shall be reduced to the maximum coverage permitted by such Government and Industry Restrictions; except as provided in subsection (g) hereof.

(e) Notwithstanding the foregoing and except as provided in subsection (g) hereof, a Credit Group Member may permit the rendering of services or the use of its Property without charge or at reduced charges, at the discretion of the Governing Body of such Credit Group Member, to the extent necessary for maintaining its tax-exempt status or the tax-exempt status of its Property, Plant and Equipment or its eligibility for grants, loans, subsidies or

payments from governmental entities, or in compliance with any recommendation for free services that may be made by an Independent Consultant.

(f) Notwithstanding the foregoing clause (b), if such failure to maintain an Annual Debt Service Coverage Ratio is a direct or indirect result of a Force Majeure Event, as determined in the sole discretion of the Credit Group Representative, then the Credit Group Representative shall not be required to retain an Independent Consultant for purposes described in this Section and the Credit Group will be deemed to have complied with the covenants set forth in this Section for such Fiscal Year, notwithstanding that the Annual Debt Service Coverage Ratio Service is less than 1.1:1.0; except as provided in subsection (g) hereof; provided that if such failure is a direct or indirect result of a Force Majeure Event, then the Credit Group Representative shall deliver an Officer's Certificate to the Master Trustee stating the nature of the Force Majeure Event and describing the steps the Credit Group is taking with respect to the rates, fees and charges or expenses of the Credit Group and the Credit Group's methods of operation and other factors affecting its financial condition in order to improve the Annual Debt Service Coverage Ratio for the then current Fiscal Year.

(g) An Event of Default shall exist if (i) the Annual Debt Service Coverage Ratio as set forth in the Officer's Certificate delivered pursuant to Section 3.10(b)(iii)(A) for any two consecutive Fiscal Years shall be less than 1.0:1.0, and (ii) the Unrestricted Cash and Investments of the Combined Group, or at the option of the Credit Group Representative, the Credit Group, as of the last day of such second Fiscal Year is less than 150 Days of Operating Expenses of the Combined Group or the Credit Group, as applicable, for such Fiscal Year. Notwithstanding the foregoing, the Credit Group Members shall not be excused from taking any action or performing any duty required under this Master Indenture and no other Event of Default shall be waived by the operation of the provisions of this subsection (g).

Section 3.07. Merger, Consolidation, Sale or Conveyance. Each Obligated Group Member agrees that it will not merge or consolidate with any other Person that is not an Obligated Group Member or sell or convey all or substantially all of its assets to any Person that is not an Obligated Group Member (a "**Merger Transaction**") unless:

(a) After giving effect to the Merger Transaction,

(i) the successor or surviving entity (hereinafter, the "**Surviving Entity**") is an Obligated Group Member,

or

(ii) the Surviving Entity shall

(A) be a corporation or other entity organized and existing under the laws of the United States of America or any state thereof;

and

(B) become an Obligated Group Member pursuant to Section 3.08 and, pursuant to the Related Supplement required by Section 3.08(b), shall

expressly assume in writing the due and punctual payment of all Required Payments of the former Obligated Group Member hereunder;

and

(C) become a Controlling Member of the related Designated Affiliates that the previous Obligated Group Member was a Controlling Member of (or the Credit Group Representative shall make another Obligated Group Member the Controlling Member of such Designated Affiliate);

and

(b) The Master Trustee receives an Officer's Certificate to the effect that the Transaction Test is satisfied in connection with the Merger Transaction;

and

(c) So long as any Related Bonds that are tax-exempt obligations are Outstanding, the Master Trustee receives an Opinion of Bond Counsel to the effect that, under then existing law, the consummation of the Merger Transaction would not, in and of itself, result in the inclusion of interest on such Related Bonds in gross income for purposes of federal income taxation;

and

(d) The Master Trustee receives an Opinion of Counsel to the effect that the Merger Transaction will not cause the Master Indenture to be subject to qualification under the Trust Indenture Act of 1939, as amended, or any Obligations to be subject to registration under federal securities laws (or, that any such qualification or registration, if required, has occurred);

and

(e) The Surviving Entity shall be substituted for its predecessor in interest in all Obligations and agreements then in effect which affect or relate to any Obligation, and the Surviving Entity shall execute and deliver to the Master Trustee appropriate documents in order to effect the substitution.

From and after the effective date of such substitution pursuant to the documents referenced in the preceding clause (e), the Surviving Entity shall be treated as an Obligated Group Member and shall thereafter have the right to participate in transactions hereunder relating to Obligations to the same extent as the other Obligated Group Members. All Obligations issued hereunder on behalf of a Surviving Entity shall have the same legal rank and benefit under this Master Indenture as Obligations issued on behalf of any other Obligated Group Member.

Section 3.08. Membership in Obligated Group. Additional Obligated Group Members may be added to the Obligated Group from time to time, provided that prior to such addition the Master Trustee receives:

(a) A copy of a resolution of the Governing Body of the proposed new Obligated Group Member which authorizes the execution and delivery of a Related Supplement and compliance with the terms of this Master Indenture;

and

(b) A Related Supplement executed by the Credit Group Representative, the new Obligated Group Member and the Master Trustee pursuant to which the proposed new Obligated Group Member

(i) agrees to become an Obligated Group Member,

and

(ii) agrees to be bound by the terms of this Master Indenture, the Related Supplements and the Obligations,

and

(iii) pursuant to Section 2.03, irrevocably appoints the Credit Group Representative as its agent and attorney-in-fact and grants to the Credit Group Representative the requisite power and authority to take any of the actions on its behalf which are specified in Section 2.03, all as more particularly set forth in that section,

and

(c) An Officer's Certificate to the effect that the Transaction Test is satisfied in connection with the proposed new Obligated Group Member;

and

(d) So long as any Related Bonds that are tax-exempt obligations are Outstanding, an Opinion of Bond Counsel to the effect that, under then existing law, the addition of the proposed new Obligated Group Member would not, in and of itself, result in the inclusion of interest on any Related Bonds in gross income for purposes of federal income taxation;

and

(e) An Opinion of Counsel to the effect that the addition of such Obligated Group Member will not cause the Master Indenture to be subject to qualification under the Trust Indenture Act of 1939, as amended, or any Obligations to be subject to registration under federal securities laws (or, that any such qualification or registration, if required, has occurred);

and

(f) Appendix A to this Master Indenture is amended to include a description of the Property of the Person becoming an Obligated Group Member that is to be considered Excluded Property.

Section 3.09. Withdrawal from Obligated Group. Any Obligated Group Member may withdraw from the Obligated Group and be released from further liability or obligation under the provisions of this Master Indenture, and any Obligated Group Member may be redesignated as a Designated Affiliate, provided that prior to such withdrawal or redesignation the Master Trustee receives:

(a) An Officer's Certificate to the effect that the Credit Group Representative has approved the withdrawal of such Obligated Group Member (and, if applicable, redesignation of such Obligated Group Member as a Designated Affiliate);

and

(b) An Officer's Certificate to the effect that the Transaction Test is satisfied in connection with the withdrawal of such Obligated Group Member;

and

(c) An Opinion of Counsel to the effect that the withdrawal (or redesignation) of such Obligated Group Member will not cause the Master Indenture to be subject to qualification under the Trust Indenture Act of 1939, as amended, or any Obligations to be subject to registration under federal securities laws (or, that any such qualification or registration, if required, has occurred).

Upon compliance with the conditions contained in this Section 3.09, the Master Trustee shall execute any documents reasonably requested by the withdrawing Obligated Group Member to evidence the termination of such Obligated Group Member's obligations hereunder, under all Related Supplements and under all Obligations (and to release any liens on any assets of such Obligated Group Member).

Section 3.10. Financial Information, Certificate of No Default, Other Information.

(a) The Credit Group Representative shall deliver to the Master Trustee, within five months after the end of each Fiscal Year, the Financial Information for such Fiscal Year.

(b) The Credit Group Representative shall deliver an Officer's Certificate to the Master Trustee within five months after the end of each Fiscal Year (i) setting forth the calculations based upon the Financial Information for such Fiscal Year of the Annual Debt Service Coverage Ratio for such Fiscal Year and (ii) stating whether or not, to the best knowledge of the signer, any Event of Default has occurred and is continuing.

(c) Each Obligated Group Member covenants and agrees that it will, and will cause each Designated Affiliate that it controls to, keep adequate records and books of account in which complete and correct entries shall be made.

The Master Trustee has no duty to review, verify or analyze such Financial Information (including making any calculations required pursuant to this Master Indenture) and holds such Financial Information solely as a repository for the benefit of the Holders. The Master Trustee

shall not be deemed to have notice of any information contained in any Financial Information delivered pursuant to this Section or any Event of Default that may be disclosed in such Financial Information in any manner.

Section 3.11. Gross Receivables Pledge.

(a) To secure the timely payment and performance of its obligation to make Required Payments and all its other obligations, agreements and covenants hereunder, each Obligated Group Member hereby grants to the Master Trustee a security interest in all of its right, title, and interest, whether such right, title, or interest is currently held by such Obligated Group Member or is obtained by such Obligated Group Member in the future, in, to, and under the Gross Receivables and the proceeds thereof.

(b) This Master Indenture shall constitute a security agreement for purposes of the UCC.

(c) Each Obligated Group Member shall authorize and cause to be filed on or before the execution and delivery hereof, in accordance with the requirements of the applicable UCC, all financing statements necessary to perfect the security interest described in clause (a) (to the extent such security interest can be perfected by the filing of financing statements under the UCC). Each Obligated Group Member shall timely authorize, execute, deliver, and file such documents (including, but not limited to, continuation statements as required by the applicable UCC) as necessary in order to perfect or maintain the perfection and priority of such security interest.

(d) Notwithstanding anything to the contrary contained herein, the Master Trustee shall not be responsible for any initial filings of any financing statements or the information contained therein (including the exhibits thereto) other than the correct name and address of the Master Trustee, the perfection of any such security interests or the accuracy or sufficiency of any description of collateral in such initial filings or for filing any notifications or amendments to the initial filing required by any amendments to Article 9 of the UCC or for filing any continuation statement filings.

(e) Upon written request from the Credit Group Representative, the Master Trustee shall take all procedural steps directed by the Credit Group Representative or its counsel to effect the subordination of its security interests in the Gross Receivables granted herein to Permitted Encumbrances.

(f) Each Obligated Group Member shall, prior to changing its name, address, or jurisdiction of organization, (i) notify the Master Trustee in writing of such change, and (ii) authorize, execute, deliver, and file such documents (including, but not limited to, financing statements and amendments to financing statements as required by the applicable UCC) as necessary in order to maintain the perfection and priority of the security interest granted by it pursuant to clause (a).

Section 3.12. Replacement of Obligations. At the option of the Credit Group Representative and without the consent of any Holders, Obligations shall be surrendered by their

Holders and delivered to the Master Trustee for cancellation upon receipt by the Master Trustee and the Holders of the Obligations of the following:

(a) a Request of the Credit Group Representative requesting such surrender and delivery and stating that the Credit Group Representative (and each other Member of the Obligated Group, if applicable) has become a member of an obligated group (the "**New Obligated Group**") under a master indenture (other than the Master Indenture) and that an obligation or obligations are being issued to the Holder under such replacement master indenture (the "**Replacement Master Indenture**");

and

(b) a properly executed obligation (the "**Replacement Obligation**") for each Obligation issued under the Replacement Master Indenture and registered in the name of the Holder with the same tenor as the previous Obligation of such Holder, duly authenticated by the master trustee under the Replacement Master Indenture;

and

(c) an Opinion of Counsel to the effect that each Replacement Obligation has been validly issued under the Replacement Master Indenture and constitutes a valid and binding obligation of the Credit Group Representative (and each other Member of the Obligated Group, as applicable) and each other member of the obligated group under the Replacement Master Indenture;

and

(d) a copy of the Replacement Master Indenture, certified as a true and accurate copy by the master trustee under the Replacement Master Indenture;

and

(e) written evidence from each Rating Agency then rating any Related Bonds or Obligations that immediately following the delivery of the Replacement Obligations, the rating from such Rating Agency on any Related Bonds or the Obligations (i) shall be in the top three Rating Categories or (ii) shall not be withdrawn or reduced as compared to such rating immediately prior to the delivery of the Replacement Obligations;

and

(f) an Opinion of Bond Counsel to the effect that, under then existing law, the replacement of the Obligation with the Replacement Obligations will not, in and of itself, result in the inclusion of the interest on any Related Bonds in gross income for purposes of federal income taxation.

Section 3.13. Additions to Excluded Property.

Appendix A hereto may be amended, without consent of any Holders of Obligations, to include: (a) additional real property acquired by a Credit Group Member subsequent to the Effective Date and all improvements, fixtures, tangible personal property, and equipment located thereon and used in connection therewith, upon the receipt by the Master Trustee of an Officer's Certificate stating that (i) such Property does not constitute a portion of the Property financed or refinanced with proceeds of Outstanding Related Bonds, and (ii) the total value of all such Property so added to such Appendix A does not exceed 15% of the total value of Property of the Combined Group (calculated on the basis of the Book Value of the assets shown on the most recent Financial Information), or (b) unimproved real property upon receipt by the Master Trustee of an Officer's Certificate stating that such real property is not an integral part of the operation of such Credit Group Member's activities.

ARTICLE IV
DEFAULTS.

Section 4.01. Events of Default. Each of the following events shall be an Event of Default hereunder:

(a) Failure on the part of the Obligated Group Members to make due and punctual payment of the principal of, redemption premium, if any, interest on or any other Required Payment on any Obligation.

(b) The occurrence of an Event of Default as described in Section 3.06(g).

(c) Any Obligated Group Member shall fail to observe or perform any other covenant or agreement under this Master Indenture (including covenants or agreements contained in any Related Supplement or Obligation) and shall not have cured such failure within sixty (60) days after the date on which written notice of such failure, requiring the failure to be remedied, shall have been given to the Credit Group Representative by the Master Trustee or to the Credit Group Representative and the Master Trustee by the Holders of a majority in aggregate Principal Amount of Outstanding Obligations (provided that if such failure can be remedied but not within such sixty (60) - day period, such failure shall not become an Event of Default for so long as the Credit Group Representative shall diligently proceed to remedy the failure).

(d) Any Obligated Group Member shall default in the payment of Indebtedness (other than Nonrecourse Indebtedness) in an aggregate outstanding principal amount greater than 3% of the aggregate principal amount of Total Revenues of the Combined Group, and any grace period for such payment shall have expired; provided, however, that such default shall not constitute an Event of Default within the meaning of this Section if, within sixty (60) days or within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Indebtedness is commenced, (1) any Obligated Group Member in good faith commences proceedings to contest the existence or payment of such Indebtedness, and (2) sufficient moneys are deposited in escrow with a bank or trust company for the payment of such Indebtedness.

(e) A court having jurisdiction shall enter a decree or order for relief in respect of any Material Member in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) for such Material Member or for any substantial part of its Property, or ordering the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of sixty (60) consecutive days.

(f) Any Material Member shall commence a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) for any Material Member or for any substantial part of its Property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due or shall take any corporate action in furtherance of the foregoing.

Section 4.02. 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 a majority in aggregate Principal Amount of Outstanding Obligations shall, by notice to the Credit Group Representative, declare all Outstanding Obligations immediately due and payable and, upon such declaration of acceleration, all Outstanding Obligations shall be immediately due and payable; provided that, if the terms of any Related Supplement give a Person the right to consent to acceleration of the Obligations issued pursuant to such Related Supplement, the Obligations issued pursuant to such Related Supplement may not be accelerated by the Master Trustee unless such consent is properly obtained pursuant to the terms of such Related Supplement. In the event of acceleration, an amount equal to the aggregate Principal Amount of all Outstanding Obligations, plus all interest accrued thereon and, to the extent permitted by applicable law, which accrues on such principal and interest to the date of payment, and all other amounts due thereunder, shall be due and payable on the Obligations.

(b) At any time after the Obligations have been declared to be due and payable, and before the entry of a final judgment or decree in any proceeding instituted with respect to the Event of Default that resulted in the declaration of acceleration, the Master Trustee may annul such declaration and its consequences if:

(i) the Obligated Group Members have paid (or caused to be paid or deposited with the Master Trustee moneys sufficient to pay) all payments then due on all Outstanding Obligations (other than payments then due only because of such declaration);

and

(ii) the Obligated Group Members have paid (or caused to be paid or deposited with the Master Trustee moneys sufficient to pay) all fees and expenses of the Master Trustee then due;

and

(iii) the Obligated Group Members have paid (or caused to be paid or deposited with the Master Trustee moneys sufficient to pay) all other amounts then payable by the Obligated Group hereunder;

and

(iv) every Event of Default (other than a default in the payment of Required Payments on such Obligations then due only because of such declaration) has been remedied.

No such annulment shall extend to or affect any subsequent Event of Default or impair any right with respect to any subsequent Event of Default.

Section 4.03. Additional Remedies and Enforcement of Remedies.

(a) Upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than a majority in aggregate Principal Amount of the Outstanding Obligations (and upon indemnification of the Master Trustee to its satisfaction by the Credit Group for any such request), shall, proceed to protect and enforce its rights and the rights of the Holders hereunder by such proceedings as may be deemed expedient, including but not limited to:

(i) Enforcement of the right of the Holders to collect amounts due or becoming due under the Obligations;

(ii) Civil action upon all or any part of the Obligations;

(iii) Civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Obligations to account as if it were the trustee of an express trust for the Holders of Obligations;

(iv) Civil action to enjoin any acts which may be unlawful or in violation of the rights of the Holders of Obligations;

(v) Civil action to obtain a writ of mandate against any Obligated Group Member or Controlling Member to compel performance of any act specifically required by this Master Indenture or any Obligation; and

(vi) Enforcement of any other right or remedy of the Holders conferred by law or hereby.

(b) Regardless of the occurrence of an Event of Default, if requested in writing by the Holders of not less than a majority in aggregate Principal Amount of the Outstanding Obligations (and upon indemnification of the Master Trustee to its satisfaction for such request), the Master Trustee shall institute and maintain such proceedings as it may be advised shall be necessary or expedient (1) to prevent any impairment of the security hereunder by any acts which may be unlawful or in violation hereof, or (2) to preserve or protect the interests of the Holders. However, the Master Trustee shall not comply with any such request or

institute and maintain any such proceeding that is in conflict with any applicable law or the provisions hereof or (in the sole judgment of the Master Trustee) is unduly prejudicial to the interests of the Holders not making such request. Nothing herein shall be deemed to authorize the Master Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment, or composition affecting the Obligations or the rights of any Holder thereof, or to authorize the Master Trustee to vote in respect of the claim of any Holder in any such proceeding without the approval of the Holders so affected.

Section 4.04. Application of Moneys After Default. During the continuance of an Event of Default, all moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of this Article (after payment of the costs of the proceedings resulting in the collection of such moneys and payment of all fees, expenses, fees and expenses of its attorneys and advisors and other amounts owed to the Master Trustee) shall be applied as follows:

(a) Unless all Outstanding Obligations have become or have been declared due and payable (or if any such declaration is annulled in accordance with the terms of this Article):

First: To the payment of all Required Payments then due on the Obligations (including Financial Product Payments to the extent made pursuant to a Financial Product Agreement secured or evidenced by an Obligation and Parity Financial Product Extraordinary Payments), in the order of their due dates, and, if the amount available is not sufficient to pay in full all Required Payments due on the same date, then to the payment thereof ratably, according to the amount Required Payments due on such date, without any discrimination or preference;

Second: To the payment of all Financial Product Extraordinary Payments made pursuant to a Financial Product Agreement secured or evidenced by an Obligation (other than Parity Financial Product Extraordinary Payments), in the order of their due dates, and, if the amount available is not sufficient to pay in full all Financial Product Extraordinary Payments due on the same date, then to the payment thereof ratably, according to the amounts of Financial Product Extraordinary Payments due on such date, without any discrimination or preference.

(b) If all Outstanding Obligations have become or have been declared due and payable (and such declaration has not been annulled under the terms of this Article):

First: To the payment of all Required Payments then due on the Obligations (including (i) Financial Product Payments to the extent made pursuant to a Financial Product Agreement secured or evidenced by an Obligation and (ii) Parity Financial Product Extraordinary Payments), and, if the amount available is not sufficient to pay in full the whole amount then due and unpaid, then to the payment thereof ratably, without preference or priority, according to the amounts due respectively, without any discrimination or preference; and

Second: To the payment of all Financial Product Extraordinary Payments made pursuant to a Financial Product Agreement secured or evidenced by an Obligation (other than Parity Financial Product Extraordinary Payments), and, if the amount available is not sufficient to pay in full all such Financial Product Extraordinary Payments, then to the payment thereof ratably, without any discrimination or preference.

Such moneys shall be applied at such times as set forth in this Section 4.04. Upon any date fixed by the Master Trustee for the application of such moneys to the payment of principal, interest on the amounts of principal to be paid on such date shall cease to accrue. The Master Trustee shall give such notices of the deposit with it of such moneys or of the fixing of such dates. The Master Trustee shall not be required to make payment to the Holder of any unpaid Obligation until such Obligation (and all unmatured interest coupons, if any) is presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Obligations have been paid under the terms of this Section and all fees, expenses and any other amounts due to the Master Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive such balance as determined by the Credit Group Representative. If no other Person is entitled thereto, then the balance shall be paid to the Credit Group Representative, its successors or such Person as a court of competent jurisdiction may direct.

Section 4.05. Remedies Not Exclusive. No remedy granted by the terms of this Master Indenture is intended to be exclusive of any other remedy. Each remedy shall be cumulative and shall be in addition to every other remedy given hereunder or existing at law or in equity.

Section 4.06. Remedies Vested in the Master Trustee. All rights of action (including the right to file proof of claims) hereunder or under any of the Obligations may be enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any proceeding relating thereto. Any proceeding instituted by the Master Trustee may be brought in its name as the Master Trustee without the necessity of joining any Holders as plaintiffs or defendants. Subject to the provisions of Section 4.04, any recovery or judgment shall be for the equal benefit of the Holders of the Outstanding Obligations.

Section 4.07. Master Trustee to Represent Holders. The Master Trustee is hereby irrevocably appointed as trustee and attorney in fact for the Holders for the purpose of exercising on their behalf the rights and remedies available to the Holders under the provisions of this Master Indenture, the Obligations, any Related Supplement and applicable provisions of law, in each case subject to the provisions of Section 4.08. The Holders, by taking and holding the Obligations, shall be conclusively deemed to have so appointed and authorized the Master Trustee.

Section 4.08. Holders' Control of Proceedings. If an Event of Default has occurred and is continuing, notwithstanding anything herein to the contrary, the Holders of at least a majority in aggregate Principal Amount of Outstanding Obligations shall have the right (upon the indemnification of the Master Trustee to its satisfaction) to direct the method and/or place of

conducting any proceeding to be taken in connection with the enforcement of the terms hereof. Such direction must be in writing, signed by such Holders and delivered to the Master Trustee. Nothing in this Section shall impair the right of the Master Trustee to take any other action authorized by this Master Indenture which it may deem proper and which is not inconsistent with such direction by Holders.

Section 4.09. Termination of Proceedings. In case any proceeding instituted by the Master Trustee with respect to any Event of Default is discontinued or abandoned for any reason or is determined adversely to the Master Trustee or the Holders, then the Obligated Group Members, the Master Trustee and the Holders shall be restored to their former positions and rights hereunder. All rights, remedies and powers of the Master Trustee and the Holders shall continue as if no such proceeding had been taken.

Section 4.10. Waiver of Event of Default.

(a) No delay or omission of the Master Trustee or of any Holder to exercise any right with respect to any Event of Default shall impair such right or shall be construed to be a waiver of or acquiescence to such Event of Default. Every right and remedy given by this Article to the Master Trustee and the Holders may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Master Trustee may waive any Event of Default which has been remedied before the entry of a final judgment or decree in any proceeding instituted by it under the provisions hereof, or before the completion of the enforcement of any other remedy hereunder.

(c) Upon the written request of the Holders of at least a majority in aggregate Principal Amount of Outstanding Obligations, the Master Trustee shall waive any Event of Default hereunder and its consequences; provided, however, that, except under the circumstances set forth in subsection (b) of Section 4.02, the failure to pay the principal of, premium, if any, or interest on any Obligation when due may not be waived without the written consent of the Holders of all Outstanding Obligations.

(d) In case of any waiver by the Master Trustee of an Event of Default, the Obligated Group Members, the Master Trustee and the Holders shall be restored to their former positions and rights. No waiver shall extend to, or impair any right with respect to, any other Event of Default.

Section 4.11. Appointment of Receiver. Upon the occurrence and continuance of any Event of Default, the Master Trustee shall be entitled (a) without declaring the Obligations to be due and payable, (b) after declaring the Obligations to be due and payable, or (c) upon the commencement of any proceeding to enforce any right of the Master Trustee or the Holders, to the appointment of a receiver or receivers of any or all of the Property of the Obligated Group Members (without the necessity of notice to any Obligated Group Member or any other Person), with such powers as the court making such appointment shall confer. Each Obligated Group Member consents, and agrees to consent if requested by the Master Trustee, at the time of application by the Master Trustee for appointment of a receiver, to the appointment of such

receiver and agrees that such receiver may be given the right, to the extent the right may lawfully be given, to take possession of, operate and deal with such Property and the revenues, profits and proceeds therefrom, with the same effect as the Obligated Group Member could, and to borrow money and issue evidences of indebtedness as such receiver.

Section 4.12. Remedies Subject to Provisions of Law. All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, including any Government and Industry Restrictions. All the provisions of this Article are intended to be limited to the extent necessary so that they will not render any provision hereof invalid or unenforceable under the provisions of any applicable law, including any Government and Industry Restrictions.

Section 4.13. Notice of Default. Within ten (10) days after a Responsible Officer of the Master Trustee has received written notice of the occurrence of an Event of Default, the Master Trustee shall mail notice of such Event of Default to all Holders, unless such Event of Default has been cured before the giving of such notice (the term "**Event of Default**" for the purposes of this Section being limited to the events specified in subsections (a)-(g) of Section 4.01, not including any periods of grace provided for in subsections (c), (d) and (e), and regardless of the giving of written notice specified in subsection (c) of Section 4.01). Except in the case of default in the payment of the principal of or premium, if any, or interest on any of the Obligations and the Events of Default specified in subsections (e) and (f) of Section 4.01, the Master Trustee shall be protected in withholding such notice if and so long as the Master Trustee in good faith determines that the withholding of such notice is in the best interest of the Holders.

ARTICLE V
THE MASTER TRUSTEE

Section 5.01. Certain Duties and Responsibilities.

(a) Except during the continuance of an Event of Default:

(i) The Master Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Master Indenture, and no implied covenant or obligation shall be read into this Master Indenture against the Master Trustee; and

(ii) In the absence of bad faith on its part, the Master Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon Certificates or opinions furnished to the Master Trustee and conforming to the requirements of this Master Indenture.

(b) In case an Event of Default has occurred and is continuing, the Master Trustee shall exercise such of the rights and powers vested in it by this Master Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(c) No provision of this Master Indenture shall be construed to relieve the Master Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

(ii) the Master Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Master Trustee was negligent in ascertaining the pertinent facts;

(iii) the Master Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders given in accordance with Section 4.08; and

(iv) no provision of this Master Indenture shall require the Master Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

The Master Trustee will keep on file at its office a list of the names and addresses of the last known Holders of all Obligations and the numbers of such Obligations held by each of such Holders. At reasonable times and under reasonable regulations established by the Master Trustee, upon reasonable prior notice, said list may be inspected and copied by the Obligated Group Members, any Obligation Holder or the authorized representative thereof, provided that the ownership of such Holder and the authority of any such designated representative shall be evidenced to the satisfaction of the Master Trustee.

(d) Every provision of this Master Indenture relating to the conduct of, affecting the liability of or affording protection to the Master Trustee shall be subject to the provisions of this Section.

Section 5.02. Certain Rights of Master Trustee. Subject to Section 5.01:

(a) The Master Trustee may conclusively rely upon any document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request or direction of the Credit Group Representative mentioned herein shall be sufficiently evidenced by an Officer's Certificate. Any action of the Governing Body of any Obligated Group Member shall be sufficiently evidenced by a copy of a resolution certified by the secretary or an assistant secretary of the Obligated Group Member to have been duly adopted by the Governing Body and to be in full force and effect on the date of such certification and delivered to the Master Trustee.

(c) Whenever in the administration of this Master Indenture the Master Trustee shall deem it desirable that a matter be proved or established prior to taking, allowing or omitting any action hereunder, the Master Trustee may (in the absence of bad faith on its part and unless other evidence is specifically prescribed by this Master Indenture) request and conclusively rely upon an Officer's Certificate.

(d) The Master Trustee may consult with counsel of its selection, and any opinion of such counsel shall be full and complete authorization and protection with respect to any action taken, allowed or omitted by it hereunder in good faith and in reliance thereon.

(e) The Master Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Master Indenture at the request or direction of any of the Holders, unless such Holders shall have offered to the Master Trustee reasonable security or indemnity satisfactory to the Master Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(f) The Master Trustee shall not be bound to make any investigation into the facts stated in any document delivered to it hereunder, but the Master Trustee, in its discretion, may make such further inquiry or investigation into such facts as it may see fit. If the Master Trustee determines to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of any Credit Group Member (excluding specifically donor records, patient records and personnel records), personally or by agent or attorney, during regular business hours and after reasonable notice.

(g) The Master Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents. The Master Trustee shall not be responsible for any negligence or willful misconduct on the part of any agent appointed by it with due care.

(h) The Master Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Master Indenture.

(i) The Master Trustee shall not be deemed to have notice of any default or Event of Default unless written notice of such default or Event of Default is received by the Master Trustee at the Corporate Trust Office of the Master Trustee, and such notice references this Master Indenture.

(j) The Master Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("**Instructions**") given pursuant to this Master Indenture and delivered using Electronic Means (as defined below); provided, however, that the Credit Group Representative shall provide to the Master Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("**Authorized Officers**") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Credit Group Representative whenever a person is to be added or deleted from the listing. If the Credit Group Representative elects to give the Master Trustee Instructions using Electronic Means and the Master Trustee in its discretion elects to act upon such Instructions, the Master Trustee's understanding of such Instructions shall be deemed controlling. The Credit Group Representative understands and agrees that the Master Trustee cannot determine the identity of the actual sender of such Instructions and that the Master Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Master Trustee have been sent by such Authorized Officer. The Credit Group Representative shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Master Trustee and that the Credit Group Representative and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Credit Group Representative. The Master Trustee shall

not be liable for any losses, costs or expenses arising directly or indirectly from the Master Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Credit Group Representative agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Master Trustee, including without limitation the risk of the Master Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Master Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Credit Group Representative; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Master Trustee immediately upon learning of any compromise or unauthorized use of the security procedures. "**Electronic Means**" means the following communications methods: e-mail, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Master Trustee, or another method or system specified by the Master Trustee as available for use in connection with its services hereunder.

(k) The Master Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "**force majeure**" in this clause (k) means an occurrence that is beyond the control of the Master Trustee and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics, pandemics or other similar occurrences.

(l) The Master Trustee is hereby authorized to establish the funds, accounts or subaccounts, or any additional funds, accounts or subaccounts, as are necessary or advisable to carry out its duties hereunder.

(m) The permissive right of the Master Trustee to do things enumerated in this Master Indenture shall not be construed as a duty and the Master Trustee shall not be answerable for other than its negligence or willful misconduct. The Master Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(n) The Master Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Master Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and if the Master Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the System, personally or by agent or attorney at the sole and joint and several cost of the Obligated Group and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation.

(o) In no event shall the Master Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not

limited to, loss of profit) irrespective of whether the Master Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

Section 5.03. Right to Deal in Obligations and Related Bonds. The Master Trustee may buy, sell or hold and deal in any Obligations and Related Bonds with the same effect as if it were not the Master Trustee. The Master Trustee may commence or join in any action which a Holder or holder of a Related Bond is entitled to take with the same effect as if the Master Trustee were not the Master Trustee.

Section 5.04. Removal and Resignation of the Master Trustee.

(a) The Master Trustee may be removed at any time by an instrument or instruments in writing signed by (1) the Holders of not less than a majority of the Principal Amount of Outstanding Obligations or (2) (unless an Event of Default has occurred and is then continuing) the Credit Group Representative.

(b) The Master Trustee may at any time resign by giving written notice of such resignation to the Credit Group Representative.

(c) No such resignation or removal shall become effective unless and until a successor Master Trustee has been appointed and has assumed the trusts created hereby. Written notice of removal of the predecessor Master Trustee and/or appointment of the successor Master Trustee shall be given by the successor Master Trustee within ten (10) days of the successor's acceptance of appointment to the Credit Group Representative and to each Holder at the addresses shown on the books of the Master Trustee. A successor Master Trustee may be appointed at the direction of the Holders of not less than a majority in aggregate Principal Amount of Outstanding Obligations, or, if the Master Trustee has resigned or has been removed by the Credit Group Representative, by the Credit Group Representative. In the event a successor Master Trustee has not been appointed and qualified within sixty (60) days of the date notice of resignation or removal is given, the Master Trustee, the Credit Group Representative or any Holder may apply at the expense of the Obligated Group Members to any court of competent jurisdiction for the appointment of an interim successor Master Trustee to act until such time as a permanent successor is appointed.

(d) Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Master Trustee shall be a trust company or bank having the powers of a trust company as to trusts, qualified to do and doing trust business in one or more states of the United States of America and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least $50,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

(e) Every successor Master Trustee shall execute and deliver to its predecessor and to each Obligated Group Member a written instrument accepting such appointment. Upon the delivery of such acceptance, the successor Master Trustee shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor. The predecessor shall execute and deliver to the successor Master Trustee a written instrument transferring to the successor Master Trustee all the rights, powers and trusts of the

predecessor. The predecessor Master Trustee (upon payment of all amounts owed to it) shall execute any documents necessary or appropriate to convey all interest it may have to the successor Master Trustee. The predecessor Master Trustee shall promptly deliver all records relating to the trust or copies thereof and communicate all material information it may have obtained concerning the trust to the successor Master Trustee.

Section 5.05. Compensation and Reimbursement. Subject to the provisions of any specific agreement between the Credit Group Representative and the Master Trustee relating to the compensation of the Master Trustee, each Obligated Group Member jointly and severally agrees:

(a) To pay the Master Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust).

(b) Except as otherwise expressly provided herein, to reimburse the Master Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Master Trustee in accordance with any provision of this Master Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and its agents), except any such expense, disbursement or advance as shall be determined to have been caused by its own negligence or willful misconduct.

(c) To fully indemnify each of the Master Trustee and its officers, directors, agents and employees and any predecessor Master Trustee for, and to hold it and them harmless against, any and all loss, liability, damages, claim or expense, including taxes (other than taxes based on the income of the Master Trustee) incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust or its duties hereunder, including without limitation, legal fees and expenses and the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

When the Master Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 4.01(e) or Section 4.01(f), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable federal or state bankruptcy, insolvency or other similar law.

The provisions of this Section shall survive the termination of this Master Indenture and the removal or resignation of the Master Trustee.

Section 5.06. Recitals and Representations. The recitals, statements and representations contained herein or in any Obligation (excluding the Master Trustee's authentication on the Obligations) shall be taken and construed as made by and on the part of the Obligated Group Members, and not by the Master Trustee. The Master Trustee assumes no responsibility for the correctness of such statements.

The Master Trustee makes no representation as to, and is not responsible for, the validity or sufficiency of this Master Indenture or of the Obligations. The Master Trustee shall not be

concerned with or accountable to anyone for the use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof. The Master Trustee shall have no duty of inquiry with respect to any Event of Default without actual knowledge of or receipt by the Master Trustee of written notice of an Event of Default from an Obligated Group Member or any Holder.

Section 5.07. Separate or Co-Master Trustee. At any time, for the purpose of meeting any legal requirements of any jurisdiction, the Master Trustee may appoint one or more Persons either to act as co-master trustee with the Master Trustee, or to act as separate master trustee, and to vest in such Persons or Persons, such rights, powers, duties, trusts or obligations as the Master Trustee may consider necessary or desirable, subject to the remaining provisions of this Section.

Every co-master trustee or separate master trustee shall, to the extent permitted by law, be appointed subject to the following terms:

(a) The Obligations shall be authenticated and delivered solely by the Master Trustee.

(b) All rights, powers, trusts, duties and obligations conferred or imposed upon the trustees shall be conferred or imposed upon and exercised or performed as shall be provided in the instrument appointing such co-master trustee or separate master trustee, except to the extent that, under the law of any jurisdiction in which any particular act or acts are to be performed, the Master Trustee is incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co master trustee or separate master trustee.

(c) Any request in writing by the Master Trustee to any co-master trustee or separate master trustee to take or to refrain from taking any action hereunder shall be sufficient for the taking, or the refraining from taking, of such action by such Person.

(d) Any co-master trustee or separate master trustee may, to the extent permitted by law, delegate to the Master Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise.

(e) The Master Trustee may at any time, by an instrument in writing, accept the resignation of or remove any co-master trustee or separate master trustee appointed under this Section. Upon the request of the Master Trustee, the Obligated Group Members shall join with the Master Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal.

(f) No trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder, nor will the act or omission of any trustee hereunder be imputed to any other trustee.

(g) Any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing delivered to the Master Trustee shall be deemed to have been delivered to each such co-master trustee or separate master trustee.

(h) Any moneys, papers, securities or other items of personal property received by any such co-master trustee or separate master trustee hereunder shall be turned over to the Master Trustee immediately.

Upon the acceptance in writing of such appointment by any co-master trustee or separate master trustee, such Person shall be vested with such rights, powers, duties or obligations as are specified in the instrument of appointment jointly with the Master Trustee (except insofar as local law makes it necessary for any such co-master trustee or separate master trustee to act alone) subject to all the terms hereof. Every such acceptance shall be filed with the Master Trustee. To the extent permitted by law, any co-master trustee or separate master trustee may, at any time by an instrument in writing, constitute the Master Trustee its attorney-in-fact and agent, with full power and authority to do all acts and things and to exercise all discretion on its behalf and in its name.

In case any co-master trustee or separate master trustee shall become incapable of acting, resign or be removed, all rights, powers, trusts, duties and obligations of such Person shall, so far as permitted by law, vest in and be exercised by the Master Trustee unless and until a successor co-master trustee or separate master trustee shall be appointed in the manner herein provided.

Section 5.08. Merger or Consolidation. Any company into which the Master Trustee may be merged or converted, or with which it may be consolidated, or any company resulting from any merger, conversion or consolidation to which it is a party, or any company to which the Master Trustee may sell or transfer all or substantially all of its corporate trust business (provided such company is eligible under Section 5.04) shall be the successor to the Master Trustee without the execution or filing of any paper or any further act.

ARTICLE VI
SUPPLEMENTS AND AMENDMENTS

Section 6.01. Supplements Not Requiring Consent of Holders. The Credit Group Representative (acting for itself and as agent for each Obligated Group Member) and the Master Trustee may, without the consent of or notice to any of the Holders, enter into one or more Related Supplements for any of the following purposes:

(a) To correct any ambiguity or formal defect or omission in this Master Indenture;

(b) To correct or supplement any provision which may be inconsistent with any other provision, or to make any other provision with respect to matters or questions arising hereunder and which does not 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, or to add to the covenants of and restrictions on the Credit Group Members;

(d) To qualify this Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal law from time to time in effect;

(e) To create and provide for the issuance of an Obligation or Series of Obligations as permitted hereunder;

(f) To obligate a successor to any Obligated Group Member as provided in Section 3.07;

(g) To add a new Obligated Group Member as provided in Section 3.08;

(h) To modify any provision in order to avoid any unintended impact on the compliance by the Credit Group with financial covenants following any change in GAAP that would affect the computation of any financial ratio or other financial computation under this Master Indenture; or

(i) To make any other change which does not as determined in writing by the Credit Group Representative materially and adversely affect the interests of the Holders.

In entering into any Related Supplement, the Master Trustee may rely on an Opinion of Counsel as described in Section 6.03(a).

Section 6.02. Supplements Requiring Consent of Holders.

(a) Other than Related Supplements referred to in Section 6.01 and subject to the terms contained in this Article, the Holders of not less than a majority in aggregate Principal Amount of the Outstanding Obligations shall have the right to consent to and approve the execution by the Credit Group Representative (acting for itself and as agent for each Obligated Group Member) and the Master Trustee of such Related Supplements as shall be deemed necessary or desirable for the purpose of modifying, altering, amending, adding to or rescinding any of the terms contained herein; provided, however, that nothing in this Section shall permit or be construed as permitting a Related Supplement which would:

(i) Extend the stated maturity of or time for paying interest on any Obligation or reduce the Principal Amount of or the redemption premium or rate of interest or change the method of calculating interest payable on or reduce any other Required Payment on any Obligation without the consent of the Holder of such Obligation;

(ii) Modify, alter, amend, add to or rescind any of the terms or provisions contained in Article IV so as to affect the right of the Holders of any Obligations in default as to payment to compel the Master Trustee to declare the principal of all Obligations to be due and payable, without the consent of the Holders of all Outstanding Obligations; or

(iii) Reduce the aggregate Principal Amount of Outstanding Obligations the consent of the Holders of which is required to authorize such Related Supplement without the consent of the Holders of all Obligations then Outstanding.

(b) The Master Trustee may execute a Related Supplement (in substantially the form delivered to it as described below) without liability or responsibility to any Holder (whether or not such Holder has consented to the execution of such Related Supplement) if the Master Trustee receives:

(i) a Request of the Credit Group Representative to enter into such Related Supplement;

and

(ii) a certified copy of the resolution of the Governing Body of the Credit Group Representative approving the execution of such Related Supplement;

and

(iii) the proposed Related Supplement;

and

(iv) an instrument or instruments executed by the Holders of not less than the aggregate Principal Amount or number of Obligations specified in subsection (a) for the Related Supplement in question which instrument or instruments shall refer to the proposed Related Supplement and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof as on file with the Master Trustee. For the avoidance of doubt, the written consent of a Holder of a Master Indenture Obligation may be effected through a provision in a Related Bond Indenture that deems the purchase of Related Bonds by the beneficial owners thereof to be consent by the Holder of the related Master Indenture Obligation for purposes of this Section 6.02.

(c) Any such consent shall be binding upon the Holder of the Obligation giving such consent and upon any subsequent Holder of such Obligation and of any Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof). At any time after the Holders of the required Principal Amount or number of Obligations shall have filed their consents to the Related Supplement, the Master Trustee shall forward such consents to the Credit Group Representative. Such written statement shall be conclusive evidence that such consents have been so filed.

(d) If the Holders of the required Principal Amount or number of the Outstanding Obligations have consented to the execution of such Related Supplement, no Holder shall have any right to object to the execution thereof, to object to any of the terms and provisions contained therein or the operation thereof, to question the propriety of the execution thereof or to enjoin or restrain the Master Trustee or the Credit Group Representative from executing such Related Supplement or from taking any action pursuant to the provisions thereof.

Section 6.03. Execution and Effect of Supplements.

(a) In executing any Related Supplement permitted by this Article, the Master Trustee shall be provided with and entitled to rely upon an Opinion of Counsel stating that the execution of such Related Supplement is authorized or permitted hereby. The Master Trustee may (but shall not be obligated to) enter into any Related Supplement that materially and adversely affects the Master Trustee's own rights, duties or immunities.

(b) Upon the execution and delivery of any Related Supplement in accordance with this Article, the provisions of this Master Indenture shall be deemed modified in accordance therewith. Such Related Supplement shall form a part hereof for all purposes and every Holder shall be bound thereby.

(c) Any Obligation authenticated and delivered after the execution and delivery of any Related Supplement in accordance with this Article shall bear a notation as to any matter provided for in such Related Supplement. New Obligations so modified may be prepared and executed by the Credit Group Representative and authenticated and delivered by the Master Trustee in exchange for and upon surrender of Obligations then Outstanding.

Section 6.04. Amendment of Related Supplements. Any Related Supplement may provide that the provisions thereof may be amended without the consent of or notice to any of the Holders, or pursuant to such terms and conditions as may be specified in such Related Supplement. If a Related Supplement does not contain provisions relating to the amendment thereof, the amendment of such Related Supplement shall by governed by the provisions of Section 6.01 and Section 6.02 hereof.

ARTICLE VII
SATISFACTION AND DISCHARGE

Section 7.01. Satisfaction and Discharge of Master Indenture. This Master Indenture shall cease to be of further effect (except for Section 5.05, which shall survive) if:

(a) all Obligations previously authenticated (other than any Obligations which have been mutilated, destroyed, lost or stolen and which have been replaced or paid as provided in any Related Supplement) and not cancelled are delivered to the Master Trustee for cancellation; or

(b) all Obligations not previously cancelled or delivered to the Master Trustee for cancellation are paid; or

(c) a deposit is made in trust with the Master Trustee (or with one or more banks, national banking associations or trust companies pursuant to one or more agreements between an Obligated Group Member and such national banking associations or trust companies) in cash or Government Obligations or both, sufficient to pay at maturity or upon redemption all Obligations not previously cancelled or delivered to the Master Trustee for cancellation, including principal and interest or other payments (including Financial Product Payments and Financial Product Extraordinary Payments) due or to become due to such date of maturity, redemption date or payment date, as the case may be;

and all other sums payable hereunder by the Obligated Group Members are also paid (or have been caused to be paid or there has been deposited with the Master Trustee moneys in sufficient amounts to pay such sums). The Master Trustee, on demand of the Credit Group Representative and at the cost and expense of the Obligated Group Members, shall execute proper instruments acknowledging satisfaction of and discharging this Master Indenture and authorizing the Credit Group Representative to file such terminations and releases as may be necessary to evidence the termination of the Master Trustee's security interest in the Gross Receivables. Unless the

deposit(s) pursuant to clause (c) above is made solely with cash, the Credit Group Representative shall cause a report to be prepared by a firm nationally recognized for providing verification services regarding the sufficiency of funds for such discharge and satisfaction provided pursuant to clause (c) above, upon which report the Master Trustee may rely.

The Obligated Group Members shall pay and indemnify the Master Trustee against any tax, fee or other charge imposed on or assessed against the Government Obligations deposited pursuant to this Section 7.01 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of Outstanding Obligations.

Section 7.02. Payment of Obligations After Discharge of Lien. Notwithstanding the discharge of the lien of this Master Indenture as provided in this Article, the Master Trustee shall retain such rights, powers and duties as may be necessary and convenient for the payment of amounts due or to become due on the Obligations and for the registration, transfer, exchange and replacement of Obligations. Any moneys held by the Master Trustee for the payment of the principal of, premium, if any, or interest or any other Required Payment on any Obligation remaining unclaimed for one year after the principal of all Obligations has become due and payable, whether at maturity, upon proceedings for redemption or by declaration as provided herein, shall then be paid to the Obligated Group Members. The Holders of any Obligations or coupons not previously presented for payment shall thereafter be entitled to look only to the Obligated Group Members for payment thereof as unsecured creditors and all liability of the Master Trustee with respect to such moneys shall thereupon cease.

ARTICLE VIII
MISCELLANEOUS PROVISIONS

Section 8.01. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Master Indenture or the Obligations is intended or shall be construed to give to any Person other than each Obligated Group Member, the Master Trustee, the Related Bonds Issuers and the Holders any legal or equitable right, remedy or claim under or with respect to this Master Indenture. This Master Indenture and all of the covenants, conditions and provisions hereof are intended to be and are for the sole and exclusive benefit of the parties mentioned in this Section.

Section 8.02. Severability. If any part of this Master Indenture is for any reason held invalid or unenforceable, no other part shall be invalidated or deemed unenforceable.

Section 8.03. Holidays. Except to the extent a Related Supplement or an Obligation provides otherwise:

(a) Subject to subsection (b), when any action is provided herein to be done on a day or within a time period named, and the day or the last day of the period falls on a day on which banking institutions in the jurisdiction where the Corporate Trust Office is located are authorized by law to remain closed, the action may be done on the next ensuing day that is not a day on which banking institutions in such jurisdiction are authorized by law to remain closed, with the same effect as if done on the day or within the time period named.

(b) When the date on which principal of or interest or premium on any Obligation is due and payable is a day on which banking institutions at the place of payment are authorized by law to remain closed, payment may be made on the next ensuing day on which banking institutions at such place are not authorized by law to remain closed with the same effect as if payment were made on the due date, and, if such payment is made, no interest shall accrue from and after such due date.

Section 8.04. Credit Enhancer Deemed Holder of Obligation. Except to the extent a Related Supplement or an Obligation provides otherwise, any credit enhancer of Related Bonds shall be deemed the Holder of the related Obligation for purposes of this Master Indenture for so long as the credit enhancement is in effect and the credit enhancer is not in default thereunder. If the credit enhancement is applicable to a portion of Related Bonds, such Related Obligation shall be treated as if such Related Obligation were two Obligations, one in the principal amount of the Related Bonds for which the credit enhancement is applicable and another in the principal amount of the remainder of the Related Bonds.

Section 8.05. Governing Law. This Master Indenture and the Obligations are contracts made under the laws of the State, and shall be governed by and construed in accordance with such laws applicable to contracts made and performed in said State.

Section 8.06. Counterparts; Electronic Signatures. This Master Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument. Each of the parties hereto agrees that the transaction consisting of this Master Indenture may be conducted by electronic means under the Uniform Electronic Transactions Act (California Civil Code section 1633.1 et seq.). Each party agrees, and acknowledges that it is such party's intent, that if such party signs this Master Indenture using an electronic signature, it is signing, adopting, and accepting this Master Indenture and that signing this Master Indenture using an electronic signature is the legal equivalent of having placed its handwritten signature on this Master Indenture on paper. Each party acknowledges that it is being provided with an electronic or paper copy of this Master Indenture in a usable format.

The words "execution", "signed", "signature", "delivery" and words of like import in or relating to this Master Indenture and/or any document, notice, instrument or certificate to be signed and/or delivered in connection with this Master Indenture and the transactions contemplated hereby shall be deemed to include Electronic Signatures (as defined below), electronic deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be. "Electronic Signatures" means any electronic symbol or process attached to, or associated with, any contract or other record and adopted by a person with the intent to sign, authenticate or accept such contract or record.

Section 8.07. Immunity of Individuals. No recourse shall be had for the payment of the principal of, premium, if any, or interest on any of the Obligations issued hereunder or for any claim based thereon or upon any obligation, covenant or agreement herein against any past, present or future officer, director, trustee, member, employee or agent of any Obligated Group Member, whether directly or indirectly. All liability of any such individual is hereby expressly

waived and released as a condition of and in consideration for the execution hereof and the issuance of the Obligations.

Section 8.08. Binding Effect. This instrument shall inure to the benefit of and shall be binding upon each Obligated Group Member, the Master Trustee and their respective successors and assigns, subject to the limitations contained herein.

Section 8.09. Notices.

(a) Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be in writing and shall be deemed sufficiently given or served if given: (i) by electronic mail with a copy of the communication delivered personally by hand, by overnight delivery service or by first class mail, postage prepaid; (ii) personally by hand; (iii) by overnight delivery service; or (iv) by first class mail, postage prepaid and addressed as follows:

(i) If to the Credit Group Representative, addressed to it at Cedars-Sinai Health System, 6500 Wilshire Boulevard, 24th Floor, Los Angeles, California 90048, Attention: Chief Financial Officer with a copy to the Chief Financial Officer of CSMC at the same address;

(ii) If to the Master Trustee, addressed to it at the Corporate Trust Office; or

(iii) If to the registered Holder of an Obligation, addressed to such Holder at the address shown on the books of the Master Trustee.

(b) The Credit Group Representative or the Master Trustee may from time to time designate a different address or addresses for notice by notice in writing to the others and to the Holders.

(c) All notices and other communications given hereunder shall be deemed given as of the date received.

Section 8.10. OFAC. The System covenants and represents that (i) neither it nor any of its affiliates, subsidiaries, directors or offices are the target or subject of any sanctions enforced by the U.S. Government (including, the Office of Foreign Assets Control of the U.S. Department of the Treasury ("**OFAC**")), the United Nations Security Council, the European Union, HM Treasury, or other relevant sanctions authority (collectively, "**Sanctions**"); and (ii) neither it nor any of its affiliates, subsidiaries, directors or officers will use any payments made pursuant to this Master Indenture (i) to fund or facilitate any activities of or business with any person who, at the time of such funding or facilitation, is the subject or target of Sanctions, (ii) to fund or facilitate any activities of or business with any country or territory that is the target or subject of Sanctions, or (iii) in any other manner that will result in a violation of Sanctions by any person.

Section 8.11. Acknowledgments of New Obligated Group Members. For the avoidance of doubt, each Obligated Group Member party hereto which was not a party to the Original Master Indenture hereby acknowledges that by its execution hereof (1) it has agreed to become a

Member of the Obligated Group and (2) it has agreed to be bound by the terms of this Master Indenture, all Related Supplements and all Obligations.

Section 8.12. Effective Date. This Master Indenture (and the amendment and restatement of the Original Master Indenture) shall become effective upon its execution and delivery on the Effective Date. The Existing Obligations are entitled to the benefits hereof while the same remain Outstanding.

[signature pages follow]

IN WITNESS WHEREOF, each Obligated Group Member referenced below has caused this Master Indenture to be signed in its name by its duly authorized representative, and to evidence its acceptance of the trusts and agreements hereby created, The Bank of New York Mellon Trust Company, N.A. has caused this Master Indenture to be signed in its name by one of its duly authorized representatives, all as of the day and year first above written.

CEDARS-SINAI HEALTH SYSTEM

By _____
Authorized Representative

CEDARS-SINAI MEDICAL CENTER

By _____
Authorized Representative

CFHS HOLDINGS, INC. (D/B/A CEDARS-SINAI MARINA DEL REY HOSPITAL)

By _____
Authorized Representative

TORRANCE MEMORIAL MEDICAL CENTER

By _____
Authorized Representative

PASADENA HOSPITAL ASSOCIATION, LTD.
(D/B/A HUNTINGTON HOSPITAL)

By _____
Authorized Representative

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Master Trustee

By _____
Authorized Representative

APPENDIX A TO MASTER INDENTURE
EXCLUDED PROPERTY

[None]

CEDARS-SINAI MEDICAL CENTER,
as Obligated Group Representative

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as successor Master Trustee

SUPPLEMENTAL MASTER INDENTURE FOR OBLIGATION NO. 17

Dated as of December 1, 2021

Supplementing the
Master Indenture of Trust
Dated as of September 15, 1997

Securing the
California Health Facilities Financing Authority Revenue Bonds
(Cedars-Sinai Health System), Series 2021A

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SUPPLEMENTAL MASTER INDENTURE FOR OBLIGATION NO. 17

THIS SUPPLEMENTAL MASTER INDENTURE FOR OBLIGATION NO. 17 dated as of December 1, 2021 ("Supplement No. 17"), between CEDARS-SINAI MEDICAL CENTER ("CSMC"), a California nonprofit public benefit corporation, as Obligated Group Representative, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (successor to The Bank of New York Mellon), a national banking association, as master trustee (the "Master Trustee"),

W I T N E S S E T H:

WHEREAS, CSMC and the Master Trustee are parties to the Master Indenture, dated as of September 15, 1997, as previously supplemented and amended in accordance with its terms (as so supplemented and amended, the "Original Master Indenture"), which provides for the issuance by CSMC, as Obligated Group Representative, of Obligations thereunder upon CSMC and the Master Trustee entering into an indenture supplemental to the Master Indenture;

WHEREAS, CSMC, as Obligated Group Representative, desires to issue an Obligation ("Obligation No. 17") hereunder to evidence the obligation arising from the loan to Cedars-Sinai Health System (the "System"), the sole corporate member of CSMC, by the California Health Facilities Financing Authority (the "Authority") of the proceeds of the Authority's Revenue Bonds (Cedars-Sinai Health System), Series 2021A;

WHEREAS, CSMC, as Obligated Group Representative, also desires to supplement, amend and restate the Original Master Indenture in the form of the Amended and Restated Master Indenture (as defined herein) attached to this Supplement No. 17 as Exhibit A;

WHEREAS, the amendments to the Original Master Indenture effected by the Amended and Restated Master Indenture are consistent with the provisions of Section 6.02(a) of the Original Master Indenture and are not amendments of the type described in subsections (1), (2) or (3) of Section 6.02(a) of the Original Master Indenture;

WHEREAS, pursuant to Section 12 hereof, (i) the Amended and Restated Master Indenture shall become effective on the Effective Date (as defined in the Amended and Restated Master Indenture), which will be the date of the issuance of Obligation No. 17, following the issuance of Obligation No. 17 and Obligation No. 18 (as defined herein), and (ii) the Bond Trustee (as defined herein) as Holder of Obligation No. 17 has been deemed to consent to such Amended and Restated Master Indenture and with such consent, and the deemed consent received by the Holder of Obligation No. 18, the consent of the Holders of not less than a majority in aggregate principal amount of Outstanding Obligations to the Amended and Restated Master Indenture will have been received;

WHEREAS, on the Effective Date, the System will become an Obligated Group Member under the Amended and Restated Master Indenture and will be appointed "Credit Group Representative" in accordance with the Amended and Restated Master Indenture (as defined herein) and CSMC and the Master Trustee agree that the actions requested or required of CSMC under this Supplement No. 17 and Obligation No. 17 will following the Effective Date be taken by the System instead of CSMC;

WHEREAS, all references herein to the Master Indenture shall upon such Effective Date, following the issuance of Obligation No. 17, be references to the Amended and Restated Master Indenture;

WHEREAS, all acts and things necessary to constitute this Supplement No. 17, a valid indenture and agreement according to its terms have been done and performed, and CSMC, as Obligated Group Representative, has duly authorized the execution and delivery hereof and of Obligation No. 17 issued hereby;

NOW, THEREFORE, in consideration of the premises, of the acceptance by the Master Trustee of the trusts hereby created, and of the giving of consideration for and acceptance of Obligation No. 17 issued hereunder by the Holder thereof, CSMC, as Obligated Group Representative, covenants and agrees with the Master Trustee for the benefit of the Holder from time to time of Obligation No. 17 issued hereby as follows:

Section 1. Definitions. Unless otherwise required by the context, all terms used herein that are defined in the Master Indenture shall have the meanings assigned to them therein, except as set forth below:

"Amended and Restated Master Indenture" means the Master Indenture, dated as of September 15, 1997, amended and restated as of December 1, 2021, and effective on the Effective Date, among the System, CSMC, the other Obligated Group Members from time to time named therein, and the Master Trustee, which amends and restates the Original Master Indenture, a form of which is attached as Exhibit A hereto.

"Authority" means the California Health Facilities Financing Authority, or its successor.

"Bond Indenture" means that certain bond indenture relating to the Bonds, dated as of December 1, 2021, between the Authority and the Bond Trustee, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

"Bond Trustee" means The Bank of New York Mellon Trust Company, N.A., a national banking association, and any successor to its duties or co-trustee under the Bond Indenture.

"Bonds" means the California Health Facilities Financing Authority Revenue Bonds (Cedars-Sinai Health System), Series 2021A.

"CSMC" means Cedars-Sinai Medical Center, a California nonprofit public benefit corporation, or any corporation that is the surviving, resulting or transferee corporation in any merger, consolidation or transfer of assets permitted under the Master Indenture.

"Effective Date" has the meaning given such term in the Amended and Restated Master Indenture.

"Loan Agreement" means that certain loan agreement relating to the Bonds, dated as of December 1, 2021, between the Authority and the System, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Bond Indenture.

"Master Indenture" means (i) prior to the Effective Date, the Original Master Indenture and (ii) on and after the Effective Date, the Amended and Restated Master Indenture, as it may from time to time be amended, supplemented, amended and restated or otherwise modified.

"Master Trustee" means The Bank of New York Mellon Trust Company, N.A. (successor to The Bank of New York Mellon), a national banking association, or any of its successors, as master trustee under the Master Indenture, and any co-trustee appointed pursuant to the Master Indenture.

"Obligation No. 17" means Obligation No. 17 issued pursuant hereto, as it may be amended and supplemented in accordance with the terms thereof.

"Obligation No. 18" means Obligation No. 18 issued pursuant to Supplement No. 18, as it may be amended and supplemented in accordance with the terms thereof.

"Original Master Indenture" means the Master Indenture, dated as of September 15, 1997, as previously supplemented and amended in accordance with its terms between CSMC and the Master Trustee, and as supplemented by this Supplement No. 17.

"Supplement No. 17" means this Supplemental Master Indenture for Obligation No. 17 as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

"Supplement No. 18" means Supplemental Master Indenture for Obligation No. 18, between CSMC and the Master Trustee, as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

"System" means Cedars-Sinai Health System, a California nonprofit public benefit corporation, together with its successors and assigns.

Section 2. Issuance of Obligation No. 17. There is hereby created and authorized to be issued an Obligation in an aggregate principal amount of [*par in words*] dollars ($[PAR]). This Obligation shall be dated as of December 1, 2021, shall be designated "Obligation No. 17" and shall be payable in such amounts, at such times and in such manner and shall have such other terms and provisions as are set forth in the form of Obligation No. 17 as provided in Section 11 hereof.

The aggregate principal amount of Obligation No. 17 is limited to [*par in words*] dollars ($[PAR]).

Section 3. Payments on Obligation No. 17; Credits.

(a) Principal of and interest and any applicable redemption premium on Obligation No. 17 are payable in any coin or currency of the United States of America that on the payment date is legal tender for the payment of public and private debts. Except as provided in subsection (c) of this Section with respect to credits, and Section 4 hereof regarding prepayment, payments of the principal of and premium, if any, and interest on Obligation No. 17 shall be made at the times and in the amounts by the Obligated Group Members depositing or causing to be deposited the same in immediately available funds with or to the account of the Bond Trustee at such times and in such amounts as payments shall become due or payable pursuant to Sections 5.03 and 5.04 of the Bond Indenture and Section 4.01 of the Loan Agreement equal to the amounts necessary for the Bond Trustee to make the transfers and deposits required by Sections 5.03 and 5.04 of the Bond Indenture and Section 4.01 of the Loan Agreement. All amounts required to be paid by the System pursuant to Section 4.05 of the Loan Agreement for the purpose of paying the Purchase Price of Bonds tendered for optional or mandatory purchase pursuant to the Bond Indenture shall be paid by the Members on Obligation No. 17 at such times and in such amounts as are required to be paid by the System pursuant to Section 4.05 of the Loan Agreement. All amounts required to be paid by the System pursuant to Section 4.02, Section 5.02 and Section 5.03 of the Loan Agreement shall be paid by the Members on Obligation No. 17 at such times and in such amounts as are required to be paid by the System pursuant to Section 4.02, Section 5.02 and Section 5.03 of the Loan Agreement. Subject to receipt by the Master Trustee from the Holder of Obligation No. 17 of notice to the contrary, the Master Trustee may conclusively assume that such payments have been made when due.

(b) Subject to the last sentence of this subsection (b), the Obligated Group Members shall receive credit for payment on Obligation No. 17, in addition to any credits resulting from payment or prepayment from other sources, as follows:

(i) On installments of interest on Obligation No. 17 in an amount equal to moneys deposited in the Interest Fund created under the Bond Indenture, which amounts are available to pay interest on the Bonds, to the extent such amounts have not previously been credited against payments on Obligation No. 17;

(ii) On installments of principal on Obligation No. 17 in an amount equal to moneys deposited in the Bond Sinking Fund created under the Bond Indenture, which amounts are available to pay principal on the Bonds, to the extent such amounts have not previously been credited against payments on Obligation No. 17;

(iii) On installments of principal and interest on Obligation No. 17 in an amount equal to the principal amount of Bonds for the payment at maturity or redemption of which sufficient amounts (as determined by Section 10.03 of the Bond Indenture) in cash or United States Government Obligations are on deposit as provided in Section 10.03 of the Bond Indenture to the extent such amounts have not previously been credited against such payments, and the interest on such Bonds from and after the date fixed for payment at maturity or redemption thereof. Such credits shall be made against the installments of principal and interest which would have been used, but for such call for redemption, to pay principal of and interest on such Bonds when due or called for mandatory redemption;

(iv) On installments of principal and interest on Obligation No. 17 in an amount equal to the principal amount of Bonds acquired by the Obligated Group Members and delivered to the Bond Trustee for cancellation or purchased by the Bond Trustee and cancelled, and the interest on such Bonds from and after the date interest thereon has been paid prior to cancellation. Such credits shall be made against the installments of principal and interest which would have been used, but for such cancellation, to pay principal of and interest on such Bonds when due, and with respect to Bonds called for mandatory redemption, against principal installments which would have been used to pay Bonds of the same date;

(v) on requirements to pay the Purchase Price, secured by Obligation No. 17, an amount equal to moneys deposited with the Bond Trustee by the System pursuant to Section 4.05 of the Loan Agreement; and

(vi) for payments in the amount equal to moneys paid to the Authority, the Bond Trustee or such other party as may be specified in Section 4.02, Section 5.02 and Section 5.03 of the Loan Agreement, as the case may be, by the System pursuant to Section 4.02, Section 5.02 and Section 5.03 of the Loan Agreement.

(c) Subject to the receipt by the Master Trustee from the Holder of Obligation No. 17 of notice that the foregoing payments were not made as and when due, the Master Trustee may conclusively assume that such payments were made and to such extent a corresponding credit on Obligation No. 17 shall be deemed to have occurred.

Section 4. Prepayment of Obligation No. 17.

(a) So long as all amounts that have become due under Obligation No. 17 have been paid, the Obligated Group Members shall have the right, at any time and from time to time, to pay in advance all or part of the amounts to become due under Obligation No. 17. Prepayments may be made by payments of cash, deposit of Qualified Investments (as defined in the Bond Indenture), or surrender of Bonds, as contemplated by the Loan Agreement. All such prepayments (and the additional payment of any amount necessary to pay the Redemption Price (as defined in the Bond Indenture) upon the redemption of Bonds) of Obligation No. 17 shall be deposited upon receipt at CSMC's direction in the Bond Sinking Fund or the Optional Redemption Fund created under the Bond Indenture (or in such other Bond Trustee escrow fund as may be specified by CSMC) and, at the request and as determined by CSMC, credited against payments due under Obligation No. 17 or used for the redemption or purchase of Outstanding (as defined in the Bond Indenture) Bonds in the manner and subject to the terms and conditions set forth in the Master Indenture, the Bond Indenture and the Loan Agreement. Notwithstanding any such redemption or surrender of Bonds, as long as any Bonds remain Outstanding (as defined in the Bond Indenture) or any additional payments required to be made hereunder remain unpaid, the Obligated Group shall not be relieved of its obligations hereunder.

(b) Prepayments made under subsection (a) of this Section shall be credited against amounts to become due on Obligation No. 17 as provided in Section 3 hereof.

Section 5. Registration, Number, Negotiability and Transfer of Obligation No. 17.

(a) The Master Trustee shall keep or cause to be kept at its Corporate Trust Office sufficient books for the registration of transfers of Obligation No. 17.

(b) Except as provided in subsection (c) of this Section, Obligation No. 17 shall consist of a single Obligation without coupons registered as to principal and interest in the name of the Bond Trustee and no transfer of Obligation No. 17 shall be registered under the Master Indenture except for transfers to a successor Bond Trustee.

(c) Upon the principal of all Obligations then Outstanding being declared immediately due and payable upon and during the continuance of an Event of Default, Obligation No. 17 may be transferred, if and to the extent the Bond Trustee requests that the restrictions of subsection (b) of this Section on transfers be terminated.

(d) Obligation No. 17 shall be registered on the register to be maintained by the Master Trustee as registrar for the Obligated Group Members for that purpose at the Corporate Trust Office of the Master Trustee and Obligation No. 17 shall be transferable only upon presentation of Obligation No. 17 at said office by the Holder or by his duly authorized attorney and subject to the limitations, if any, set forth in this Supplement No. 17. Such transfer shall be without charge to the Holder thereof, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the Holder requesting such transfer as a condition precedent to the exercise of such privilege. Upon any such transfer, CSMC shall execute and the Master Trustee shall authenticate and deliver in exchange for Obligation No. 17 a new registered Obligation without coupons, registered in the name of the transferee.

(e) Prior to due presentment of Obligation No. 17 for registration of transfer, the Obligated Group Members, the Master Trustee, any paying agent and any registrar with respect to Obligation No. 17 may deem and treat the Person in whose name Obligation No. 17 is registered as the absolute owner thereof for all purposes; and none of the Obligated Group Members, any paying agent, the Master Trustee nor any Obligation registrar shall be affected by any notice to the contrary. All payments made to the registered owner pursuant to Obligation No. 17 shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable on Obligation No. 17.

Section 6. Mutilation, Destruction, Loss and Theft of Obligation No. 17. If (i) Obligation No. 17 is surrendered to the Master Trustee in a mutilated condition, or CSMC and the Master Trustee receive evidence to their satisfaction of the destruction, loss or theft of Obligation No. 17, and (ii) there is delivered to CSMC and the Master Trustee such security or indemnity as may be required by them to hold them harmless, then, in the absence of proof satisfactory to CSMC and the Master Trustee that Obligation No. 17 has been acquired by a bona fide purchaser and upon the Holder's paying the reasonable expenses of the Obligated Group Members and the Master Trustee, CSMC shall cause to be executed and the Master Trustee shall authenticate and deliver, in exchange for such mutilated Obligation No. 17 or in lieu of such destroyed, lost or stolen Obligation No. 17, a new Obligation No. 17 of like principal amount, date and tenor. If any such

mutilated, destroyed, lost or stolen Obligation No. 17 has become or is about to become due and payable, Obligation No. 17 may be paid when due instead of delivering a new Obligation No. 17.

Section 7. Execution and Authentication of Obligation No. 17. Obligation No. 17 shall be executed for and on behalf of CSMC, as Obligated Group Representative, by an Authorized Representative of CSMC (and notwithstanding Section 2.04 of the Original Master Indenture, no attestation thereof by the secretary or assistant secretary of the Obligated Group Representative shall be required). The signature of any such officer may be mechanically or photographically reproduced on Obligation No. 17. If any officer whose signature appears on Obligation No. 17 ceases to be such officer before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such officer had remained in office until such delivery. Obligation No. 17 shall be manually authenticated by an authorized signatory of the Master Trustee, without which authentication Obligation No. 17 shall not be entitled to the benefits hereof.

Section 8. Right to Redeem. Obligation No. 17 shall be subject to redemption, in whole or in part, prior to maturity at the times and in the amounts applicable to redemption of the Bonds as specified in the Bond Indenture and in the manner provided herein; provided that in no event shall Obligation No. 17 be redeemed unless a corresponding amount of Bonds is redeemed in accordance with the terms and subject to the limitations contained in the Bond Indenture.

Section 9. Partial Redemption of Obligation No. 17. Upon the selection and call for redemption, and the surrender, of Obligation No. 17 for redemption in part only, CSMC shall cause to be executed and the Master Trustee shall authenticate and deliver to, upon the written order of, the Holder thereof, at the expense of the Obligated Group Members, a new Obligation No. 17 in principal amount equal to the unredeemed portion of Obligation No. 17, which new Obligation No. 17 shall be a fully registered Obligation without coupons.

CSMC may agree with the Holder of Obligation No. 17 that such Holder may, in lieu of surrendering the Obligation for a new fully registered Obligation without coupons, endorse on the Obligation a notice of such partial redemption, which notice shall set forth, over the signature of such Holder, the payment date, the principal amount redeemed and the principal amount remaining unpaid. Such partial redemption shall be valid upon payment of the amount thereof to the registered owner of Obligation No. 17 and the Obligated Group and the Master Trustee shall be fully released and discharged from all liability to the extent of such payment irrespective of whether such endorsement shall or shall not have been made upon the reverse of Obligation No. 17 by the Holder thereof and irrespective of any error or omission in such endorsement.

Section 10. Effect of Call for Redemption; Defeasance. On the date designated for redemption, Obligation No. 17, or the part thereof called for redemption, shall become and be due and payable at the redemption price provided for redemption of Obligation No. 17 or the part thereof called for redemption on such date. If, on the date fixed for redemption, moneys for payment of the redemption price and accrued interest are held by the Master Trustee or the Bond Trustee and credited pursuant to Section 3 and 4 hereof, interest on Obligation No. 17, or the part thereof called for redemption, shall cease to be entitled to any benefit or security under the Master Indenture except the right to receive payment from the moneys held by the Master Trustee or the

paying agents and the amount of Obligation No. 17 so called for redemption shall be deemed paid and no longer Outstanding.

Upon payment of a sum, in cash or United States Government Obligations (as defined in the Bond Indenture), or both, sufficient, together with any other cash and United States Government Obligations (as defined in the Bond Indenture) held by the Bond Trustee and available for such purpose, to cause all Outstanding (as defined in the Bond Indenture) Bonds to be deemed to have been paid within the meaning of Article X of the Bond Indenture and to pay all other amounts referred to in Article X of the Bond Indenture, accrued and to be accrued to the date of discharge of the Bond Indenture, Obligation No. 17 shall be deemed to have been paid and to be no longer Outstanding under the Master Indenture.

Section 11. Form of Obligation No. 17. Obligation No. 17 shall be in substantially the following form with such necessary and appropriate omissions, insertions and variations as are permitted or required hereby or by the Master Indenture and are approved by those officers executing such Obligation on behalf of CSMC and execution thereof by such officers shall constitute conclusive evidence of such approval.

[Form of Obligation No. 17]

OBLIGATION NO. 17

$[PAR]

KNOW ALL BY THESE PRESENTS that Cedars-Sinai Medical Center ("CSMC"), a nonprofit public benefit corporation organized and existing under the laws of the State of California, as Obligated Group Representative, for value received hereby acknowledges itself and each Member of the Obligated Group (as such terms are defined in the Master Indenture hereinafter defined) jointly and severally obligated to, and promises to pay to The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Bond Trustee"), under the bond indenture, dated as of December 1, 2021 (as it may from time to time be supplemented, modified or amended, the "Bond Indenture"), between the Bond Trustee and the California Health Facilities Financing Authority (the "Authority"), and any successor bond trustee under the Bond Indenture, or registered assigns, relating to the California Health Facilities Financing Authority Revenue Bonds (Cedars-Sinai Health System), Series 2021A (the "Bonds"), the principal sum of [*par in words*] dollars ($[PAR]), and to pay interest on the unpaid balance of said sum from the date hereof on the dates and in the manner hereinafter described.

This Obligation No. 17 is a single Obligation limited to [par in words] dollars ($[PAR]) in principal amount (except as provided in the Master Indenture hereinafter identified), designated as "Obligation No. 17" (as it may from time to time be supplemented, modified or amended, "Obligation No. 17" and, together with all other Obligations issued under the Master Indenture hereinafter identified, "Obligations"), issued under and pursuant to the Supplemental Master Indenture for Obligation No. 17, dated as of December 1, 2021 (as it may from time to time be supplemented, modified or amended, "Supplement No. 17"), supplementing and amending the Master Indenture, dated as of September 15, 1997 (as supplemented and amended to date, (the

"Original Master Indenture"), between CSMC and The Bank of New York Mellon Trust Company, N.A.), as successor master trustee (the "Master Trustee") (successor to The Bank of New York Mellon). The Original Master Indenture, as heretofore and hereafter supplemented and amended in accordance with its terms, including as of the Effective Date (as defined in Supplement No. 17) by the Amended and Restated Master Indenture (as defined in Supplement No. 17), is hereinafter called the "Master Indenture." The Holder by acceptance of this Obligation No. 17 shall be deemed to have consented to the Amended and Restated Master Indenture as further described in Supplement No. 17. Capitalized terms used herein shall have the meanings assigned to such terms in the Master Indenture.

Payments on this Obligation No. 17 are required to be made at the times and in the amounts set forth in Section 3(a) of Supplement No. 17.

The Obligated Group Members shall receive credit for payment on Obligation No. 17, in addition to any credits resulting from payment or prepayment from other sources, as described in Supplement No. 17.

Copies of the Master Indenture and Supplement No. 17 are on file at the Corporate Trust Office of the Master Trustee, and reference is hereby made to the Master Indenture for the provisions, among others, with respect to the nature and extent of the rights of the holders of Obligations issued under the Master Indenture, the terms and conditions upon which, and the purposes for which Obligations are to be issued and the rights, duties and obligations of the Obligated Group Members and the Master Trustee under the Master Indenture, to all of which the Holder hereof, by acceptance of this Obligation No. 17, assents.

The Master Indenture permits the issuance of additional Obligations under the Master Indenture to be secured by the provisions of the Master Indenture, all of which, regardless of the times of issue or maturity, are to be of equal rank without preference, priority or distinction of any Obligations issued under the Master Indenture over any other such Obligations except as expressly provided or permitted in the Master Indenture.

The Master Indenture permits this Obligation No. 17 to be replaced with a master indenture obligation under a replacement master indenture, pursuant to the terms and conditions set forth in the Master Indenture.

To the extent permitted by and as provided in the Master Indenture, modifications of or changes to the Master Indenture, of any indenture supplemental thereto, and of the rights and obligations of the Obligated Group Members and of the Holders of Obligations in any particular may be made by the execution and delivery of an indenture or indentures supplemental to the Master Indenture. Certain modifications or changes that would affect the rights of the Holders of this Obligation No. 17 may be made only with the consent of the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding under the Master Indenture; other modifications and changes may be made without the consent of any Holder and certain modifications and changes may only be made with the consent of all Holders affected thereby, all as set forth in the Master Indenture. Any such consent by the Holder of this Obligation No. 17 shall be conclusive and binding upon such Holder and all future Holders and owners hereof irrespective of whether or not any notation of such consent is made upon this Obligation No. 17.

In the manner and with the effect provided in Supplement No. 17, this Obligation No. 17 will be subject to redemption and prepayment prior to maturity at the times and in the amounts specified in the Bonds issued under the Bond Indenture.

Upon the occurrence of certain Events of Default, the principal of all Obligations then Outstanding may be declared, and thereupon shall become, due and payable as provided in the Master Indenture.

The Holder of this Obligation No. 17 shall have no right to enforce the provisions of the Master Indenture, or to institute any action to enforce the covenants therein, or to take any action with respect to any default under the Master Indenture, or to institute, appear in or defend any suit or other proceeding with respect to any default under the Master Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Master Indenture.

Obligation No. 17 is issuable only as a registered Obligation without coupons.

Unless the principal of all Obligations has been declared immediately due and payable, no transfer of this Obligation No. 17 shall be permitted except for transfers to a successor trustee under the Bond Indenture. This Obligation No. 17 shall be registered on the register to be maintained by the Master Trustee as registrar for the Obligated Group Members for that purpose at the Corporate Trust Office of the Master Trustee and this Obligation No. 17 shall be transferable only upon presentation of this Obligation No. 17 at said office by the Holder or by his duly authorized attorney and subject to the limitations, if any, set forth in Supplement No. 17. Such transfer shall be without charge to the Holder hereof, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the Holder requesting such transfer as a condition precedent to the exercise of such privilege. Upon any such transfer, CSMC shall execute and the Master Trustee shall authenticate and deliver in exchange for this Obligation No. 17 a new registered Obligation without coupons, registered in the name of the transferee.

Prior to due presentment hereof for registration of transfer, the Obligated Group Members, the Master Trustee, any paying agent and any registrar with respect to this Obligation No. 17 may deem and treat the person in whose name this Obligation No. 17 is registered as the absolute owner hereof for all purposes; and none of the Obligated Group Members, any paying agent, the Master Trustee nor any Obligation registrar shall be affected by any notice to the contrary. All payments made to the registered owner hereof shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable on this Obligation No. 17.

No covenant or agreement contained in this Obligation No. 17 or the Master Indenture shall be deemed to be a covenant or agreement of any officer, agent or employee of any Obligated Group Member or of the Master Trustee in its individual capacity, and no agent, employee, officer or member of the governing board of any Obligated Group Member shall be liable personally on this Obligation No. 17 or be subject to any personal liability or accountability by reason of the issuance of this Obligation No. 17.

This Obligation No. 17 shall not be entitled to any benefit under the Master Indenture, or be valid or become obligatory for any purpose, until this Obligation No. 17 shall have been manually authenticated by the execution by an authorized signatory of the Master Trustee, or its successor as Master Trustee, of the Certificate of Authentication inscribed hereon.

This Obligation No. 17 shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, CSMC, as Obligated Group Representative, has caused this Obligation No. 17 to be executed in its name and on its behalf by the signature of its Authorized Representatives all as of December 1, 2021.

CEDARS-SINAI MEDICAL CENTER,
as Obligated Group Representative

By: _____
[*title*]

By: _____
[*title*]

MASTER TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Obligation No. 17 is one of the Obligations described in the within mentioned Master Indenture.

Dated: December 1, 2021.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Master Trustee

By:_____
Authorized Signatory

Section 12. Amended and Restated Master Indenture. (a) The Master Trustee acknowledges that the Bond Trustee, as Holder of Obligation No. 17, by acceptance thereof, shall be deemed to have consented to the amendment and restatement of the Original Master Indenture by the Amended and Restated Master Indenture.

(b) Section 6.02(a) of the Original Master Indenture provides that the Obligated Group Representative (acting for itself and as agent for each Member) and the Master Trustee may, with the consent of the Holders of not less than a majority in aggregate principal amount of the Outstanding Obligations, enter into Related Supplements as deemed necessary or desirable for the purpose of modifying, altering, amending, adding to or rescinding any of the terms contained in the Original Master Indenture (except the provisions described in clauses (1)-(3), inclusive, of Section 6.02(a) of the Original Master Indenture), upon compliance with the conditions stated in Section 6.02(b) of the Original Master Indenture. The Obligated Group Representative confirms it has delivered the documents and opinions required by Section 6.02(b) and Section 6.03 of the Original Master Indenture to the Master Trustee and the Master Trustee by the execution of this Supplement No. 17 and Supplement No. 18 executed simultaneously herewith, confirms receipt of such documents and opinions. Therefore, in accordance with Section 6.02 of the Original Master Indenture, the Amended and Restated Master Indenture shall become effective on the Effective Date, which is the date hereof, following the issuance of Obligation No. 17 and Obligation No. 18. CSMC and the Master Trustee hereby agree that the Amended and Restated Master Indenture shall become effective on the Effective Date without further action on the part of the Members or the Master Trustee, other than the execution of the Amended and Restated Master Indenture by the parties thereto.

(c) By their purchase of the Bonds, the original purchasers and all subsequent holders of the Bonds and the beneficial owners of the Bonds (i) irrevocably consent to, and shall be deemed to have irrevocably consented to, and have approved, the Amended and Restated Master Indenture on the Effective Date, (ii) pursuant to such consent, irrevocably direct the Bond Trustee (as Holder of Obligation No. 17) to consent to the Amended and Restated Master Indenture, and (iii) waive, and be deemed to have waived, and consented to the waiver by the Bond Trustee (as Holder of Obligation No. 17) of, any and all other formal notice, implementation, execution or timing requirements that may otherwise be required under the Original Master Indenture in order

to implement the Amended and Restated Master Indenture. Any such consent and waiver will be effective on the date of issuance of the Bonds, will be binding on any subsequent purchaser of any Bonds and the beneficial owners of the Bonds, and may not be revoked after the issuance of the Bonds.

(d) On the Effective Date, the System, CFHS Holdings, Inc. (d/b/a Cedars-Sinai Marina del Rey Hospital) ("CSMDR"), Torrance Memorial Medical Center ("TMMC"), and Pasadena Hospital Association, Ltd. (d/b/a Huntington Hospital) ("Huntington") will all become Obligated Group Members under the Amended and Restated Master Indenture, along with CSMC. The Master Trustee hereby confirms that it has received all documents, certificates and opinions required by Section 3.08 of the Original Master Indenture for the addition of the System, CSMDR, TMMC and Huntington to the Obligated Group under the Amended and Restated Master Indenture.

(e) On the Effective Date, the System will become an Obligated Group Member under the Amended and Restated Master Indenture and will be appointed "Credit Group Representative" in accordance with the Amended and Restated Master Indenture (as defined herein) and CSMC and the Master Trustee agree that the actions requested or required of CSMC under this Supplement No. 17 and Obligation No. 17 will following the Effective Date be taken by the System instead of CSMC.

Section 13. Specification of Purpose of Issue. Obligation No. 17 is being issued to evidence the Obligated Group Members' obligations to ensure performance of the obligations of the System arising under the Loan Agreement. The proceeds from the issuance of the Bonds under the Bond Indenture shall be used for the purposes described in the Bond Indenture and Loan Agreement.

Section 14. Ratification of Original Master Indenture. As supplemented hereby, the Original Master Indenture is in all respects ratified and confirmed and the Master Indenture as so supplemented hereby shall be read, taken and construed as one and the same instrument.

Section 15. Severability. If any provision of this Supplement No. 17 shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case and in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases, because it conflicts with any other provision or provisions hereof or any constitution, statute, rule or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

Section 16. Counterparts. This Supplement No. 17 may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 17. Electronic Signatures. Each of the parties hereto agrees that the transaction consisting of this Supplement No. 17 may be conducted by electronic means under the Uniform Electronic Transactions Act (California Civil Code section 1633.1 et seq.) and California Government Code section 16.5. Each party agrees, and acknowledges that it is such party's intent,

that if such party signs this Supplement No. 17 using an electronic signature, it is signing, adopting, and accepting this Supplement No. 17 and that signing this Supplement No. 17 using an electronic signature is the legal equivalent of having placed its handwritten signature on this Supplement No. 17 on paper. Each party acknowledges that it is being provided with an electronic or paper copy of this Supplement No. 17 in a usable format.

Section 18. Governing Law. This Supplement No. 17 shall be governed by and construed in accordance with the laws of the State of California.

Section 19. Not Responsible for Recitals or Issuance of Obligation No. 17. The recitals contained herein and in Obligation No. 17, except the Master Trustee's certificate of authentication, shall be taken as the statements of CSMC, and the Master Trustee assumes no responsibility for their correctness. The Master Trustee makes no representations as to the validity or sufficiency of this Supplement No. 17 or of Obligation No. 17. The Master Trustee shall not be accountable for the use or application by CSMC of Obligation No. 17 or the proceeds thereof.

IN WITNESS WHEREOF, CSMC has caused these presents to be signed in its name and on its behalf by its duly Authorized Representatives and to evidence its acceptance of the trusts hereby created the Master Trustee has caused these presents to be signed in its name and on its behalf by its duly authorized officer, all as of the day and year first above written.

CEDARS-SINAI MEDICAL CENTER,
as Obligated Group Representative

By: _____
[*name*]
[*title*]

By: _____
[*name*]
[*title*]

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as successor Master Trustee

By: _____
Authorized Signatory

EXHIBIT A

FORM OF AMENDED AND RESTATED MASTER INDENTURE

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