DAC Bond

NEW ISSUE: Book-Entry Only

Ratings: Standard & Poor's: A
Moody's: A2
See "BOND RATINGS" herein

*In the opinion of Spilman Thomas & Battle, PLLC, 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 2017 A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is of the further opinion that interest on the 2017 A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum tax. In addition, under the Act (as defined herein), the 2017 A Bonds and all interest and income thereon, shall be exempt from all taxation by the State of West Virginia or by any county, municipality, political subdivision or agency thereof, except inheritance taxes. For a more complete description of such opinions of Bond Counsel, see "**TAX MATTERS**" herein.*

WVU Medicine
WEST VIRGINIA UNIVERSITY HEALTH SYSTEM

$185,320,000
WEST VIRGINIA HOSPITAL FINANCE AUTHORITY
HOSPITAL REVENUE IMPROVEMENT BONDS
(WEST VIRGINIA UNIVERSITY HEALTH SYSTEM OBLIGATED GROUP)
2017 SERIES A

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

The $185,320,000 West Virginia Hospital Finance Authority Hospital Revenue Improvement Bonds (West Virginia University Health System Obligated Group) 2017 Series A (the "2017 A Bonds") are being issued by the West Virginia Hospital Finance Authority (the "Issuer") under a Bond Indenture (the "Bond Indenture") between the Issuer and The Bank of New York Mellon, as bond trustee (the "Bond Trustee"). The proceeds of the 2017 A Bonds will be loaned by the Issuer to West Virginia United Health System, Inc. d/b/a West Virginia University Health System, as obligated group agent (the "Obligated Group Agent") on behalf of the Obligated Group (as defined herein), to be used, together with other available funds, for the purposes set forth in "**INTRODUCTION – The 2017 A Bonds**."

The 2017 A Bonds, when issued, will be registered initially only in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2017 A Bonds. Purchasers of the 2017 A Bonds will not receive certificates representing their interests in the 2017 A Bonds purchased. Purchases of the 2017 A Bonds will be made in book-entry form, in the denomination of $5,000 and any integral multiple thereof. Principal of, premium, if any, and interest on the 2017 A Bonds will be paid by the Bond Trustee to DTC, which in turn will remit such principal, premium, if any, and interest payments to its participants for subsequent disbursement to the beneficial owners of 2017 A Bonds. As long as Cede & Co. is the registered owner and nominee of DTC, disbursement of payments shall be the responsibility of DTC and its participants. See "**BOOK-ENTRY ONLY SYSTEM**" herein.

Interest on the 2017 A Bonds will be payable on June 1, 2017 and semi-annually thereafter on each June 1 and December 1. The 2017 A Bonds are subject to optional redemption and mandatory redemption prior to their maturity dates in the manner set forth herein.

THE 2017 A BONDS ARE SUBJECT TO CERTAIN RISKS. SEE "BONDHOLDERS' RISKS" HEREIN.

The 2017 A Bonds are secured under the provisions of the Bond Indenture and the Master Indenture (as defined herein) and are payable solely from the Trust Estate (as defined herein). The sources of payment of, and security for, the 2017 A Bonds are more fully described in this Official Statement.

BY VIRTUE OF THE OBLIGATIONS OF THE OBLIGATED GROUP UNDER THE MASTER INDENTURE, THE 2017 A BONDS ARE ON PARITY WITH CERTAIN OTHER OBLIGATIONS OF THE OBLIGATED GROUP AS TO LIEN ON GROSS RECEIPTS AND SOURCES OF PAYMENT. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE 2017 A BONDS – OTHER LONG-TERM INDEBTEDNESS OF THE OBLIGATED GROUP" HEREIN. THE 2017 A BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE FROM AND SECURED BY THE TRUST ESTATE HELD BY THE BOND TRUSTEE UNDER THE BOND INDENTURE, INCLUDING PAYMENTS MADE BY THE OBLIGATED GROUP PURSUANT TO THE 2017-1 NOTE AND THE LOAN AGREEMENT. THE 2017 A BONDS SHALL NOT CONSTITUTE A DEBT OR PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OF WEST VIRGINIA OR OF ANY COUNTY, MUNICIPALITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF WEST VIRGINIA, AND THE OWNERS THEREOF SHALL HAVE NO RIGHT TO HAVE TAXES LEVIED BY THE LEGISLATURE OR THE TAXING AUTHORITY OF ANY COUNTY, MUNICIPALITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF WEST VIRGINIA FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR INTEREST THEREON, BUT THE 2017 A BONDS SHALL BE PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED THEREFOR UNDER THE BOND INDENTURE. THE ISSUER HAS NO TAXING POWER.

The 2017 A Bonds are offered when, as and if issued by the Issuer and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and to the approving legal opinion of Spilman Thomas & Battle, PLLC, Charleston, West Virginia, Bond Counsel. Certain legal matters will be passed upon by Bowles Rice LLP, Charleston, West Virginia, as counsel to the Issuer, Robert J. O'Neil, Esq., as General Counsel for the Obligated Group, Jackson Kelly PLLC, Charleston, West Virginia, as counsel for the Underwriters and Spilman Thomas & Battle, PLLC, as disclosure counsel for the Obligated Group. It is expected that the 2017 A Bonds will be available for book-entry delivery to DTC in New York, New York, on or about March 22, 2017.

BofA Merrill Lynch **Wells Fargo Securities**

Fifth Third Securities **TD Securities**

March 8, 2017

$185,320,000
WEST VIRGINIA HOSPITAL FINANCE AUTHORITY
HOSPITAL REVENUE IMPROVEMENT BONDS
(West Virginia University Health System Obligated Group)
2017 Series A

MATURITIES, AMOUNTS, INTEREST RATES, PRICES, YIELDS & CUSIPS[1]

$46,135,000 SERIAL BONDS

Maturity Year (June 1)	Principal Amount ($)	Interest Rate	Yield	Price	CUSIP
2027	1,245,000	5.000%	3.330%	114.327	956622M35
2028	1,445,000	5.000%	3.440%	113.310*	956622M43
2029	1,410,000	3.375%	3.560%	98.179	956622M50
2030	1,350,000	5.000%	3.620%	111.669*	956622M68
2031	5,155,000	5.000%	3.670%	111.218*	956622M76
2032	5,135,000	5.000%	3.750%	110.501*	956622M84
2033	5,175,000	5.000%	3.830%	109.790*	956622M92
2034	5,845,000	5.000%	3.910%	109.084*	956622N26
2035	6,595,000	5.000%	3.960%	108.646*	956622N34
2036	6,275,000	5.000%	4.010%	108.210*	956622N42
2037	6,505,000	4.000%	4.150%	97.957	956622N59

$31,665,000 5.000% Term Bond Due on June 1, 2042 priced to Yield 4.090%, Price 107.516*
CUSIP No. 956622N67
$57,515,000 4.250% Term Bond Due on June 1, 2047 priced to Yield 4.400%, Price 97.501
CUSIP No. 956622N75
$50,005,000 5.000% Term Bond Due on June 1, 2047 priced to Yield 4.140%, Price 107.085*
CUSIP No. 956622N83

* Priced to the first optional redemption date of June 1, 2027.

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

This Official Statement does not constitute an offer to sell the 2017 A Bonds or the solicitation of an offer to buy, nor shall there be any sale of the 2017 A Bonds by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such state or jurisdiction. No dealer, salesman or any other person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the 2017 A Bonds and, if given or made, such information or representation must not be relied upon.

The information set forth herein has been obtained from the Issuer, the Obligated Group and other sources which are believed to be reliable, but the Underwriters do not guarantee the accuracy or completeness of the information, and the information is not to be construed or relied upon as a representation or promise by the Underwriters. The information and expressions of opinions herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

The prices and other terms respecting the offering and sale of the 2017 A Bonds may be changed from time to time by the Underwriters after the 2017 A Bonds are released for sale, and the 2017 A Bonds may be offered and sold at prices other than the initial offering prices, including to dealers who may sell the 2017 A Bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE 2017 A BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2017 A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY, OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE 2017 A BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

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

THE 2017 A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES LAWS, AND THE BOND INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, BECAUSE OF AVAILABLE EXEMPTIONS THEREFROM. THE 2017 A BONDS HAVE NOT BEEN APPROVED, DISAPPROVED, ENDORSED, OR RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, NO INDEPENDENT PERSON HAS CONFIRMED THE ACCURACY OR TRUTHFULNESS OF THIS DISCLOSURE, NOR WHETHER IT IS COMPLETE. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE. PROSPECTIVE PURCHASERS SHOULD MAKE THEIR OWN DECISION WHETHER THIS OFFERING MEETS THEIR INVESTMENT OBJECTIVES AND RISK TOLERANCE LEVEL.

This Official Statement speaks only as of the date printed on the cover page hereof. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstance, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof in any of the information set forth herein since the date hereof or the date as of which particular information was given, if earlier. This Official Statement will be made available through the Electronic Municipal Market Access System, which is the sole Nationally Recognized Municipal Securities Information Repository under the Securities Exchange Commission Rule 15c2-12 ("Rule 15c2-12").

This Official Statement contains statements that are "forward-looking" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "intend" and "expect" and similar expressions are intended to identify forward-looking statements. The forward-looking statements herein are necessarily based on various assumptions and estimates, and are inherently subject to various risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social, and economic conditions, regulatory initiatives, competition and compliance with government regulations, litigation, and various other events, conditions and circumstances, many of which are beyond the control of the Issuer and the Obligated Group.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Issuer and the Obligated Group on the date hereof. The Issuer and the Obligated Group disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's or the Obligated Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

References to web site addresses presented 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 part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12.

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OFFICIAL STATEMENT

$185,320,000
WEST VIRGINIA HOSPITAL FINANCE AUTHORITY
HOSPITAL REVENUE IMPROVEMENT BONDS
(West Virginia University Health System Obligated Group)
2017 Series A

INTRODUCTION

The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement. Capitalized terms used but not otherwise defined in this Official Statement are defined in **APPENDIX C – DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS**. The descriptions and summaries of various documents set forth herein do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document.

Purpose of this Official Statement

The purpose of this Official Statement, including the cover page and the appendices hereto, is to set forth certain information in connection with the offering by the West Virginia Hospital Finance Authority (the "Issuer") of its $185,320,000 Hospital Revenue Improvement Bonds (West Virginia University Health System Obligated Group) 2017 Series A (the "2017 A Bonds"). The 2017 A Bonds will be issued pursuant to a Bond Indenture dated as of March 1, 2017 (the "Bond Indenture"), between the Issuer and The Bank of New York Mellon, as bond trustee (the "Bond Trustee").

The Issuer

The Issuer is a public body corporate and governmental instrumentality of the State of West Virginia (the "State") and is authorized by Article 29A, Chapter 16 of the Code of West Virginia, 1931, as amended (the "Act"), to provide hospitals with appropriate means to maintain, expand, enlarge and establish healthcare, hospital and other related facilities and to provide hospitals with the ability to finance or refinance indebtedness pursuant to a hospital loan program as provided in the Act. See **"THE ISSUER"** herein for additional information regarding the Issuer.

The Obligated Group

West Virginia United Health System, Inc. d/b/a West Virginia University Health System ("WVUHS") is a West Virginia nonprofit corporation and the parent corporation of a healthcare system that operates hospitals and other healthcare facilities and engages in other health-care related activities (collectively, the "System"). The members of the Obligated Group on the date of delivery of the 2017 A Bonds are (i) West Virginia University Hospitals, Inc. ("WVUH"), (ii) United Hospital Center, Inc. ("UHC"), (iii) City Hospital, Inc. d/b/a Berkeley Medical Center ("Berkeley Medical"), (iv) The Charles Town General Hospital d/b/a Jefferson Medical Center ("Jefferson Medical"), (v) University Healthcare Foundation, Inc. ("UHF"), (vi) Camden-Clark Memorial Hospital Corporation d/b/a CamdenClark Medical Center ("CCMC") and (vii) WVUHS (each, a "Member," and collectively, the "Obligated Group"). Each Member is (i) a West Virginia nonprofit corporation, (ii) exempt from federal income taxation under Section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code"), as organizations described in Section 501(c)(3) of the Code, and (iii) except for UHF and WVUHS, a "hospital" as defined in the Act. See **"THE OBLIGATED GROUP"** herein for additional information.

The 2017 A Bonds

The 2017 A Bonds are being issued pursuant to the Act. The 2017 A Bonds are being issued pursuant to a Resolution adopted by the Issuer on February 15, 2017. The 2017 A Bonds will be issued under and secured by the Bond Indenture.

The 2017 A Bonds will be issued by the Issuer in an aggregate principal amount of $185,320,000, the proceeds of which will be loaned to the Obligated Group Agent (as hereinafter defined) and used for the benefit of WVUH and UHC, together with other available funds, to: (i) (a) complete the construction and equipping of the 10-story bed tower addition (the "SouthEast Tower") to WVUH's existing J.W. Ruby Memorial Hospital, (b) construct and equip the Heart and Vascular Institute located in the SouthEast Tower, anticipated to consist of three open heart surgery suites, three hybrid vascular surgery suites, four cardiac catheterization suites, clinic/exam rooms, and administrative offices, (c) construct, equip, and/or expand existing space at J.W. Ruby Memorial Hospital, anticipated to include patient rooms, materials management, cafeteria and/or operating rooms, and (d) acquire, construct and equip UHC's new Outpatient Ambulatory Center (collectively, the "Projects"); and (ii) pay the costs of issuing the 2017 A Bonds. All of such uses are permitted by the Act.

A description of the estimated sources and uses of funds in connection with the issuance of the 2017 A Bonds is set forth herein under **"PLAN OF FINANCING."** A description of the 2017 A Bonds is set forth herein under **"THE 2017 A BONDS."** All references to the 2017 A Bonds are qualified in their entirety by the definitive form of the 2017 A Bonds and the provisions with respect to the 2017 A Bonds included in the Bond Indenture.

Documents

The Obligated Group entered into an Amended and Restated Master Trust Indenture dated as of August 1, 2003 (as amended, restated, supplemented or otherwise modified, the "Master Indenture") with The Huntington National Bank, as master trustee (the "Master Trustee"). WVUHS serves as Obligated Group Agent (as defined in the Master Indenture) pursuant to Supplemental Master Trust Indenture 2017-1 dated as of February 23, 2017, by and between the Obligated Group and the Master Trustee. In connection with the issuance of the 2017 A Bonds, the Master Indenture will be supplemented by Supplemental Master Trust Indenture 2017-2 dated as of March 1, 2017, by and between the Obligated Group Agent and the Master Trustee ("Supplemental Indenture 2017-2"). The Obligated Group entered into the Master Indenture in order to be able to issue "Obligations" of several series to secure the financing, refinancing, or guarantee of the acquisition, construction, or improvement of healthcare facilities of the Obligated Group and for other lawful purposes. Pursuant to the Master Indenture, Obligations may be issued by the Obligated Group that are equally and ratably secured by the lien granted pursuant to the Master Indenture. Although Obligations under the Master Indenture may be issued in forms other than promissory notes, all of the Obligations issued under the Master Indenture to date and being issued under the Master Indenture in connection with the 2017 A Bonds have been promissory notes. Promissory notes issued under the Master Indenture are referred to herein as the "Notes," and obligations, including the Notes, issued under the Master Indenture are referred to as the "Obligations."

In connection with the issuance and delivery of the 2017 A Bonds, the Obligated Group Agent will become a party to a Loan Agreement to be dated as of the date of closing (the "Loan Agreement"), with the Issuer, pursuant to which the Obligated Group Agent shall deliver to the Issuer concurrently with the delivery of the 2017 A Bonds its promissory note (the "2017-1 Note"), evidencing the Obligated Group's joint and several obligation to make payments in amounts sufficient to pay the 2017 A Bonds. The 2017 A Bonds are payable solely from and are secured by a grant of a security interest in and an assignment and pledge to the Bond Trustee of the following (collectively, the "Trust Estate"): (a) all right,

title and interest of the Issuer in and to the 2017-1 Note pledged and assigned under the Bond Indenture for the payment of the 2017 A Bonds and all sums payable in respect of the indebtedness secured thereby; (b) all right, title and interest of the Issuer in and to the Loan Agreement (other than the right to indemnification, reimbursement and payment of its fees and expenses, to receive notices and to grant approvals, consents and waivers, if any, which are specifically retained by the Issuer (the "Unassigned Rights")); and (c) any and all other property of every kind and nature from time to time hereafter, by delivery or by writing of any kind conveyed, pledged, assigned or transferred as and for additional security under the Bond Indenture by the Issuer or the Obligated Group or by anyone on their behalf to the Bond Trustee, including, without limitation, funds of the Obligated Group held by the Bond Trustee as security for the 2017 A Bonds, specifically excluding however the Unassigned Rights and amounts held in the Rebate Fund established under the Bond Indenture. The 2017-1 Note and Loan Agreement are being issued, executed and delivered pursuant to (i) Resolutions adopted by Berkeley Medical and Jefferson Medical on February 6, 2017, (ii) a Resolution adopted by UHC on February 7, 2017, (iii) a Resolution adopted by WVUH on February 8, 2017, (iv) a Resolution adopted by CCMC and UHF on February 9, 2017, and (v) a Resolution adopted by WVUHS on February 22, 2017, each approving the issuance of the 2017-1 Note and the Loan Agreement

See **APPENDIX C – DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS** hereto.

Security and Sources of Payment for the 2017 A Bonds

As described above, the 2017 A Bonds are special, limited obligations of the Issuer, payable from and secured by the Trust Estate held by the Bond Trustee under the Bond Indenture, including payments made by the Obligated Group pursuant to the 2017-1 Note and the Loan Agreement. Payments on the 2017-1 Note, in the aggregate, are required to be in an amount sufficient to pay in full, when due, the aggregate principal of, premium, if any, and interest on the 2017 A Bonds to their respective dates of maturity or earlier redemption. The 2017-1 Note will be issued under the Master Indenture, as supplemented by Supplemental Indenture 2017-2.

THE 2017 A BONDS SHALL NOT CONSTITUTE A DEBT OR PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OR OF ANY COUNTY, MUNICIPALITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE, AND THE OWNERS THEREOF SHALL HAVE NO RIGHT TO HAVE TAXES LEVIED BY THE LEGISLATURE OR THE TAXING AUTHORITY OF ANY COUNTY, MUNICIPALITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR INTEREST THEREON, BUT THE 2017 A BONDS SHALL BE PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED THEREFOR UNDER THE BOND INDENTURE. THE ISSUER HAS NO TAXING POWER. See **"SECURITY AND SOURCES OF PAYMENT FOR THE 2017 A BONDS"** herein.

Bondholders' Risks

There are certain risks involved in the purchase of the 2017 A Bonds. See **"BONDHOLDERS' RISKS"** herein.

Independent Auditors

The consolidated financial statements of the System as of and for the years ended December 31, 2014 and December 31, 2015 included in this Official Statement have been audited by Baker Tilly Virchow Krause, LLP, independent auditors, as stated in their report appearing in **APPENDIX B**. See

APPENDIX B – CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATING SUPPLEMENTARY INFORMATION OF WEST VIRGINIA UNITED HEALTH SYSTEM, INC. AND CONTROLLED ENTITIES AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014.

Continuing Disclosure

The Obligated Group Agent will enter into a Continuing Disclosure Agreement dated as of the date of closing (the "Continuing Disclosure Agreement") in accordance with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to which the Obligated Group Agent will agree to provide disclosure of certain financial and operating information on an ongoing basis. Such information will include (a) audited annual financial statements of the Obligated Group and (b) notice of the occurrence of certain specified events. Digital Assurance Certification, L.L.C. ("DAC") serves as the dissemination agent on behalf of the Obligated Group. See **"CONTINUING DISCLOSURE"** herein for additional information. The form of the Continuing Disclosure Agreement is set forth in **APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT**.

THE ISSUER

The Issuer was established by the Act in 1984 as a body corporate and a governmental instrumentality of the State. The Issuer commenced operations in 1985. The Issuer is authorized by the Act to provide hospitals with appropriate means to maintain, expand, enlarge, and establish healthcare, hospital, and other related facilities and to provide hospitals with the ability to finance or refinance indebtedness pursuant to a hospital loan program as provided in the Act. The Issuer's offices are located currently at 322 70th Street SE, Charleston, WV 25304, and its telephone number is (304) 558-0549.

The Issuer is controlled, managed, and operated by the West Virginia Hospital Finance Board (the "Board"). The Board is composed of seven members, including two ex-officio members, the Secretary of the State Department of Health and Human Resources and the Treasurer of the State. The remaining five members of the Board are appointed by the Governor with the advice and consent of the State Senate and serve terms of six years. Appointed Board members may be reappointed to serve additional terms. No more than three of the appointed Board members may, at any time, belong to the same political party. The Board annually elects one of its appointed members as Chairman and another as Vice Chairman and appoints a Secretary-Treasurer who need not be a member of the Board.

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Appointed Members	Occupation	Term Expires
James R. Christie, Chairman	Attorney	January 9, 2020
Jack H. Hartley, Vice Chairman	Retired	January 9, 2019
J. Gordon Roop	Insurance Agent	January 9, 2018
Geraldine Roberts	Attorney	January 9, 2017*
David L. Williams	Registered Investment Advisor	January 9, 2021
Ex Officio Members		
Bill J. Crouch	Secretary, West Virginia Department of Health and Human Resources (represented by Tara Bucker)	
Honorable John D. Perdue	State Treasurer (represented by Bryan Archer)	
Secretary-Treasurer		
Sarah B. Hamrick	Elected by Board	

*Serves until successor is appointed.

The Issuer is empowered to employ officers, agents, employees, and advisors, including an Executive Director of the Issuer appointed by the Board. The Executive Director position is currently vacant. Sarah B. Hamrick serves as Secretary-Treasurer of the Board and Administrative Assistant of the Issuer. Pursuant to the Act, the ex-officio members may be represented by deputies designated by them.

THE 2017 A BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE FROM AND SECURED BY THE TRUST ESTATE HELD BY THE BOND TRUSTEE UNDER THE BOND INDENTURE, INCLUDING PAYMENTS MADE BY THE OBLIGATED GROUP PURSUANT TO THE 2017-1 NOTE AND THE LOAN AGREEMENT. THE 2017 A BONDS SHALL NOT CONSTITUTE A DEBT OR PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OR OF ANY COUNTY, MUNICIPALITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE, AND THE OWNERS THEREOF SHALL HAVE NO RIGHT TO HAVE TAXES LEVIED BY THE LEGISLATURE OR THE TAXING AUTHORITY OF ANY COUNTY, MUNICIPALITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR INTEREST THEREON, BUT THE 2017 A BONDS SHALL BE PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED THEREFOR UNDER THE BOND INDENTURE. THE ISSUER HAS NO TAXING POWER.

The Issuer's financial condition is not material to an investment in the 2017 A Bonds and, accordingly, information regarding the Issuer's financial condition is not being provided.

PLAN OF FINANCING

The proceeds of the 2017 A Bonds will be loaned by the Issuer to the Obligated Group Agent and used by the Obligated Group, together with other available funds, to: (i) (a) complete the construction and equipping of the 10-story bed tower addition (the "SouthEast Tower") to WVUH's existing J.W. Ruby Memorial Hospital, (b) construct and equip the Heart and Vascular Institute located in the SouthEast Tower, anticipated to consist of three open heart surgery suites, three hybrid vascular surgery suites, four cardiac catheterization suites, clinic/exam rooms, and administrative offices, (c) construct, equip, and/or expand existing space at J.W. Ruby Memorial Hospital, anticipated to include patient rooms, materials management, cafeteria and/or operating rooms, and (d) acquire, construct and equip UHC's new Outpatient Ambulatory Center (collectively, the "Projects"); and (ii) pay the costs of issuing the 2017 A Bonds.

BY VIRTUE OF BEING SECURED BY THE 2017-1 NOTE, WHICH IS AN OBLIGATION OF THE OBLIGATED GROUP UNDER THE MASTER INDENTURE, THE 2017 A BONDS WILL BE ON PARITY AS TO LIEN UPON GROSS RECEIPTS AND ANY OTHER SOURCES OF PAYMENT WITH THE OTHER OUTSTANDING OBLIGATIONS ISSUED UNDER THE MASTER INDENTURE (OTHER THAN SUBORDINATE OBLIGATIONS). See **"SECURITY AND SOURCES OF PAYMENT FOR THE 2017 A BONDS – Other Long-Term Indebtedness of the Obligated Group"** and **"BONDHOLDERS' RISKS"** herein.

Sources and Uses of Funds

The following table is a summary of the estimated sources of funds and the uses of such funds in connection with the plan of financing:

Sources of Funds:	
Par Amount	$185,320,000.00
Net Original Issue Premium	8,095,642.45
Total Sources of Funds	$193,415,642.45
Uses of Funds:	
Project Fund	$191,680,353.00
Costs of Issuance Fund[1]	1,735,289.45
Total Uses of Funds	$193,415,642.45

[1] Includes Underwriters' Discount and fees and expenses of Financial Advisor, Accountants, Bond Counsel, Disclosure Counsel, Underwriters' Counsel, the Issuer, Issuer's Counsel, the Master Trustee, Master Trustee's Counsel, the Bond Trustee, Bond Trustee's Counsel, the rating agencies, other legal fees if any, accounting fees, rounding amounts, printing fees and miscellaneous fees and expenses.

THE 2017 A BONDS

The following is a summary of certain provisions of the 2017 A Bonds. Reference is made to the 2017 A Bonds and to the Bond Indenture for a more detailed description of such provisions. The discussion herein is qualified by such reference. See **APPENDIX C – DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS** hereto.

General Description

The 2017 A Bonds will be dated as of the date of delivery and bear interest at the rates and mature in the principal amounts and on the dates listed in the maturity schedule on the inside front cover of this Official Statement. Interest on the 2017 A Bonds is payable semi-annually on December 1 and June 1 (each an "Interest Payment Date") of each year, commencing June 1, 2017. The 2017 A Bonds shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from the date of issuance of the 2017 A Bonds, payable on each Interest Payment Date until the date of maturity or redemption, which ever first occurs. Interest shall be calculated on the basis of a 360-day year of twelve 30-day months.

Redemption

Optional Redemption. In the manner and upon the terms and conditions provided in the Bond Indenture, the 2017 A Bonds are subject to optional redemption by the Issuer, at the direction of the Obligated Group Agent, in whole or in part (and, if in part, the Obligated Group Agent shall select the maturities of the Bonds to be redeemed in such order of maturity as the Obligated Group Agent shall specify or, if not so designated, in inverse order of maturity) on or after June 1, 2027 on any date, at a price equal to the principal amount of the 2017 A Bonds being redeemed plus accrued interest, if any, to the redemption date, without premium (collectively, the "Redemption Price").

Mandatory Redemption. In the manner and upon the terms and conditions provided in the Bond Indenture, the 2017 A Bonds maturing on June 1, 2042, June 1, 2047 and June 1, 2047, are subject to mandatory redemption prior to their stated Maturity Date at the Redemption Price. On the following dates, such maturity of 2017 A Bonds shall be redeemed in the amounts set forth opposite each such date:

2017 A Bonds Maturing
June 1, 2042

Year (June 1)	Amount of Mandatory Sinking Account Payment
2038	$6,715,000
2039	$6,975,000
2040	$5,730,000
2041	$6,980,000
2042*	$5,265,000

* Denotes final maturity.

2017 A Bonds Maturing
June 1, 2047
(4.250% Term Bond)

Year (June 1)	Amount of Mandatory Sinking Account Payment
2043	$ 3,685,000
2044	$ 3,860,000
2045	$15,970,000
2046	$16,645,000
2047*	$17,355,000

* Denotes final maturity.

2017 A Bonds Maturing
June 1, 2047
(5.000% Term Bond)

Year (June 1)	Amount of Mandatory Sinking Account Payment
2043	$ 1,815,000
2044	$ 1,865,000
2045	$14,660,000
2046	$15,430,000
2047*	$16,235,000

* Denotes final maturity.

Optional Redemption as a Result of the Sale of Bond-Financed Property. The 2017 A Bonds are also subject to redemption prior to their maturity, in whole or in part, by the Issuer at the direction of the Obligated Group Agent, on any date after (i) the Governing Body of the Obligated Group Agent determines in good faith that continued operation of the property financed with the proceeds of the 2017 A Bonds ("Bond-Financed Property") (or portions thereof) is not financially feasible or is otherwise disadvantageous to the Obligated Group; (ii) as a result thereof, a Member of the Obligated Group sells, leases or otherwise disposes of all or a portion of the Bond-Financed Property to a person or entity unrelated to the Obligated Group; and (iii) there is delivered to the Issuer and the Bond Trustee a written opinion of Bond Counsel to the effect that, unless the 2017 A Bonds are redeemed or retired in the amount specified either prior to or concurrently with such sale, lease or other disposition, or on a subsequent date prior to the first date on which the 2017 A Bonds are subject to redemption at the option of the Issuer at the direction of the Obligated Group Agent, such Bond Counsel will be unable, absent payment by the Obligated Group Agent or the Issuer to the Internal Revenue Service ("IRS"), to render an unqualified opinion that such sale, lease or other disposition of all or a portion of the Bond-Financed Property will not, in and of itself, result in the inclusion of interest on the 2017 A Bonds in gross income for federal income tax purposes. Any such redemption shall be at a redemption price equal to 100% of the principal amount thereof (plus accrued interest to the Redemption Date).

Optional Redemption from Insurance and Condemnation Proceeds. The 2017 A Bonds are also subject to redemption prior to their respective stated Maturity Dates, by the Issuer at the direction of the Obligated Group Agent, in whole or in part on any date, from moneys derived from insurance or condemnation proceeds received with respect to the Hospital Facilities of the Obligated Group and required to be deposited in the Special Redemption Account pursuant to the Bond Indenture, at the Redemption Price.

Selection of 2017 A Bonds for Redemption. Unless otherwise designated by the Obligated Group Agent as permitted under Section 4.01 of the Bond Indenture, the Bond Trustee shall select the portion of the 2017 A Bonds to be redeemed in Authorized Denominations, by lot or in any manner which the Bond Trustee in its sole discretion shall deem appropriate and fair. The Bond Trustee shall promptly notify the Issuer and the Obligated Group Agent in writing of any redemption of the portions of the 2017 A Bonds so selected for redemption.

Notice of Redemption. Notice of redemption shall be mailed by first-class mail by the Bond Trustee, not less than 20 nor more than 60 days prior to the date fixed for redemption, to the respective Holders of any 2017 A Bonds designated for redemption at their addresses appearing on the bond registration books of the Bond Trustee. Each notice of redemption shall state the date of such notice, the

date of delivery and Series designation of the 2017 A Bonds, the date fixed for redemption, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Bond Trustee), the CUSIP number (if any) of the 2017 A Bonds to be redeemed and, in the case of 2017 A Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said 2017 A Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a 2017 A Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such date, interest on such 2017 A Bond shall cease to accrue, and shall require that such 2017 A Bonds be then surrendered at the address or addresses of the Bond Trustee specified in the redemption notice.

Notice of redemption of 2017 A Bonds shall be given by the Bond Trustee, at the expense of the Obligated Group. If at the time of the mailing of notice of an optional redemption there shall not have been deposited with the Bond Trustee money sufficient to redeem all of the 2017 A Bonds called for redemption, such notice may state that it is subject to the deposit with the Bond Trustee on or prior to the redemption date of money sufficient to pay the Redemption Price of the 2017 A Bonds to be redeemed plus interest accrued thereon to the date of redemption. If such money shall not have been so received, the notice shall be of no force and effect, the 2017 A Bonds shall not be redeemed pursuant thereto and the Bond Trustee shall give notice, in the manner in which notice of redemption was given, that such money was not received.

Any notice given pursuant to Section 4.03 of the Bond Indenture may be rescinded by written notice given to the Bond Trustee by the Issuer, at the direction of the Obligated Group Agent, no later than five Business Days prior to the date specified for redemption. The Bond Trustee shall give notice of such rescission, as soon thereafter as practicable, in the same manner, to the same persons, as notice of such redemption was given pursuant to the Bond Indenture.

Failure by the Bond Trustee to mail notice of redemption pursuant to the Bond Indenture to any one or more of the Holders of any 2017 A Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed.

Purchase of Bonds in Lieu of Redemption

Purchase of 2017 A Bonds for Cancellation. In lieu of redeeming 2017 A Bonds of any maturity, the Bond Trustee may, at the request of the Obligated Group Agent, use such funds otherwise available under the Bond Indenture for redemption of 2017 A Bonds to purchase the 2017 A Bonds of such maturity in the open market at a price not exceeding the Redemption Price then applicable under the Bond Indenture, such 2017 A Bonds to be delivered to the Bond Trustee for the purpose of cancellation. It is understood that in the case of any such redemption or purchase of any maturity of 2017 A Bonds, the Issuer shall receive credit against its required Mandatory Sinking Account Payment in such order of maturity as the Obligated Group elects in writing prior to such redemption or purchase or, if no such election is made, in inverse order thereof.

Optional Purchase of the 2017 A Bonds. The Issuer and, by their acceptance of the 2017 A Bonds, the Holders, irrevocably grant to the Obligated Group Agent, and any assigns of the Obligated Group Agent with respect to this right, the option to purchase, at any time and from time to time, any 2017 A Bond which is redeemable pursuant to Section 4.01 of the Bond Indenture at a purchase price equal to the Redemption Price therefor. To exercise such option, the Obligated Group Agent shall give the Bond Trustee a written request exercising such option within the time period specified in Section 4.03 of the Bond Indenture as though such written request were a written request of the Issuer for redemption,

and the Bond Trustee shall thereupon give the Holders of the 2017 A Bonds to be purchased notice of such purchase in the manner specified in the Bond Indenture as though such purchase were a redemption, and the purchase of such 2017 A Bonds shall be mandatory and enforceable against the Holders. On the date fixed for purchase pursuant to any exercise of such option, the Obligated Group Agent shall pay the purchase price of the 2017 A Bonds then being purchased to the Bond Trustee in immediately available funds, and the Bond Trustee shall pay the same to the sellers of such 2017 A Bonds against delivery thereof. Following such purchase, the Bond Trustee shall cause such 2017 A Bonds to be registered in the name of the Obligated Group Agent, or its nominee, and shall deliver them to the Obligated Group Agent, or its nominee. In the case of the purchase of less than all of the 2017 A Bonds, the particular 2017 A Bonds to be purchased shall be selected in accordance with the provisions of Sections 4.01 or 4.02, as the case may be, of the Bond Indenture as though such purchase were a redemption.

No purchase of the 2017 A Bonds pursuant to the optional purchase provision shall operate to extinguish the indebtedness of the Issuer evidenced thereby. No purchase shall be made pursuant to this optional purchase provision unless the Obligated Group Agent shall have delivered to the Bond Trustee and the Issuer concurrently therewith a No Adverse Effect Opinion with respect to such purchase.

Transfers and Exchanges

The Bond Trustee shall keep or cause to be kept sufficient books for the registration and transfer of the 2017 A Bonds, which shall at all times be open to inspection during regular business hours by the Issuer and the Obligated Group Agent; and, upon presentation for such purpose, the Bond Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, 2017 A Bonds as provided in the Bond Indenture.

Subject to the provisions below regarding the use of the Book-Entry Only System, any 2017 A Bond may, in accordance with its terms, be transferred, upon the bond registration books required to be kept pursuant to the provisions of the Bond Indenture, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such registered 2017 A Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Bond Trustee.

The 2017 A Bonds may be exchanged at the principal corporate trust office of the Bond Trustee, for a like aggregate principal amount of 2017 A Bonds of other authorized denominations. The Bond Trustee shall require the Bondholder requesting such exchange to pay any cost, tax or other governmental charge required to be paid with respect to such exchange. The Bond Trustee shall not be required to exchange any 2017 A Bond, during the 15 days immediately preceding (i) the date on which notice of redemption is given or (ii) the date on which 2017 A Bonds will be selected for redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE 2017 A BONDS

THE 2017 A BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE FROM AND SECURED BY THE TRUST ESTATE HELD BY THE BOND TRUSTEE UNDER THE BOND INDENTURE, INCLUDING PAYMENTS MADE BY THE OBLIGATED GROUP PURSUANT TO THE 2017-1 NOTE AND THE LOAN AGREEMENT. THE 2017 A BONDS SHALL NOT CONSTITUTE A DEBT OR PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OR OF ANY COUNTY, MUNICIPALITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE, AND THE OWNERS THEREOF SHALL HAVE NO RIGHT TO HAVE TAXES LEVIED BY THE LEGISLATURE OR THE TAXING AUTHORITY OF ANY COUNTY, MUNICIPALITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR

INTEREST THEREON, BUT THE 2017 A BONDS SHALL BE PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED THEREFOR UNDER THE BOND INDENTURE. THE ISSUER HAS NO TAXING POWER.

General

The 2017 A Bonds are special, limited obligations of the Issuer secured by the Trust Estate held by the Bond Trustee under the Bond Indenture, including payments made by the Obligated Group pursuant to the 2017-1 Note and the Loan Agreement. Payments on the 2017-1 Note, in the aggregate, are required to be in an amount sufficient to pay in full, when due, the aggregate principal of, premium, if any, and interest on the 2017 A Bonds to their respective dates of maturity or earlier redemption. The 2017-1 Note will be issued under Supplemental Indenture 2017-2.

The 2017-1 Note is on parity with the Notes issued under the Master Indenture. Except as provided below, the 2017 A Bonds will not be payable from any other Notes issued under the Master Indenture or secured by the funds, accounts and subaccounts securing any Related Bonds, hereinafter defined, as described below.

The Master Indenture permits other entities, upon compliance with certain conditions, to become Members of the Obligated Group and to issue Notes thereunder. Each Member of the Obligated Group will, subject to the right of such Member to withdraw from the Obligated Group under certain conditions, jointly and severally covenant to make any and all payments promptly on all Notes theretofore or thereafter issued under the Master Indenture, including the 2017-1 Note and the other outstanding Obligations. See **APPENDIX C – DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS** hereto.

WVUH, UHC, BERKELEY MEDICAL, JEFFERSON MEDICAL, UHF, CCMC and WVUHS are, and will be on the date of delivery of the 2017 A Bonds, the only Members of the Obligated Group and the only entities that have any liability for purposes of payment on the 2017-1 Note and all other outstanding Obligations issued under the Master Indenture.

Under the Master Indenture, the 2017-1 Note is a general obligation of the Obligated Group and is secured by a security interest in the Gross Receipts of the Members of the Obligated Group, on parity with the security interest in the Gross Receipts of the Obligated Group granted to holders of other outstanding Obligations. The 2017-1 Note is not secured by a mortgage or other lien on the physical assets of any Member of the Obligated Group, except for the Deed of Trust (as defined below). The Master Indenture requires, however, that each Member of the Obligated Group agrees that it will not create or suffer to exist any Lien, other than certain Permitted Encumbrances, upon any Property, as described below. See **APPENDIX C – DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS** hereto.

In the Master Indenture, the Obligated Group covenants and agrees to carry on its businesses in an efficient manner and to comply with certain other business financial covenants. A more detailed description of the covenants is included in **APPENDIX C – DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS**.

The Members of the Obligated Group may issue additional Indebtedness under the Master Indenture, upon compliance with the terms and conditions and for the purposes described in **APPENDIX C – DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – Covenants of the Obligated Group – Permitted Indebtedness**.

Risks associated with the purchase of the 2017 A Bonds are discussed herein under the caption **"BONDHOLDERS' RISKS."**

Deed of Trust

There is an Amended and Restated Leasehold Credit Line Deed of Trust and Fixture Filing and Security Agreement (the "Deed of Trust"), dated as of January 21, 2016 and effective on January 27, 2016, granting a lien on and security interest in the CCMC memorial campus (the "CCMC Memorial Campus") securing all Notes issued by the Obligated Group Agent on behalf on the Obligated Group. The distribution of proceeds from the enforcement or foreclosure of the property secured under the Deed of Trust will be pro rata based on the outstanding principal amount of indebtedness secured by the Deed of Trust, thereby placing such indebtedness on a parity with respect to foreclosure proceeds regardless of the order of priority of the liens granted under the Deed of Trust. The Members of the Obligated Group may issue additional Obligations which will be secured on a parity by the Deed of Trust. The Deed of Trust shall remain in effect only so long as the 2004 Bonds (as hereinafter defined) are outstanding and shall be released upon payment or defeasance in full of the 2004 Bonds.

Limitations on Liens

Each Member of the Obligated Group agrees that it will not create, or permit to be created or remain and, at its cost and expense, promptly discharge or terminate all Liens on its Property or any part thereof which are not Permitted Encumbrances. See **APPENDIX C – DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – Covenants of the Obligated Group – Liens on Property**.

Debt Service Coverage Ratio

The Members of the Obligated Group have agreed in the Master Indenture to maintain a historical debt service coverage ratio of 1.10:1 or higher. The sole remedy, so long as the historical debt service coverage ratio is at least 1.00:1, is the requirement that the Obligated Group must retain a consultant as provided for under the Master Indenture. See **APPENDIX C – DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – Covenants of the Obligated Group – Rates and Charges**.

Additional Covenants of the Obligated Group

In addition to the covenant regarding rates and charges set forth above, the Members of the Obligated Group have agreed with the Master Trustee pursuant to the Master Indenture to subject themselves to certain operational and financial restrictions contained therein. See **APPENDIX C – DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – Covenants of the Obligated Group**.

Additional Indebtedness

The members of the Obligated Group, upon compliance with the terms and conditions and for the purposes described in **APPENDIX C – DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS -- Covenants of the Obligated Group – Permitted Indebtedness**, may issue additional Indebtedness.

Other Long-Term Indebtedness of the Obligated Group

Outstanding Notes Related to Bonds, excluding the 2017 A Bonds.

The Issuer issued its $260,890,000 Hospital Revenue Refunding Bonds (West Virginia United Health System Obligated Group) 2016 Series A (the "2016 A Bonds"). The 2016 A Bonds were issued pursuant to a Bond Indenture dated as of June 1, 2016, between the Issuer and The Bank of New York Mellon, as bond trustee, and are secured by the 2016-1 Note (the "2016-1 Note") issued under the Master Indenture. Proceeds of the 2016 A Bonds were used by the Obligated Group, together with other available funds, to: (a) advance refund Issuer's Fixed Rate Hospital Revenue Bonds (West Virginia University Hospitals, Inc.) 2003 Series D; (b) currently refund the Issuer's West Virginia United Health System Obligated Group Hospital Revenue Bonds (United Hospital Center, Inc. Project) 2006 Series A; (c) advance refund the Issuer's Hospital Improvement Bonds (Camden-Clark Memorial Hospital Corporation) 2007 Series A; (d) advance refund the Issuer's Hospital Refunding Revenue Bonds (West Virginia United Health System Obligated Group) 2008 Series E; (e) advance refund the Issuer's Hospital Revenue Refunding and Improvement Bonds (West Virginia United Health System Obligated Group) 2009 Series C; and (f) pay the costs of issuing the 2016 A Bonds.

The Issuer has previously issued its $7,500,000 Hospital Revenue Bond (West Virginia United Health System Obligated Group) 2015 Series A (the "2015 A Bond"). The 2015 A Bond was privately placed with DNT Asset Trust. The 2015 A Bond was issued pursuant to a Bond Purchase and Loan Agreement dated October 1, 2015, among the Issuer, the Obligated Group Agent, DNT Asset Trust and JPMorgan Chase Bank, N.A. and is secured by the 2015-3 Note (the "2015-3 Note") issued under the Master Indenture. Proceeds of the 2015 A Bond were used to provide money to be loaned to the Obligated Group to finance the acquisition of St. Joseph's Hospital of Buckhannon, Inc., a West Virginia nonprofit corporation, by UHC.

The Issuer also previously issued its $210,675,000 Hospital Revenue Refunding and Improvement Bonds (West Virginia United Health System Obligated Group) 2013 Series A (the "2013 A Bonds"). The 2013 A Bonds were issued pursuant to a Bond Indenture dated as of October 1, 2013, between the Issuer and The Bank of New York Mellon, as bond trustee, and are secured by the 2013-4 Note (the "2013-4 Note") issued under the Master Indenture. Proceeds of the 2013 A Bonds were used to provide money to pay (a) the costs to acquire, construct, improve, equip, and reimburse relating to (i) a new emergency department, (ii) the addition of 50 acute care beds and (iii) the relocation of cardiac services from the CCMC St. Joseph's Campus to the CCMC Memorial Campus, including but not limited to, construction of three cardiac catheterization labs, two cardiovascular operating rooms, a cardiovascular intensive care unit and a cardiac acute care unit, all to be located at CCMC's hospital facilities at 800 Garfield Avenue, Parkersburg, West Virginia; (b) the costs to acquire, construct, improve, equip, and reimburse relating to (i) a new 10-story bed tower addition to the existing J.W. Ruby Memorial Hospital with 114 new beds, (ii) the conversion of the existing semi-private rooms into private rooms and storage facilities, (iii) additional adult medical/surgery and ICU space and beds, (iv) the expansion of the Emergency Department, (v) the relocation and expansion of the Rosenbaum Family House and Child Development Center, (vi) a new drop-off canopy and lobby, (vii) the expansion of food service, conference and other administrative and support spaces and elevators, (viii) the relocation of all or a portion of the current roadway known as "Medical Center Drive" that runs directly in front of J.W. Ruby Memorial Hospital to provide better access for patients to its hospital facilities and (ix) the expansion of neonatal and pediatric care units at WVU Children's Hospital, all to be located at WVUH's hospital facilities at 1 Medical Center Drive, Morgantown, West Virginia; (c) the costs to advance refund the Issuer's Hospital Revenue Refunding and Improvement Bonds (Camden-Clark Memorial Hospital Corporation) 2004 Series A; (d) capitalized interest on the above-referenced projects; and (e) the costs of issuing the 2013 A Bonds.

The Issuer has also previously issued its $45,680,000 Hospital Refunding Bond (West Virginia United Health System Obligated Group) 2012 Series D (the "2012 D Bond") and its $20,325,000 Hospital Refunding Bond (West Virginia United Health System Obligated Group) 2012 Series E (the "2012 E Bond," and together with the 2012 D Bond, the "2012 D&E Bonds"). The 2012 D&E Bonds were privately placed with Branch Banking and Trust Company. The 2012 D&E Bonds were issued pursuant to a Bond Purchase and Loan Agreement dated as of October 2, 2012, among the Issuer, the Obligated Group Agent and Branch Banking and Trust Company and are secured by the 2012-4 Note (the "2012-4 Note") and the 2012-5 Note (the "2012-5 Note") issued under the Master Indenture. Proceeds of the 2012 D&E Bonds were used to (a) currently refund the Issuer's Hospital Refunding Revenue Bonds (West Virginia United Health System Obligated Group), 2009 Series A (the "2009 A Bonds"); (b) currently refund the Issuer's Hospital Revenue Bonds (West Virginia United Health System Obligated Group), 2009 Series B; and (c) pay costs of issuing the 2012 D&E Bonds.

The Issuer has also previously issued its $38,145,000 Hospital Refunding Bonds (West Virginia United Health System Obligated Group) 2012 Series A (the "2012 A Bonds"). The 2012 A Bonds were privately placed with Wells Fargo Municipal Capital Strategies, LLC. The 2012 A Bonds were issued pursuant to a Bond Indenture dated as of August 1, 2012, between the Issuer and Wells Fargo Bank, National Association, as bond trustee, and are secured by the 2012-1 Note (the "2012-1 Note") and the 2012-1 Wells CCA Note (the "2012-1 Wells CCA Note"), which evidences Obligations of the Obligated Group under the Continuing Covenant Agreement dated as of August 1, 2012 (the "2012 A CCA"), by and between the Obligated Group Agent and Wells Fargo Bank, National Association, as bond trustee, each issued under the Master Indenture. Proceeds of the 2012 A Bonds were used to (a) currently refund the Issuer's Hospital Refunding Revenue Bonds (West Virginia United Health System Obligated Group) 2008 Series A (the "2008 A Bonds"), issued in the original aggregate principal amount of $26,950,000; and (b) pay costs of issuing the 2012 A Bonds.

The Issuer has also previously issued its $50,080,000 Hospital Refunding Bonds (West Virginia United Health System Obligated Group) 2012 Series B (the "2012 B Bonds"). The 2012 B Bonds were originally privately placed with Wells Fargo Municipal Capital Strategies, LLC and following the modification described herein, were transferred to Well Fargo Bank, National Association. The 2012 B Bonds were modified and converted to taxable bonds pursuant to an Amended and Restated Bond Indenture dated as of January 27, 2016, between the Issuer and the Wells Fargo Bank, National Association, as bond trustee, and are secured by the Amended and Restated 2012-2 Note (the "Amended and Restated 2012-2 Note") and the Amended and Restated 2012-2 Wells CCA Note (the "Amended and Restated 2012-2 Wells CCA Note"), which evidences Obligations of the Obligated Group under the Continuing Covenant Agreement dated as of August 1, 2012 (the "2012 B CCA"), by and between the Obligated Group Agent and Wells Fargo Bank, National Association, as bond trustee, each issued under the Master Indenture. Proceeds of the 2012 B Bonds were used to (a) currently refund the Issuer's Hospital Revenue Bond (West Virginia United Health System Obligated Group) 2011 Series A, issued in the original aggregate principal amount of $50,000,000 (the "2011 A Bond"); and (b) pay costs of issuing the 2012 B Bonds. Proceeds of the 2011 A Bond were used to pay, finance, reimburse or refinance the costs of (a) acquisition, construction, installation and renovation of substantially all of the assets of St. Joseph's Healthcare System, Limited Partnership ("St. Joseph's") in Parkersburg, West Virginia, such assets to be owned and operated by CCMC; and (b) pay costs of issuing the 2011 A Bond and the 2011 B Bond (as hereinafter defined).

The Issuer has also previously issued its $23,770,000 Hospital Refunding Bond (West Virginia United Health System Obligated Group) 2012 Series C (the "2012 C Bond"). The 2012 C Bond was privately placed with United Bank, Inc. The 2012 C Bond was issued pursuant to a Bond Purchase and Loan Agreement dated August 1, 2012, among the Issuer, the Obligated Group Agent and United Bank,

Inc., and is secured by the 2012-3 Note (the "2012-3 Note") issued under the Master Indenture. Proceeds of the 2012 C Bond were used to (a) currently refund the Issuer's Hospital Refunding Revenue Bonds (West Virginia United Health System Obligated Group) 2008 Series D (the "2008 D Bonds"), issued in the original aggregate principal amount of $27,115,000; and (b) pay costs of issuing the 2012 C Bond.

The Issuer has also previously issued its $28,520,000 Hospital Refunding Bond (West Virginia United Health System Obligated Group) 2011 Series D (the "2011 D Bond") and its $16,345,000 Hospital Revenue Bond (West Virginia United Health System Obligated Group) 2011 Series E (the "2011 E Bond," and collectively with the 2011 D Bond, the "2011 D&E Bonds"). The 2011 D&E Bonds were privately placed with Branch Banking and Trust Company. The 2011 D&E Bonds were issued pursuant to a Bond Purchase and Loan Agreement dated as of June 1, 2011, among the Issuer, the Obligated Group Agent and Branch Banking and Trust Company and are secured by the 2011-10 Note (the "2011-10 Note") and the 2011-11 Note (the "2011-11 Note") issued under the Master Indenture. Proceeds of the 2011 D&E Bonds were used to (a) refund on a current basis, the Issuer's Hospital Improvement and Refunding Revenue Bonds (West Virginia University Hospitals, Inc.), Series 1998; (b) to pay, finance, or reimburse the costs of the replacement of the current MRI and Interventional Radiology equipment, purchase of a Stereotactic Table for the cancer program, renovations to the intensive care unit, development of a wound care program, and purchase of Hyperbaric Oxygen Chambers at Berkeley Medical's hospital facilities; (c) to pay, finance or reimburse the costs of a new stand-alone clinical laboratory and relocation of existing clinical lab operations (i.e., microbiology, immunopathology, histology, chemistry, hematology, administrative operations and support space), Department of Pathology anatomical lab and related support space, and morgue to clinical laboratory, development of TDMPL testing laboratory and UML support space in clinical laboratory to be located at WVUH in Morgantown, West Virginia, and the renovation of the existing lab space to move and/or expand Physical Therapy, the Emergency Department and STAT laboratory at WVUH; and (d) pay costs of issuing the 2011 D&E Bonds.

The Issuer has also previously issued its $41,000,000 Hospital Revenue Bond (West Virginia United Health System Obligated Group) 2011 Series B (the "2011 B Bond") and its $9,000,000 Taxable Hospital Revenue Bond (West Virginia United Health System Obligated Group) 2011 Series C (the "2011 C Bond," and collectively with the 2011 B Bond, the "2011 B&C Bonds"). The 2011 B&C Bonds were privately placed with United Bank, Inc. The 2011 B&C Bonds were issued pursuant to a Bond Purchase and Loan Agreement dated as of March 1, 2011, among the Issuer, the Obligated Group Agent and United Bank, Inc (the "2011 Bond Purchase and Loan Agreement"). The 2011 Bond Purchase and Loan Agreement has been amended and supplemented to reflect certain modifications to the 2011 B Bond and 2011 C Bond. The 2011 B Bond is secured by the Amended and Restated 2011-8 Note (the "Amended and Restated 2011-8 Note") issued under the Master Indenture, and the 2011 C Bond is secured by the Amended and Restated 2011-9 Note (the "Amended and Restated 2011-9 Note") issued under the Master Indenture. Proceeds of the 2011 B&C Bonds were used to (a) pay, finance and reimburse, in part, the cost of acquisition of the assets of St. Joseph's; (b) to pay, finance or reimburse the costs of extending the clinical information system of CCMC to the CCMC St. Joseph's Campus and the purchase of a PACS system to digitize all radiological images at the CCMC Memorial Campus; (c) pay, finance or reimburse the costs a new stand-alone clinical laboratory and relocation of existing clinical lab operations (i.e., microbiology, immunopathology, histology, chemistry, hematology, administrative operations and support space), Department of Pathology anatomical lab and related support space, and morgue to clinical laboratory, development of TDMPL testing laboratory and UML support space in the new clinical laboratory, and the renovation of the existing lab space to move and/or expand Physical Therapy, the Emergency Department and STAT laboratory at WVUH's hospital facilities; (d) to pay, finance or reimburse the costs of a new building for Berkeley Medical for in-house primary care doctors to be located on Rt. 51, Inwood, West Virginia, the replacement of the current MRI and Interventional Radiology equipment, purchase of a Stereotactic Table for the cancer program, renovations to the

intensive care unit, development of a wound care program, and purchase of Hyperbaric Oxygen Chambers at Berkeley Medical's hospital facilities; and (e) pay costs of issuing the 2011 B&C Bonds.

On March 1, 2011, in connection with WVUHS becoming the sole member of CCHS (as hereinafter defined), CCMC was admitted as a Member of the Obligated Group. Contemporaneously with CCMC becoming a Member of the Obligated Group, (i) its outstanding notes and other obligations issued under the CCMC Master Indenture were replaced with Obligations in the form of promissory notes issued pursuant to the Master Indenture; (ii) the CCMC Master Indenture was terminated; and (iii) the substitution of certain real property collateral from CCMC to the Master Trustee, as more particularly described under "**Deed of Trust**" above. The following are the notes and other obligations currently outstanding: (i) the Issuer's $19,350,000 Hospital Auction Rate Certificates (ARCs(SM)) Revenue Refunding and Improvement Bonds (Camden-Clark Memorial Hospital Corporation) 2004 Series B (the "2004 B Bonds"), which were issued pursuant to a bond trust indenture dated as of June 1, 2004, between the Issuer and the bond trustee (the "CCMC 2004 Bond Indenture"), and are secured by the 2011-2 Note (the "2011-2 Note"), issued in an aggregate principal amount of $15,400,000; and (ii) the Issuer's $57,900,000 Hospital Auction Rate Certificates (ARCs(SM)) Revenue Refunding and Improvement Bonds (Camden-Clark Memorial Hospital Corporation) 2004 Series C (the "2004 C Bonds" and together with the 2004 B Bonds, the "2004 Bonds"), which were issued pursuant to the CCMC 2004 Bond Indenture and are secured by the 2011-3 Note (the "2011-3 Note"), issued in the amount of $57,150,000.

The Bond Issues listed below are sometimes collectively referred to herein as the "Prior Bonds." The Obligations listed below are sometimes collectively referred to herein as the "Prior Bond Notes."

Bond Issue	Note Obligation	Principal Amount Outstanding ($)[1]
2004 B Bonds	2011-2 Note	11,700,000
2004 C Bonds	2011-3 Note	51,550,000
2011 B Bond	Amended and Restated 2011-8 Note	25,313,400
2011 C Bond	Amended and Restated 2011-9 Note	5,475,000
2011 D Bond	2011-10 Note	15,632,291
2011 E Bond	2011-11 Note	5,972,935
2012 A Bonds	2012-1 Note	28,265,000
2012 B Bonds	Amended and Restated 2012-2 Note	50,080,000
2012 C Bond	2012-3 Note	19,720,000
2012 D Bond	2012-4 Note	45,680,000
2012 E Bond	2012-5 Note	17,175,000
2013 A Bonds	2013-4 Note	206,720,000
2015 A Bond	2015-3 Note	7,500,000
2016 A Bonds	2016-1 Note	260,890,000

[1] As of January 1, 2017.

The 2017 A Bonds shall be secured by the 2017-1 Note, which shall be on parity with the Prior Bond Notes issued under the Master Indenture to secure the Prior Bonds and with any other Obligations issued under the Master Indenture (other than Subordinated Notes).

Outstanding Notes Related to Taxable Loans.

On March 25, 2015, the Obligated Group entered into a Term Loan Agreement with TD Bank, N.A. pursuant to which the Obligated Group received a term loan (the "2015 Taxable Term Loan") in the principal amount of $43,360,000 to (a) refinance, on a taxable basis, the Issuer's $46,765,000 Hospital Refunding Revenue Bonds (West Virginia United Health System Obligated Group), 2008 Series B; and (b) pay all costs related with the 2015 Taxable Term Loan. To secure the 2015 Taxable Term Loan, the Obligated Group issued its 2015-1 Note. Interest accrues on the 2015-1 Note at a variable interest rate.

On November 7, 2014, the Obligated Group entered into a Credit Agreement with Branch Banking and Trust Company pursuant to which the Obligated Group received a taxable term loan (the "2014 Taxable Term Loan") in the principal amount of $10,372,065 to, among other things, pay, finance or reimburse the costs of a new stand-alone clinical laboratory and relocation of existing clinical lab operations (i.e., microbiology, immunopathology, histology, chemistry, hematology, administrative operations and support space), Department of Pathology anatomical lab and related support space, and morgue to clinical laboratory, development of TDMPL testing laboratory and UML support space in clinical laboratory to be located at WVUH in Morgantown, West Virginia, and the renovation of the existing lab space to move and/or expand Physical Therapy, the Emergency Department and STAT laboratory at WVUH. To secure the 2014 Taxable Term Loan, the Obligated Group issued its 2014-8 Note. Interest accrues on the 2014-8 Note at a fixed rate.

On June 26, 2014, the Obligated Group entered into a Credit Agreement with Branch Banking and Trust Company pursuant to which the Obligated Group received a term loan (the "2014 Taxable MOB Loan") in the principal amount of $7,200,000 to purchase the Berkeley Medical Center Office Building, being a 36,750 square foot medical office building located at 880 N. Tennessee Avenue, Martinsburg, West Virginia, which it currently leases to several physician practices. To secure the 2014 Taxable MOB Loan, the Obligated Group issued its 2014-7 Note. Interest accrues on the 2014-7 Note at a fixed rate.

On September 30, 2013, the Obligated Group entered into a Credit Agreement with Branch Banking and Trust Company pursuant to which the Obligated Group received a term loan (the "2013 Taxable Term Loan") in the principal amount of $50,000,000 to (a) finance and reimburse the construction, improvement and equipping of the WVU Healthcare Outpatient Center to be located in University Town Centre, Morgantown, West Virginia, (b) finance and reimburse the expansion and construction of a parking structure, (c) finance and reimburse other capital projects approved by WVUHS and the Board of Directors of any Member of the Obligated Group, (d) pay capitalized interest on the projects identified in (a), (b) and (c) above, and (e) pay all costs related to the 2013 Taxable Term Loan. To secure the 2013 Taxable Term Loan, the Obligated Group issued its 2013-3 Note. Interest on the 2013-3 Note accrues at a variable interest rate.

On December 21, 2010, the Obligated Group entered into a Loan Agreement with Wells Fargo Bank, National Association pursuant to which the Obligated Group received a revolving line of credit (the "Wells Fargo Line of Credit") in the principal amount of $30,000,000 for working capital or operating purposes with a final maturity date of December 21, 2012. Pursuant to an Amended and Restated Loan Agreement dated December 19, 2012, as amended, restated, supplemented or otherwise modified, the Obligated Group Agent and Wells Fargo Bank, National Association agreed to extend the term of the Wells Fargo Line of Credit. To secure such loan the Obligated Group issued its 2010-1 Note, as amended, restated, supplemented, or otherwise modified. The final maturity date of the 2010-1 Note is December 19, 2018. Interest accrues on the 2010-1 Note at a variable interest rate.

The Obligations listed below are sometimes collectively referred to herein as the "Taxable Loan Notes" and, together with the Prior Bond Notes, are sometimes collectively referred to herein as the "Prior Notes."

Taxable Loan	Note Obligation	Principal Amount Outstanding ($)[1]
2015 Taxable Term Loan	2015-1 Note	41,285,000
2014 Taxable Term Loan	2014-8 Note	10,372,065
2014 Taxable MOB Loan	2014-7 Note	6,752,234
2013 Taxable Term Loan	2013-3 Note	50,000,000
Wells Fargo Line of Credit	2010-1 Note	15,000,000[2]

(1) As of January 1, 2017.
(2) Approximate as of January 1, 2017.

The 2017 A Bonds shall be secured by the 2017-1 Note, which shall be on parity with the Prior Notes and with any other Obligations issued under the Master Indenture (other than Subordinated Notes).

Outstanding Interest Rate Swap Agreements.

2003 Swap Agreement

On March 13, 2014, UBS AG ("UBS") transferred its obligations under an interest rate swap agreement related to the 2012 D Bond (the 2012 D Bond refunded the 2009 A Bonds, which refunded the Issuer's Weekly Rate Hospital Revenue Bonds (West Virginia University Hospitals, Inc.) 2003 Series C) to Raymond James Financial Products, Inc. ("RJFP") with the credit support of Deutsche Bank AG, New York Branch ("Deutsche Bank"). WVUH entered into a replacement interest rate swap agreement (the "2003 Replacement Swap Agreement") with RJFP and Deutsche Bank, dated as of March 13, 2014, for an aggregate notional amount of $44,650,000 to hedge a portion of the Obligated Group's interest rate exposure on the 2012-4 Note, which reflect the obligations to make payments on the 2012 D Bond. The 2003 Replacement Swap Agreement provides that the Obligated Group pay RJFP a fixed payment every 35 calendar days, commencing on March 20, 2014, with respect to the principal amount of the 2012 D Bond, respectively, and that RJFP pay the Obligated Group a variable payment monthly which is expected to approximately equal the variable rate payment owing on such 2012 D Bond. The obligations of the Obligated Group under the 2003 Replacement Swap Agreement, including the obligation to pay the amounts regularly coming due and any termination payments, constitute an Obligation under the Master Indenture, evidenced by the Obligated Group's 2014-2 Swap Note (with respect to the 2012 D Bond) and therefore are secured on a parity basis with all Obligations issued under the Master Indenture (other than Subordinated Notes). Should the 2003 Replacement Swap Agreement terminate prior to maturity, the Obligated Group may owe a payment to RJFP, and such amount, which cannot currently be calculated, may be material.

In connection with the 2012 D Bond, Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance, Inc.), issued a municipal bond insurance policy (the "2003 Policy") insuring the scheduled payment of the principal and interest on the 2012 D Bond (in such capacity, the "2003 Swap Insurer") and a financial guaranty policy (the "2003 Swap Insurance Policy") guaranteeing the payment of scheduled payments and for certain termination payments of the 2012 D Bond, up to the aggregate policy limits of $2,000,000, under the 2003 Replacement Swap Agreement. The uninsured obligations under the 2003 Replacement Swap Agreement, comprised of termination payments exceeding $1,400,000, are evidenced by the 2014-2 Subordinated Swap Note.

2004 Swap Agreement

On March 13, 2014, UBS transferred its obligations under an interest rate swap agreement related to the 2004 C Bonds to RJFP with the credit support of Deutsche Bank. CCMC entered into a replacement interest rate swap agreement (the "2004 Replacement Swap Agreement") with RJFP and Deutsche Bank, dated as of March 13, 2014, for a notional amount of $51,550,000 to hedge a portion of the Obligated Group's interest rate exposure on the 2011-3 Note. The 2004 Replacement Swap Agreement provides that the Obligated Group pay RJFP a fixed payment every 35 calendar days, commencing on April 11, 2014, with respect to the principal amount of the 2004 C Bonds and that RJFP pay the Obligated Group a variable payment monthly which is expected to approximately equal the variable rate payment owing on such 2004 C Bonds. The obligations of the Obligated Group under the 2004 Replacement Swap Agreement, including the obligation to pay the amounts regularly coming due and any termination payments, constitute an Obligation under the Master Indenture, evidenced by the Obligated Group's 2014-5 Swap Note and therefore are secured on a parity basis with all Obligations issued under the Master Indenture (other than Subordinated Notes). Should the 2004 Replacement Swap Agreement terminate prior to maturity, the Obligated Group may owe a payment to RJFP, and such amount, which cannot currently be calculated, may be material.

In connection with the 2004 C Bonds, Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance, Inc.), issued a municipal bond insurance policy (the "2004 Policy") insuring the scheduled payment of the principal and interest on the 2004 C Bonds (in such capacity, the "2004 Swap Insurer") and a financial guaranty policy (the "2004 Swap Insurance Policy") guaranteeing the payment of scheduled payments and for certain termination payments of the 2004 C Bonds, up to the policy limits of $4,000,000 under the 2004 Replacement Swap Agreement. The uninsured obligations under the 2004 Replacement Swap Agreement with regard to the 2004 C Bonds, comprised of termination payments exceeding $4,000,000, are evidenced by the 2014-5 Subordinated Swap Note.

2005 Swap Agreement

In connection with the issuance of the Issuer's Hospital Revenue Bonds (West Virginia University Hospitals, Inc.) 2005 Series B Auction Rate Certificates (ARCs(SM)) (the "2005 B Bonds"), the Obligated Group entered into an interest rate swap agreement (the "2005 Swap Agreement") with Merrill Lynch Capital Services, Inc. (the "2005 Swap Provider") to hedge a portion of the Obligated Group's interest rate exposure on the 2005-1B Note (which reflects the obligations to make payments on the 2005 B Bonds). Ambac Assurance Corporation (the "2005 Swap Insurer") issued a surety bond insuring amounts that are required to be paid by the Obligated Group on regularly scheduled payment dates. The 2005 Swap Agreement provides that the Obligated Group pay the 2005 Swap Provider a fixed payment semi-annually in exchange for floating rate payments based upon a percentage of the London Interbank Offered Rate ("LIBOR"). The 2005 B Bonds were refunded by the 2008 D Bonds, which were refunded by the 2012 C Bond. The 2005 Swap Agreement is not integrated with the 2012 C Bond. The obligations of the Obligated Group under the 2005 Swap Agreement, including the obligation to pay the amounts regularly coming due and any termination payment relating to a termination directed by the 2005 Swap Insurer, constitute an Obligation under the Master Indenture, evidenced by the Obligated Group's 2005-1C Note, and therefore are secured on a parity basis with all Notes and all other Obligations issued under the Master Indenture (other than Subordinated Notes). Should the 2005 Swap Agreement terminate prior to maturity, the Obligated Group may owe a payment to the 2005 Swap Provider, and such amount, which cannot currently be calculated, may be material. The Obligated Group's obligations to make any termination payments not directed by the 2005 Swap Insurer are evidenced by the Obligated Group's 2005-1D Subordinated Note issued under the Master Indenture. The 2005-1D Subordinated Note is subordinate to all other Obligations issued under the Master Indenture (other than Subordinated Notes).

2006 Swap Agreement

On March 13, 2014, UBS transferred its obligations under an interest rate swap agreement related to the 2008 B Bonds and 2012 A Bonds to RJFP with the credit support of Deutsche Bank. WVUH entered into a replacement interest rate swap agreement (the "2006 Replacement Swap Agreement") with RJFP and Deutsche Bank, dated as of March 13, 2014, for an aggregate notional amount of $78,350,000 to hedge a portion of the Obligated Group's interest rate exposure on the 2012-1 Note (related to the 2012 A Bonds, which refunded the 2008 A Bonds that refunded the Issuer's West Virginia United Health System Obligated Group Hospital Revenue Bonds (United Hospital Center, Inc. Project) 2006 Series B Auction Rate Certificates (ARCs(SM)) and the 2008-1G Note (related to the 2008 B Bonds, which refunded the Issuer's West Virginia United Health System Obligated Group Hospital Revenue Bonds (United Hospital Center, Inc. Project) 2006 Series C Auction Rate Certificates (ARCs(SM)), which reflected the obligations to make payments on the 2012 A Bonds and the 2008 B Bonds, respectively.

On March 25, 2015, the Obligated Group refinanced the 2008 B Bonds with the 2015 Taxable Term Loan. The 2006 Replacement Swap Agreement is not integrated with the 2015 Taxable Term Loan. In connection with the 2015 Taxable Term Loan, RJFP, Deutsche Bank and WVUH entered into a First Amendment to ISDA Master Agreement dated as of March 25, 2015 (the "First Amendment") to amend certain terms of the 2006 Replacement Swap Agreement.

The 2006 Replacement Swap Agreement provides that the Obligated Group pay RJFP a fixed payment each June 1 and December 1, commencing June 1, 2014, with respect to the principal amount of the 2012 A Bonds and the 2015 Taxable Term Loan, respectively, and that RJFP pay the Obligated Group a variable payment monthly which is expected to approximately equal the variable rate payment owing on such 2012 A Bonds and 2015 Taxable Term Loan. The obligations of the Obligated Group under the 2006 Replacement Swap Agreement, including the obligation to pay the amounts regularly coming due and any termination payments (other than a Voluntary Termination Payment, as defined in the 2006 Swap Agreement), constitute an Obligation under the Master Indenture, evidenced by the Obligated Group's 2014-3 Swap Note (with respect to the 2012 A Bonds) and 2015-2 Swap Note (with respect to the 2015 Taxable Term Loan) and therefore are secured on a parity basis with all Obligations issued under the Master Indenture (other than Subordinated Notes). Should the 2006 Replacement Swap Agreement terminate prior to maturity, the Obligated Group may owe a payment to the 2006 Swap Provider, and such amount, which cannot currently be calculated, may be material. The Obligated Group's obligations to make any Voluntary Termination Payments are evidenced by the Obligated Group's 2014-3 Subordinated Swap Note (with respect to the 2012 A Bonds) and the Obligated Group's 2015-2 Subordinated Swap Note (with respect to the 2015 Taxable Term Loan), issued under the Master Indenture. The 2014-3 Subordinated Swap Note and the 2015-2 Subordinated Swap Note are subordinate to all other Obligations issued under the Master Indenture (other than Subordinated Notes).

2007 Swap Agreement

On March 13, 2014, UBS transferred its obligations under an interest rate swap agreement related to the 2007 A Bonds to RJFP with the credit support of Deutsche Bank. CCMC entered into a replacement interest rate swap agreement (the "2007 Replacement Swap Agreement") with RJFP and Deutsche Bank, dated as of March 13, 2014, for a notional amount of $21,850,000 to hedge a portion of the Obligated Group's interest rate exposure on the 2011-5 Note. The 2007 A Bonds were refunded by the 2016 A Bonds. The 2007 Replacement Swap Agreement is not integrated with the 2016 A Bonds. The 2007 Replacement Swap Agreement provides that the Obligated Group pay RJFP a fixed payment the 15th day of each month, commencing on April 15, 2014, with respect to the principal amount of the 2007 A Bonds and that RJFP pay the Obligated Group a variable payment monthly which is expected to approximately equal to the variable rate payment owed on the 2007 A Bonds if the 2007 A Bonds were

outstanding. The obligations of the Obligated Group under the 2007 Replacement Swap Agreement, including the obligation to pay the amounts regularly coming due and any termination payments, constitute an Obligation under the Master Indenture, evidenced by the Obligated Group's 2014-6 Swap Note and therefore are secured on a parity basis with all Obligations issued under the Master Indenture (other than Subordinated Notes). Should the 2007 Replacement Swap Agreement terminate prior to maturity, the Obligated Group may owe a payment to the 2007 Swap Provider, and such amount, which cannot currently be calculated, may be material.

In connection with the issuance of the 2007 A Bonds, Assured Guaranty Corp. issued a financial guaranty policy (the "2007 Swap Insurance Policy") guaranteeing, for certain termination payments of the 2007 A Bonds, up to the policy limits of $1,100,000 under the 2007 Replacement Swap Agreement. The uninsured obligations under the 2007 Replacement Swap Agreement, comprised of termination payments exceeding $1,100,000, are evidenced by the 2014-6 Subordinated Swap Note.

Notes Issued in Connection with Guaranties.

Pursuant to the terms of the Master Indenture, Indebtedness guaranteed by the Obligated Group is considered Funded Indebtedness for purposes of determining whether a particular Guaranty may be incurred, but for purposes of calculating any historical Debt Service Requirements, the Obligated Group's Debt Service Requirements under a Guaranty are deemed to be the actual amount paid on such Guaranty. Further, the Obligated Group shall not be considered liable for the annual debt service requirement on Indebtedness guaranteed unless the Obligated Group has been required by reason of its Guaranty to make a payment within the immediately preceding 24 months.

St. Joseph's Hospital of Buckhannon, Inc. Guaranty

On October 1, 2015, the Obligated Group guaranteed the Issuer's Taxable Hospital Revenue Bond (St. Joseph's Hospital of Buckhannon), 2015 Series A (the "SJH Bonds"). UHC, a Member of the Obligated Group, is the sole member of St. Joseph's Hospital of Buckhannon, Inc. The SJH Bonds were used to refinance a portion of the Issuer's $61,000,000 Variable Rate Demand Revenue and Refunding Revenue Bonds, 2003 Series A-1 (Pallottine Health Services, Inc. Project) and pay other costs identified by SJH. As security for and evidence of such guarantee, the Obligated Group issued to JPMorgan Bank, N.A., the bondholder, its 2015-2 Guaranty Note in the principal amount of $7,860,000 (the "2015-2 Guaranty Note").

Potomac Valley Hospital of W. Va., Inc. Guaranty

On August 19, 2015, the Obligated Group guaranteed the Issuer's Hospital Revenue Bond (Potomac Valley Hospital), 2015 Series A (the "PVH Bonds"). WVUH, a member of the Obligated Group, is the sole member of Potomac Valley Hospital of W. Va., Inc. The PVH Bonds were used to refinance debt issued under certain loan agreements and to finance ultrasound equipment, adding and equipping an additional operating room, converting certain of the existing business office space into physician office space, and other capital expenditures. As security for and evidence of such guarantee, the Obligated Group issued to DNT Asset Trust, the bondholder, its 2015-1 Guaranty Note in the principal amount of $18,500,000 (the "2015-1 Guaranty Note").

HealthNet Aeromedical Services, Inc. Guaranty

On September 10, 2013, the Obligated Group guaranteed the lease-purchases of two medically equipped helicopters by HealthNet Aeromedical Services, Inc., a West Virginia nonprofit corporation. As security and evidence of for such guarantee, the Obligated Group issued to the Banc of America Public

Capital Corp, the lessor of the helicopters, its 2013-1 Note in the principal amount of $4,790,249.58 (the "2013-1 Note") and its 2013-2 Note in the principal amount of $6,049,205.00 (the "2013-2 Note").

West Virginia University Medical Corporation, Inc. Guaranty

On June 30, 2011, the Issuer issued its Refunding Revenue Bond, West Virginia University Medical Corporation Issue, 2011 Series A (the "WVUMC 2011 Bond"). The WVUMC 2011 Bond was privately placed with Bank of America, N.A. pursuant to a Bond Purchase and Loan Agreement dated as of June 1, 2011, among the Issuer, West Virginia University Medical Corporation ("WVUMC") and Bank of America, N.A. Because Members of the Obligated Group derive direct and indirect benefits from the issuance of the WVUMC 2011 Bond, the Obligated Group guaranteed the WVUMC 2011 Bond pursuant to a Guaranty Agreement dated as of June 1, 2011 (the "2011 Guaranty"). As security for and evidence of the 2011 Guaranty, the Obligated Group issued its 2011-12 Note in the principal amount of $8,815,000 to evidence its Obligations under the 2011 Guaranty. The WVUMC 2011 Bond matures on January 1, 2018. WVUMC intends to repay the WVUMC 2011 Bond in full in March 2017.

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DEBT SERVICE SCHEDULE

The following table sets forth, for each year ending December 31, the total principal or sinking fund and interest requirements with respect to the 2017 A Bonds and certain outstanding Obligations as described in the footnote below secured on a parity with the 2017-1 Note.

	2017 A Bonds			Debt Service on Outstanding	Total
	Principal	Interest	Debt Service	Obligations[1][2]	Debt Service
12/31/2017	$ -	$ 6,049,784	$ 6,049,784	$ 55,604,840	$ 61,654,624
12/31/2018	-	8,746,675	8,746,675	55,221,203	63,967,878
12/31/2019	-	8,746,675	8,746,675	60,528,724	69,275,399
12/31/2020	-	8,746,675	8,746,675	55,585,390	64,332,065
12/31/2021	-	8,746,675	8,746,675	54,643,959	63,390,634
12/31/2022	-	8,746,675	8,746,675	53,075,063	61,821,738
12/31/2023	-	8,746,675	8,746,675	54,514,330	63,261,005
12/31/2024	-	8,746,675	8,746,675	53,950,039	62,696,714
12/31/2025	-	8,746,675	8,746,675	53,987,262	62,733,937
12/31/2026	-	8,746,675	8,746,675	54,003,991	62,750,666
12/31/2027	1,245,000	8,715,550	9,960,550	52,756,855	62,717,405
12/31/2028	1,445,000	8,648,300	10,093,300	52,885,885	62,979,185
12/31/2029	1,410,000	8,588,381	9,998,381	52,978,603	62,976,984
12/31/2030	1,350,000	8,530,838	9,880,838	53,096,453	62,977,291
12/31/2031	5,155,000	8,368,213	13,523,213	48,777,145	62,300,357
12/31/2032	5,135,000	8,110,963	13,245,963	49,549,524	62,795,487
12/31/2033	5,175,000	7,853,213	13,028,213	49,177,928	62,206,140
12/31/2034	5,845,000	7,577,713	13,422,713	48,808,760	62,231,473
12/31/2035	6,595,000	7,266,713	13,861,713	48,780,720	62,642,432
12/31/2036	6,275,000	6,944,963	13,219,963	49,422,239	62,642,201
12/31/2037	6,505,000	6,657,988	13,162,988	49,467,391	62,630,378
12/31/2038	6,715,000	6,360,013	13,075,013	49,528,151	62,603,164
12/31/2039	6,975,000	6,017,763	12,992,763	49,567,874	62,560,637
12/31/2040	5,730,000	5,700,138	11,430,138	51,122,122	62,552,259
12/31/2041	6,980,000	5,382,388	12,362,388	50,141,770	62,504,157
12/31/2042	5,265,000	5,076,263	10,341,263	52,626,804	62,968,067
12/31/2043	5,500,000	4,820,956	10,320,956	52,131,738	62,452,694
12/31/2044	5,725,000	4,568,625	10,293,625	52,129,750	62,423,375
12/31/2045	30,630,000	3,734,113	34,364,113	-	34,364,113
12/31/2046	32,075,000	2,288,794	34,363,794	-	34,363,794
12/31/2047	33,590,000	774,669	34,364,669	-	34,364,669
	$ 185,320,000	$ 216,756,409	$ 402,076,409	$ 1,464,064,513	$ 1,866,140,921

[1] 2017 represents a full year of debt service.

[2] Includes the 2004 Bonds, the 2011 B&C Bonds, the 2011 D&E Bonds, the 2012 A Bonds, the 2012 B Bonds, the 2012 C Bond, the 2012 D&E Bonds, the 2013 A Bonds, the 2015 A Bond, the 2016 A Bonds, 2015 Taxable Term Loan, 2014 Taxable Term Loan, 2014 Taxable MOB Loan, and 2013 Taxable Term Loan. Does not include the Wells Fargo Line of Credit. All variable rates are assumed at 3.50%.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2017 A Bonds. The 2017 A 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 2017 A Bonds and each maturity of the 2017 A Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of 2017 A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2017 A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2017 A 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 2017 A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2017 A Bonds, except in the event that use of the book-entry system for the 2017 A Bonds is discontinued.

To facilitate subsequent transfers, all 2017 A 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 2017 A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2017 A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2017 A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2017 A 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 Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2017 A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption Proceeds and payments of principal of and interest on the 2017 A 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 Issuer, the Obligated Group Agent, or the Bond Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Trustee, the Obligated Group Agent or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the 2017 A Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer, the Obligated Group Agent 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.

THE ISSUER, THE OBLIGATED GROUP AGENT AND THE BOND TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE ACCURACY OF THE RECORDS OF DTC, ITS NOMINEE OR ANY DIRECT PARTICIPANT PERTAINING TO OWNERSHIP IN THE 2017 A BONDS OR THE PAYMENTS TO, OR THE PROVIDING OF NOTICE FOR, THE DIRECT PARTICIPANTS, OR THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS.

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

DTC may discontinue providing its services as depository with respect to the 2017 A Bonds at any time by giving reasonable notice to the Issuer, the Obligated Group Agent, or the Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates for the 2017 A Bonds will be printed and delivered as provided in the Bond Indenture. The Issuer may decide to discontinue use of the system of book-entry transfers for the 2017 A Bonds through DTC (or a successor securities depository). Under such circumstances, certificates for the 2017 A Bonds will be printed and delivered as provided in the Bond Indenture.

The information in this section concerning DTC and DTC's book-entry only system has been obtained from DTC. The Issuer, the Obligated Group Agent, and the Underwriters take no responsibility for the accuracy thereof.

THE OBLIGATED GROUP

The Members of the Obligated Group, as of the date of delivery of the 2017 A Bonds, are WVUHS, WVUH, UHC, Berkeley Medical, Jefferson Medical, UHF, and CCMC. Each Member is incorporated in the State as a nonprofit corporation and is exempt from federal income taxation under Section 501(c)(3) of the Code. WVUHS is the sole member of WVUH, UHC, and Camden-Clark Health Services, Inc. ("CCHS"). CCHS is the sole member of CCMC, and WVUH is the sole member of West Virginia University Hospitals – East, Inc. d/b/a University Healthcare ("University Healthcare"). University Healthcare is the sole member of Berkeley Medical, UHF, and Jefferson Medical. As of the date of delivery of the 2017 A Bonds, the major components of the healthcare system under the direct or indirect control of WVUHS include, in addition to the Obligated Group, Allied Health Services, Inc., United Physicians Care, Inc., Health Partners Network, Inc., West Virginia United Insurance Services, Inc., United Summit Center, Inc., United Health Foundation, Inc., University Healthcare, CCHS, Camden-Clark Physician Corporation, Camden-Clark Foundation, Potomac Valley Hospital of W. Va., Inc., Reynolds Memorial Hospital, Reynolds Memorial Foundation, Inc., St. Joseph's Hospital of Buckhannon, Inc., St. Joseph's Foundation of Buckhannon, Inc., and Upshur Medical Management Services, Inc. Additional information with respect to WVUHS and the Obligated Group is contained in **APPENDIX A - INFORMATION CONCERNING WEST VIRGINIA UNIVERSITY HEALTH SYSTEM** hereto.

WVUHS, WVUH, UHC, BERKELEY MEDICAL, JEFFERSON MEDICAL, UHF, AND CCMC ARE THE ONLY MEMBERS OF THE OBLIGATED GROUP FOR PURPOSES OF PAYMENT ON THE 2017-1 NOTE AND THE OTHER OUTSTANDING OBLIGATIONS. NONE OF THE OTHER WVUHS AFFILIATES HAS ANY OBLIGATION TO PAY DEBT SERVICE ON THE NOTES. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE 2017 A BONDS" ABOVE.

BONDHOLDERS' RISKS

The following is a discussion of certain risks that could affect payments to be made with respect to the 2017 A Bonds. Such discussion is not intended to be dispositive, comprehensive, or definitive, but rather is meant to summarize certain matters. Further, such discussion should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the 2017 A Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein, copies of which are available as described in this Official Statement. The factors listed below, among others, could adversely affect the Obligated Group's operations, revenues, and expenses to an extent and in a manner which cannot be determined at this time.

General

The 2017 A Bonds will be payable by the Issuer solely from amounts payable under the Loan Agreement as secured and evidenced by the 2017-1 Note issued to the Bond Trustee. See **"SECURITY AND SOURCES OF PAYMENT FOR THE 2017 A BONDS"** above. The Issuer has no taxing power.

The 2017 A Bonds may be redeemed earlier than described above under **"THE 2017 A BONDS – REDEMPTION"** due to various factors.

Adequacy of Revenues

The ability of the Obligated Group to realize revenues in amounts sufficient to pay outstanding Obligations, including debt service on the 2017 A Bonds when due, is affected by and subject to conditions which may change in the future to an extent and with effects that cannot be determined at this time. No representation or assurance is given or can be made that revenues will be realized by the Obligated Group in amounts sufficient to pay debt service when due on the 2017 A Bonds and the other Obligations of the Obligated Group. None of the provisions of the Loan Agreement or the Master Indenture provide any assurance that the Obligations of the Obligated Group will be paid as and when due if the Obligated Group becomes unable to pay its debts as they come due or the Obligated Group otherwise becomes insolvent.

The receipt of future revenues by the Obligated Group is subject to, among other factors, federal and state laws, regulations, and policies affecting the healthcare industry and the policies and practices of major managed care providers, private insurers, and other third party payors and private purchasers of healthcare services. The effect on the Obligated Group of future changes in federal and state laws, regulations and policies, and private policies, cannot be determined at this time. Loss of established insurance and managed care contracts of the Obligated Group could also adversely affect its future revenues.

Future economic conditions, which may include an inability to control expenses in periods of inflation, and other conditions, including demand for healthcare services, the availability and affordability of insurance, including without limitation, malpractice and casualty insurance, availability of physicians, nurses and other healthcare professionals, the capability of the Obligated Group's management, the receipt of grants and contributions, referring physicians' and self-referred patients' confidence in the members of the Obligated Group, economic and demographic developments in the United States, the State, and the Obligated Group's service areas, and competition from other healthcare institutions in the service areas, together with changes in rates, costs, third party payments and governmental laws, regulations and policies, may adversely affect revenues and expenses and, consequently, the ability of the Obligated Group to make payments on the Notes. In particular, the State's budget issues may lead to significant reductions in State funds available to pay for healthcare services.

Federal Legislative and Regulatory Initiatives

The discussion herein describes risks related to certain existing federal and state laws, regulations, rules and governmental administrative policies and determinations to which the Obligated Group and the healthcare industry are subject. Several of the federal statutes and regulations described herein may be substantially modified or repealed in whole or in part. During the November 2016 elections, several successful candidates for election to the United States Congress, as well as President Trump, campaigned on promises to effect such modification or repeal. With apparent alignment of views among a majority of the members of the Senate and House of Representatives and the Administration, the coming congressional term is likely to be very active and may include legislation repealing or rewriting the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the "ACA"), tax reform, and financial services reform. Although it is uncertain whether or when legislation affecting such key areas will be introduced or passed, such legislation could have a material impact on the Obligated Group's operations, financial condition and financial performance. Further, regulatory changes through adoption or repeal and executive actions

taken by the new Administration could have a material impact on the Obligated Group's operations, financial condition and financial performance, even in the absence of statutory changes.

The President and certain Congressional leaders have included a repeal of all or a portion of the ACA in early 2017 in statements concerning their respective legislative agendas, and Congress has already taken steps to repeal and replace the ACA. The repeal effort, to date, has focused on individual and employer mandates, exchanges, insurance industry regulations, Medicaid expansion, and the taxes to pay for these elements of the ACA. The timing of such repeal and whether it would be in whole or in part is unclear. It is also unclear when replacement plan would be implemented. A repeal could result in additional pressure on Medicaid and Medicare funding and could have the effect of reducing the availability of health insurance to individuals who were previously insured, resulting in greater numbers of uninsured individuals.

The risk areas summarized under **"BONDHOLDERS' RISKS"** should be read with the understanding that significant changes could occur in 2017 and beyond in many of the statutory and regulatory areas discussed.

Healthcare Reform

The following discussion should be read in combination with the discussion above under **"Federal Legislative and Regulatory Initiatives."**

The ACA was enacted in March 2010. Some of the provisions of the ACA took effect immediately, while others continue to be phased in. Because of the complexity of the ACA, additional legislation may be considered and enacted over time. The ACA addresses almost all aspects of hospital and provider operations and healthcare delivery, and has changed and is changing how healthcare services are covered, delivered, and reimbursed. These changes will result in lower reimbursement from Medicare, utilization changes, increased government enforcement, and the necessity for healthcare providers to assess, and potentially alter, their business strategy and practices, among other consequences. While many providers will receive reduced payments for care, millions of previously uninsured Americans are expected to acquire coverage under the provisions of the law. Requirements for state "health insurance marketplaces" could fundamentally alter the health insurance market. While these marketplaces may facilitate obtaining insurance for the previously uninsured, they may also negatively impact hospital providers, enabling insurers to aggressively negotiate rates. Federal deficit reduction efforts will likely curb federal Medicare and Medicaid spending to the detriment of hospitals, physicians, and other healthcare providers.

The changes in the healthcare industry brought about by the ACA will likely have both positive and negative effects, directly and indirectly, on the nation's hospitals and other healthcare providers, including the Members of the Obligated Group. For example, the projected increase in the numbers of individuals with healthcare insurance occurring as a consequence of Medicaid expansion, creation of health insurance marketplaces, subsidies for insurance purchase and the penalty on certain individuals who do not purchase insurance could result in lower levels of bad debt and increased utilization or profitable shifts in utilization patterns for hospitals. However, the extent to which Medicaid expansion, which is now optional on a state by state basis, is either not pursued or results in a shifting of significant numbers of commercially-insured individuals to Medicaid, or health insurance options on health insurance marketplaces are limited or unaffordable, as well as the cost containment measures and pilot programs that the ACA requires, may offset these benefits. A negative impact to the hospital industry overall will likely result from scheduled cumulative reductions in Medicare payments; such reductions are substantial. The legislation's cost-cutting provisions to the Medicare program, which include reductions in Medicare market basket updates to hospital reimbursement rates under the Inpatient Prospective Payment System

("IPPS") over the next ten years, as well as reductions to or elimination of Medicare reimbursement for certain patient readmissions and hospital-acquired conditions and anticipated reductions in rates paid to Medicare managed care plans, will likely result in a significant negative impact to the hospital industry overall. Industry experts also expect that government cost reduction actions may be followed by private insurers and payors. Because a significant portion of net patient service revenue of the Obligated Group is from Medicare spending, the reductions may have a material impact, and could offset any positive effects of the ACA.

Healthcare providers may be further subjected to decreased reimbursement as a result of the implementation of recommendations of the Independent Payment Advisory Board ("IPAB") established by the ACA. Beginning on January 15, 2019, if the Medicare growth rate exceeds the target, the IPAB is directed to make recommendations for cost reduction for implementation by DHHS, and those recommended reductions will be automatically implemented unless Congress adopts alternative legislation that meets the equivalent savings targets. The IPAB was to begin submitting its annual recommendations no later than January 15, 2014. However, no members have been appointed to the IPAB to date. Additionally, on June 22, 2016, the Chief Actuary of the Center for Medicare and Medicaid Services ("CMS") concluded that the projected 5-year Medicare per capita growth rate did not exceed the Medicare per capita target growth rate and, therefore, there would be no savings target for implementation year 2018. Hospitals are not subject to cost reductions proposed by the IPAB until after 2019. Industry experts also expect that government cost reduction actions may be followed by private insurers and payors.

Beginning in 2014, the ACA created "health insurance marketplaces" to provide consumers with improved access to health insurance. The ACA provides that such marketplaces may be either state-sponsored or federally-facilitated marketplaces. Beginning January 1, 2015, health insurers participating in the health insurance marketplaces are allowed to contract only with hospitals that have implemented programs designed to ensure patient safety and enhance the quality of care. The health insurance marketplaces may have positive impact for hospitals by increasing the availability of health insurance to individuals who were previously uninsured. Conversely, employers or individuals may shift their purchase of health insurance to new plans offered through the marketplaces, which may or may not reimburse providers at rates equivalent to rates the providers currently receive. The marketplaces could alter the health insurance markets in ways that cannot be predicted, and marketplaces might, directly or indirectly, take on a rate-setting function that could negatively impact providers. Because the marketplaces are still so new, the effects of these changes upon the financial condition of any third-party payor that offers health insurance, rates paid by third-party payors to providers and, thus, the revenues, results of operations and financial condition of the Members of the Obligated Group, cannot be predicted.

Healthcare.gov, the health insurance marketplace website created by the federal government under the provisions of the ACA, allows residents of states, which opted not to create their own state marketplaces to partner with the federal government, to purchase health insurance or qualify for Medicaid coverage. West Virginia continues to partner with the federal government and utilize Healthcare.gov. In 2015, West Virginia residents enrolled through Healthcare.gov exceeded 37,000. Approximately 86% of West Virginia residents signing up through Healthcare.gov qualified for an average tax credit of $311 per month, and 47% of those residents received coverage for less than $100 per month after application of the tax credit.

High deductible insurance plans have become more common in recent years, and the ACA is expected to continue the increase in high deductible insurance plans as the health insurance marketplaces include a variety of plans, several of which offer lower monthly premiums in return for higher deductibles. Many plans offered on the marketplaces have high deductibles. 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 resulting in increased levels of bad debt.

The ACA will likely affect some healthcare organizations more than others, depending, in part, on how each organization adapts to the legislation's emphasis on directing more federal healthcare dollars to integrated provider networks and providers with demonstrable achievements in quality care. The ACA proposes a value-based purchasing system for hospitals under which a percentage of payments will be contingent on satisfaction of specified performance measures related to common and high-cost medical conditions, such as cardiac, surgical and pneumonia care. The ACA also funds various demonstration programs, pilot projects, and other voluntary programs to evaluate and encourage new provider delivery models and payment structures, including accountable care organizations and bundled provider payments. Many private commercial insurers have adopted similar programs with risk-bearing, shared-savings opportunities for providers that can meet certain performance targets.

On January 26, 2015, the United States Department of Health and Human Services ("DHHS") announced a timetable for transitioning Medicare payments from the traditional fee-for-service model to a value-based payment system. This schedule called for tying 30% of traditional Medicare fee-for-service payments to quality or value through alternative payment models, such as accountable care organizations or bundled payment arrangements, by the end of 2016, to be increased to 50% by 2018. In addition, DHHS proposed that by 2016, 85% of all Medicare fee-for-service payments have a component based on quality or efficiency of care, such as value-based purchasing or readmission reductions, to be increased to 95% by 2018. As of the date of such announcement, approximately 20% of Medicare's fee-for-service payments were made through alternative delivery models, and 80% of fee-for-service payments had a component based upon quality or efficiency of care, up from almost none in 2011.

A significant negative impact to the hospital industry overall will likely result from substantial reductions in the rate of increase of Medicare annual "market basket" adjustments and in actual reductions in Medicare payments. These updates will be reduced through September 30, 2019. These reductions will be further increased by productivity adjustments that recognize increases in productivity over time. The legislation's cost-cutting provisions to the Medicare program include reduction in Medicare market basket updates to hospital reimbursement rates for inpatient hospital services under the IPPS, which are projected by CMS to result in Medicare savings of $112 billion over ten years.

Medicare beneficiaries may obtain Medicare coverage through a managed care Medicare Advantage plan. A Medicare Advantage plan may be offered by a coordinated care plan (such as a health maintenance organization ("HMO") or preferred provider organization ("PPO")), a provider sponsored organization ("PSO") (a network operated by healthcare providers rather than an insurance company), a private fee-for-service plan, or a combination of a medical savings account ("MSA") and contributions to a Medicare Advantage plan. With the exception of an MSA plan, each Medicare Advantage plan is required to provide benefits approved by the Secretary of DHHS. A Medicare Advantage plan receives a monthly capitated payment from DHHS for each Medicare beneficiary who has elected coverage under the plan. Healthcare providers such as Members of the Obligated Group must contract with a Medicare Advantage plan to treat Medicare Advantage enrollees at agreed upon rates. Alternatively, they may form a PSO to contract directly with DHHS as a Medicare Advantage plan. Covered inpatient and emergency services rendered to a Medicare Advantage beneficiary by a hospital that is an out-of-plan provider (i.e., that has not entered into a contract with a Medicare Advantage plan) will be paid at Medicare fee-for-service payment rates as payment in full.

Future changes to the Medicare Advantage program, the impact of other changes in Medicare reimbursement including programs to bundle payments for hospital services with post-acute care services or other types of services, and the general trend toward increased managed care and other cost

containment measures, cannot be determined. The net effect, however, could be lower revenues which could adversely affect the operations, results of operations, and financial condition of the Obligated Group. In addition, further reductions in Medicare coverage and decreased Medicare reimbursement rates may be required due to the aging United States' population and the availability of funds necessary to meet the increased demands on Medicare.

The ACA also established a program which began on October 1, 2014 and imposes financial penalties on hospitals that perform poorly with regard to certain Hospital Acquired Conditions ("HACs"). Payment to certain hospitals discharging patients for HACs were subject to a 1% reduction determined after any payment adjustment for other programs, such as the Hospital Readmissions Reduction Program and value-based purchasing program. CCMC was subject to such reduction.

The ACA continues and expands earlier congressional measures taken to address the growing cost of the Medicare and Medicaid programs. The CMS periodically promulgates regulations, such as its annual IPPS rules, to adjust the rates paid to hospitals based on its continuing experience with hospital operating and capital costs, and to implement various quality improvement, patient safety and fraud and abuse programs.

To reduce waste, fraud, and abuse in public programs, the ACA provides for provider enrollment screening, enhanced oversight periods for new providers and suppliers, and enrollment moratoria in areas identified as being at elevated risk of fraud in all public programs. It also requires Medicare and Medicaid program providers and suppliers to establish compliance programs. The ACA requires the development of a database to capture and share healthcare provider data across federal healthcare programs and provides for increased penalties for fraud and abuse violations, and increased funding for anti-fraud activities.

The outcomes of these projects and programs, including the likelihood of their revision or expansion or their effect on healthcare organizations' revenues or financial performance cannot be predicted.

The ACA is projected to expand access to Medicaid and the scope of services covered thereunder. With respect to access, Medicaid is expected to cover all individuals with incomes of less than 138% of the federal poverty level. The law also allows states, beginning in 2014, to expand Medicaid eligibility to non-elderly, non-pregnant individuals who are not otherwise eligible for Medicare, if they have incomes of less than 138% of the federal poverty level. To assist states with the cost of covering such newly eligible individuals, the federal government will pay 100% of the new cost for a limited number of years. Thereafter, the cost share is expected to decrease to 90%. However, as stated below, the decision of the Supreme Court of the United States in *National Federation of Independent Business v. Sebelius* in 2012 made the decision to expand Medicaid an option for each state. In the event a state chooses not to participate in the expanded Medicaid program, the net effect of the reforms in the ACA could be significantly reduced. Additionally, Medicaid reimbursement rates differ by state and the effect of expanded Medicaid enrollment must be determined on a state-by-state basis.

The ACA contains amendments to existing criminal, civil, and administrative anti-fraud statutes and increases in funding for enforcement efforts to recoup prior federal healthcare payments to providers. Under the ACA, a broad range of providers, suppliers, and physicians are required to adopt a compliance and ethics program. While the government has already increased its enforcement efforts, failure to implement certain core compliance program features provides new opportunities for regulatory and enforcement scrutiny, as well as potential liability if an organization fails to prevent or identify improper federal healthcare program claims and payments.

Broadly speaking, the provisions of the ACA that encourage or mandate healthcare coverage for individuals can be expected to increase demand for healthcare and reduce the amount of uncompensated care that the Members of the Obligated Group provide. However, revisions to the Medicare reimbursement program could reduce revenues. Therefore, the impact of the ACA on the operations of the Obligated Group cannot be currently ascertained and it may have a material adverse impact thereon.

The content and implementation of the ACA have been, and remain, highly controversial. Several attempts to amend and repeal provisions of the ACA have been made since its passage. The ultimate outcome of any legislative efforts to repeal, substantially amend, eliminate or reduce funding for the ACA is unknown. While past attempts have not been successful, the results of the Presidential and Congressional elections in November 2016 could affect the outcome of future efforts in 2017. President Donald Trump and members of Congress have vowed to renew repeal efforts in 2017. A number of Congressional proposals have already been advanced for repealing the ACA. If a full repeal proves impractical, legislators may instead dismantle portions of the ACA through various legislative efforts (including replacement or amendment) and funding measures. The effect of any major modification or repeal of the ACA on the financial condition of the Obligated Group cannot be predicted with certainty, but could be materially adverse.

The constitutionality of the ACA has been challenged in courts around the country. On June 28, 2012, the Supreme Court upheld most provisions of the ACA, while limiting the power of the federal government to penalize states for refusing to expand Medicaid. The Supreme Court ruled on various legal challenges to portions of the ACA, finding that its individual mandate was constitutional as a valid exercise of Congress's taxing power but that its Medicaid expansion provisions were improperly coercive on the states to the extent existing Medicaid funding was put at risk if a state opted out of the ACA's expansion of the current Medicaid program. Following this decision and an independent analysis of the impact of Medicaid expansion in West Virginia, the State decided to expand the program and access the federal funds that are available for this purpose. In July 2014, two federal appeals courts issued conflicting rulings with respect to the ACA on whether the federal government could subsidize health insurance premiums in states that use the federal health insurance marketplace. On June 25, 2015, the Supreme Court of the United States issued its opinion in *King v. Burwell* holding that the tax credit subsidies provided in the ACA apply equally to state-run marketplaces and the federal marketplace, obviating the potential disparate treatment of program participants nationally. Efforts to repeal or delay the implementation of the ACA continue in Congress. The ultimate outcomes of legislative attempts to repeal or amend the ACA and other legal challenges to the ACA are unknown and their impact on the Obligated Group's operations cannot be determined at this time.

The ACA will likely affect some healthcare organizations differently from others, depending, in part, on how each organization adapts to the legislation's emphasis on directing more federal healthcare dollars to integrated provider organizations and providers with demonstrable achievements in quality care. The legislation funds various demonstration programs and pilot projects and other voluntary programs to evaluate and encourage new provider delivery models and payment structures. Beginning in 2012, certain Medicare providers, including hospitals, have been able to participate in a Medicare shared savings program that promotes accountability for the care of Medicare beneficiaries and encourages coordination of care and other efficiencies through entities called Accountable Care Organizations ("ACOs"). The program allows hospitals, physicians and others 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. In November 2011, CMS published the final rules regarding ACOs. The regulation is complex

and it remains unclear whether the qualification requirements will be a formidable barrier. It is also unclear whether the potential savings will be significant enough to offset the substantial initial investment. In addition, 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. Since the federal ACO regulation would not preempt state law, providers in any state participating in a federal ACO must be organized and operated in compliance with such state's existing statutes and regulations.

Several other federal agencies have announced guidance regarding ACOs. CMS and the DHHS Office of Inspector General ("OIG") jointly outlined waivers of certain federal laws – the physician self-referral law, the anti-kickback statute, and certain provisions of the civil monetary penalty law – in connection with the shared savings program. The Federal Trade Commission (the "FTC") and the Department of Justice ("DOJ") released a joint statement entitled "Proposed Statement of Enforcement Policy Regarding Accountable Care Organizations Participating in the Medicare Shared Savings Program," and the IRS simultaneously released a notice assuring tax-exempt organizations that participate in an ACO with for-profit entities will not jeopardize the organization's tax-exempt status or result in unrelated business income tax if certain requirements are met.

The Obligated Group is analyzing the ACA and will continue to do so in order to assess its effects on current and projected operations, financial performance, and financial condition. Broadly speaking, the provisions of the ACA that encourage or mandate healthcare coverage for individuals can be expected to increase demand for healthcare and reduce the amount of uncompensated care that the Members of the Obligated Group provide. However, revisions to both Medicaid and the Medicare reimbursement program could reduce revenues. Therefore, the impact of the ACA on the operations of the Obligated Group cannot be currently ascertained, and it may have a material impact, either positive or negative, on operations.

West Virginia Healthcare Reform. Effective January 1, 2014, the State implemented the ACA. The decision to opt into the ACA was based on an evaluation of the requirements of the ACA and their potential effect on the State's healthcare marketplace by CCRC Actuaries, LLC ("CCRC") and Dr. Jonathan Gruber ("Dr. Gruber"). Based upon the analysis set forth in the study by CCRC and Dr. Gruber, the decision was made by the State to expand the State's Medicaid program to people with household income up to 133% of the Federal Poverty Level ("FPL"). In addition, the Governor determined that the expanded population will be provided health services through Medicaid managed care, as opposed to the fee for service program. Under the State's Medicaid expansion, the federal government was responsible for the cost of the coverage expansion in the initial years (2014-2016) and will be responsible for 90% of the cost of expansion after the third year.

As of the end of October 2016, over 217,000 additional residents had enrolled in Medicaid and the Children's Health Insurance Program ("CHIP"). West Virginia's uninsured rate decreased from 17.8% in 2013 to 6.0% in 2015 and uncompensated care decreased by 40% between 2013 and 2014. The federal government paid for the cost of the State's Medicaid expansion initially, but the State's share of the cost is projected to increase as follows: (i) $14 million for fiscal year 2017; (ii) $32 million for fiscal year 2018; (iii) $38 million for fiscal year 2019; and (iv) $50 million for fiscal year 2020. After this period, the State's share is expected to increase with the expansion to $72 million by fiscal year 2023. The State's combined expenditures for Medicaid and CHIP for fiscal year 2017-2023 are projected to increase to $362.5 million. The economic downturn in West Virginia and continued stress on the budget could result in reductions in Medicaid payment rates or Medicaid eligibility standards and delay payments of amounts due under Medicaid or other state or local payment programs. See **"State Budgets"** below.

Although the expansion of Medicaid in West Virginia has increased the number of potential Medicaid beneficiaries, it is not possible to predict exactly how the implementation of the ACA will

affect the marketplace and it is further not possible to determine the level of future federal funding for providing care to the expansion population. Historically, Medicaid has reimbursed at rates below the cost of care. Therefore, although expansion of the Medicaid population may decrease the volume of uncompensated care, it may increase the volume of patients for which reimbursement is inadequate. Further, growth in the proportion of Medicaid patients relative to commercially insured patients may have an adverse effect on a hospital's operating margins.

In addition to expanding Medicaid under the ACA, West Virginia has partnered with DHHS for a state-federal health insurance marketplace partnership. The partnership marketplace leaves in place many of the traditional insurance regulatory responsibilities of the West Virginia Insurance Commissioner, but places many of the costly infrastructure and technology aspects of the marketplace with the federal government. The analysis by CCRC and Dr. Gruber of the costs associated with the implementation of a state-based marketplace resulted in the determination that the costs were prohibitively high in a relatively small state such as West Virginia, in particular given the need for the marketplace to be self-sustaining in 2015. Individuals and small employers with up to fifty employees may shop for and purchase health insurance on the marketplace. Individuals accessing coverage through the marketplace may qualify for tax credits, or subsidies, to help pay the cost of coverage if their income is between 100% and 400% of the FPL. In addition, individuals with income below 250% of the FPL may qualify for reductions in other out of pocket costs. These subsidies should enable many people to obtain coverage who were previously uninsured.

To the extent all or any of these provisions produce the intended result in West Virginia, an increase in utilization of healthcare services by those who are currently not obtaining healthcare services can be expected and bad debt expenses may be reduced. However, it cannot be predicted what impact the increased enrollment in public programs and plans purchased on the health insurance marketplace will have on reimbursement rates from the federal and state governments and commercial carriers, or on the net revenues for the Obligated Group.

Acute Care Hospital Access Payments. House Bill 4209, enacted during the West Virginia legislature's 2016 regular session, extends the sunset on the tax rate for eligible acute care hospitals for another year; provided, however, such tax may not be imposed or collected until CMS approves a State Plan Amendment ("SPA") regarding payments to certain hospitals. The bill increases the additional tax imposed under West Virginia Code §11-27-38 on the gross receipts received by eligible acute care hospitals that provide inpatient or outpatient hospital service in West Virginia through a Medicaid Upper Payment Limit ("UPL") from 0.72% to 0.74%. The tax proceeds and federal matching payments fund supplemental Medicaid payments to participating hospitals.

West Virginia Medicaid has received pending approval to make UPL payments related to the Medicaid expansion population for the period from January 2014 through June 2015. The UPL payments related to the Medicaid expansion population will be approximately $200 million. Upon receipt of CMS final approval, West Virginia Medicaid will disburse such UPL payments, which is anticipated to be in the first quarter of 2017.

Nonprofit Healthcare Environment

As nonprofit, tax-exempt organizations, the Members of the Obligated Group 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 conducts large-scale complex business transactions and is a major employer in its geographic area. There can often be a tension between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of a complex healthcare organization.

The operations or practices of healthcare providers are routinely challenged or questioned to determine if they are in compliance with the regulatory requirements for 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 healthcare organizations. A common theme of these challenges is that nonprofit hospitals may not provide community benefits that equal the benefits received from tax-exempt status. Areas which have come under examination have included pricing practices, billing and collection practices, charitable care, 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, labor unions, Congress, state legislatures, and patients, and in a variety of forums, including hearings, audits, and litigation. These challenges or examinations include the following, among others:

IRS Bond Examinations. The IRS has active programs auditing both the qualification of hospital organizations as Section 501(c)(3) organizations and the qualification of bonds issued for the benefit of such organizations as tax-exempt. The IRS may use detailed information required to be reported on Form 990 for this purpose. See **"TAX MATTERS"** below.

IRS Examination of Compensation Practices. For over a decade, the IRS has been concerned about executive compensation practices of tax-exempt hospitals. In 2004, the IRS began a new program to measure compliance by tax-exempt organizations with requirements that they not pay excessive compensation and benefits to their officers and other insiders. In February 2009, the IRS issued its Hospital Compliance Project Final Report that examined tax-exempt organizations' practices and procedures with regard to compensation and benefits paid to their officers and other defined "insiders." Such IRS Final Report indicates 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.

Future Nonprofit Legislation. Other legislative proposals which could have an adverse effect on the Members of the Obligated Group include: (a) any changes in the taxation of non-profit corporations or in the scope of their exemption from income, sales or property taxes; (b) limitations on the amount or availability of tax-exempt financing for corporations recognized under Section 501(c)(3) of the Code; and (c) regulatory limitations affecting the Obligated Group's ability to undertake capital projects or develop new services.

Legislative bodies have considered proposed legislation on the charity care standards that non-profit, charitable hospitals must meet to maintain their federal tax-exempt status under the Code as well as legislation mandating non-profit, charitable hospitals to have an open-door policy toward Medicare and Medicaid patients and offer qualified charity care and community benefits in a non-discriminatory manner. Excise tax penalties on non-profit, charitable hospitals that violate these charity care and community benefit requirements could be imposed, or their tax-exempt status under the Code could be revoked. As described above, because of the complexity of healthcare reform generally, additional legislation is likely to be considered and enacted over time beyond the ACA. The scope and effect of any such legislation cannot be predicted. Enactment of any such legislation may have the effect of subjecting a portion of the Obligated Group's income to federal or state income taxes or to other tax penalties.

Budget Control Act of 2011. On August 2, 2011, President Obama signed the Budget Control Act of 2011 (the "Budget Control Act"). The Budget Control Act limits the federal government's discretionary spending caps at levels necessary to reduce expenditures by $917 billion from the current

federal budget baseline from federal fiscal years 2012 through 2021. Medicare, Social Security, Medicaid, and other entitlement programs will not be affected by the limit on discretionary spending caps.

The Budget Control Act also created a Joint Select Committee on Deficit Reduction (the "Committee"), which was tasked with making recommendations to further reduce the federal deficit by $1.5 trillion on or before November 23, 2011. After several months of negotiations, the Committee was unable to reach agreement on spending reductions, putting into motion $1.2 trillion in spending cuts (known as sequestration). Provisions of the Budget Control Act, as modified by the Taxpayers Relief Act (as defined below), set in place a protocol for the sequestration, resulting in an automatic 2% reduction in Medicare program payments for all healthcare providers effective March 27, 2013.

Because Congress may make changes to the budget in the future, it is impossible to predict the impact any spending cuts that are approved may have on the Obligated Group. Further, with no long-term resolution in place for federal deficit reduction, hospital and physician reimbursement are likely to continue to be targets for reductions with respect to any interim or long-term federal deficit reduction efforts. These and any additional reductions in Medicare spending could have a material adverse effect upon the financial condition or operations of the Obligated Group.

Internal Revenue Service Form 990. The Internal Revenue Service Form 990 is used by 501(c)(3) nonprofit organizations to submit information required by the federal government for tax-exemption. On December 20, 2007, the IRS released a revised Form 990 that requires detailed public disclosure of compensation practices, corporate governance, loans to management and others, joint ventures and other types of transactions, political campaign activities, and other areas the IRS deems to be compliance risk areas. The redesigned Form 990 also requires the reporting of detailed community benefit information on Schedule H to the Form, which is designed to provide uniformity regarding types of programs and expenditures reported as community benefit by nonprofit hospitals. As the IRS collects and reviews information from hospitals about the level and types of community benefit provided, the IRS may issue a more stringent interpretation of community benefit. Findings from Schedule H reports may also revive proposals in Congressional committees which, from time to time, have been made to codify additional requirements for hospitals' tax-exempt status, including requirements to provide minimum levels of charity care. Additionally, the ACA contains requirements for nonprofit hospitals in order to maintain their tax-exempt status, which include a requirement to conduct a community health needs assessment, among other requirements.

The redesigned Form 990 also contains a separate schedule requiring detailed reporting of information relating to tax exempt bonds on Schedule K, including compliance with the arbitrage rules and rules limiting private use of bond-financed facilities, including compliance with the safe harbor guidance in connection with management contracts and research contracts. The redesigned Form 990 is intended to result in enhanced transparency as to the operations of exempt organizations. It is also likely to result in enhanced enforcement, as the redesigned Form 990 will make available a wealth of detailed information on compliance risk areas to the IRS and other stakeholders, including state attorneys general, unions, plaintiff class action attorneys, public watchdog groups, and others.

Litigation Relating to Billing and Collection Practices. Lawsuits have been filed in 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. The cases are proceeding in various courts around the country with inconsistent results. While it is not possible to make general predictions, some hospitals and health systems have incurred substantial costs in defending these lawsuits, and in some cases have entered into substantial settlements.

Challenges to Real Property Tax Exemptions. Recently, the real property tax exemptions afforded to certain nonprofit healthcare providers by state and local taxing authorities have been challenged on the grounds that the healthcare 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. In recent years, state, county, and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt healthcare providers with respect to their property tax exemption for both real and personal property. In some cases, particularly where such authorities are dissatisfied with the amount of services provided to indigents, the property tax-exempt status of the healthcare providers has been questioned.

In West Virginia, the exemption of real and personal property owned or leased by nonprofit corporations depends upon the exclusive use of such real and personal property for charitable purposes and such property must not be held or leased out for profit. The majority of the real and personal property owned or leased by the Obligated Group is exempt from West Virginia property taxes. Any investigations or audits by the State or other governmental entities could lead to challenges with regard to property tax exemption with respect to facilities of Members of the Obligated Group which, if successful, could adversely and materially affect the property tax exemption with respect to certain of the facilities.

On July 1, 2010, the assessment date for tax year 2011, UHC had not commenced operations at its new facility in Bridgeport, West Virginia. Operations at the new facility began in October, 2010. Because operations had not commenced on July 1, 2010, the assessor of Harrison County assessed UHC for *ad valorem* property taxes in an amount of approximately $2.1 million. In March 2014, the Supreme Court of Appeals of the State of West Virginia held that because construction was substantially complete and significant departments were working on site to fulfill UHC's charitable purpose on the assessment date, the facility was exempt from *ad valorem* property taxation.

UHF leases a portion of its Dorothy McCormack Cancer Treatment & Rehabilitation Center to for-profit tenants. In October 2016, the Supreme Court of Appeals of the State of West Virginia overturned a circuit court ruling and held that to the extent that real property owned by a qualifying, nonprofit organization is leased or rented to a private, non-qualifying organization, such property is not wholly exempt from *ad valorem* property taxation, notwithstanding the application of rental fees to the charitable purposes of the nonprofit organization.

Management of the Obligated Group is not currently aware of any challenges to the real property tax exemptions afforded to nonprofit healthcare providers in the State.

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

The foregoing are some examples of the challenges and examinations facing nonprofit healthcare organizations. The challenges and examinations, and any resulting legislation, regulations, judgments, or penalties, could have a material adverse impact on the financial condition of the Obligated Group and, in turn, its ability to make payments under the Loan Agreement and the 2017-1 Note.

Reliance on Medicare and Medicaid. Inpatient hospitals rely to a high degree on payment from the federal Medicare and Medicaid programs. 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 stream from Medicare and Medicaid. With healthcare 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 and Medicaid outlays for hospitals. West Virginia Medicaid and other state healthcare programs constitute an important payor source to the Obligated Group. State Medicaid and other state healthcare programs often pay hospitals at levels that may be below the actual cost of the care provided. As Medicaid is partially funded by states, significant deterioration in the financial condition of the state in which a hospital is located could result in lower funding levels and/or payment delays.

Rate Pressure from Insurers and Major Purchasers. Certain hospital markets, including many communities in West Virginia, are strongly impacted by large health insurers and, in some cases, by major purchasers of health services. In those areas, health insurers may have significant influence over hospital rates, utilization, and competition. Rate pressure imposed by health insurers or other major purchasers may have a material adverse impact on hospitals, particularly if major purchasers put increasing pressure on payors to restrict rate increases. Business failures by health insurers also could have a material adverse impact on contracted hospitals in the form of nonpayment or shortfalls or delays in payment and/or continuing obligations to care for managed care patients without receiving payment.

Capital Needs versus Capital Capacity. Hospital operations are capital intensive. Regulation, technology, and physician/patient expectations require constant and often significant capital investment. Total capital needs may be greater than the availability of funds to provide capital investment.

Government Enforcement. To ensure the integrity of the federal healthcare programs, CMS, OIG, and the DOJ have paid close attention to the business practices and conduct of healthcare providers. The federal and state governments, including the State, 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 healthcare programs. This body of laws and regulations impacts a broad spectrum of hospital commercial activity, including billing, accounting, recordkeeping, medical staff oversight, physician contracting and recruiting, cost allocation, clinical trials, and discounts, among other activities.

Enforcement actions may pertain to not only deliberate violations but also frequently relate to violations resulting from actions of which management is unaware, from mistakes or from circumstances where the individual participants do not know that their conduct is in violation of law. Enforcement actions may extend to conduct that occurred in the past. The federal government periodically conducts widespread investigations covering categories of services or certain accounting or billing practices.

Violations and alleged violations carry significant sanctions, which may be aggressively pursued by the federal government. The federal government may seek a wide array of civil, administrative, criminal, and monetary penalties, including withholding essential hospital payments under the Medicare or Medicaid programs, or exclusion from those programs. Negative publicity and large settlements and/or adverse results of litigation could result in payment of substantial fines and prospective restrictions that may have a materially adverse impact on hospital operations, financial condition, results of operations and reputation, and generally are not covered by insurance.

The already stringent enforcement of these laws and regulations was strengthened by the ACA. Among other things, the ACA sets forth an affirmative obligation for any healthcare provider, supplier, or managed care organization to report and return Medicare and Medicaid overpayments within 60 days after the date on which the overpayment was identified, or the date that any corresponding cost report is due, whichever is later. This repayment must be accompanied by a written statement of the reasons why the overpayment occurred. Not only is the illegal retention of an overpayment subject to civil monetary

penalties of $10,000 per claim plus treble damages, but it also now exposes the party to False Claims Act liability (another change in law accomplished by the ACA).

Personnel Shortages. From time to time, shortages of physicians, nursing and other professional and technical personnel occur in different markets, which may have a direct impact on the operations, financial condition and financial performance of hospitals and healthcare systems. Various studies have predicted that that physician and nurse shortages will become more acute over time, as practitioners retire and patient volume exceeds the growth in new professionals. In addition, shortages of other professional and technical staff such as pharmacists, therapists, laboratory technicians, care coordinators and others may occur or worsen. Hospital operations, patient and physician satisfaction, financial condition, results of operations and future growth could be negatively affected by these shortages, resulting in a material adverse impact on hospitals and healthcare systems.

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 hospital care. These could result in higher hospital costs, reductions in patient populations, lower utilization of hospital services, and/or new sources of competition for hospitals.

Costs and Restrictions from Governmental Regulation. Nearly every aspect of hospital operations is regulated, in some cases by multiple agencies of government. The level and complexity of regulation appears to be increasing, bringing with it operational limitations, enforcement and liability risks, and significant and sometimes unanticipated cost impacts.

Competition among Healthcare Providers. Increased competition from a wide variety of sources, including (i) the development of alternative healthcare delivery systems (e.g., HMOs and PPOs) in the service areas of the Obligated Group; (ii) competition with other hospitals and nursing homes to provide healthcare services; (iii) competition for patients with delivery systems of HMOs providing services at their own or other facilities; (iv) competition for enrollees between traditional insurers, whose patients generally have a free choice of hospitals, and HMOs and PPOs, which may substantially restrict the hospitals and physicians from which their enrollees can receive services; (v) competition for patients between physicians, who generally use hospitals, and non-physician practitioners, such as nurse-midwives, practitioners, chiropractors, physical and occupational therapists and others, who may not generally use hospitals; (vi) competition from nursing homes, home health agencies, ambulatory care facilities, ambulatory surgical centers, rehabilitation and therapy centers, physician group practices, and other non-hospital providers that provide services for which patients currently rely on hospitals; (vii) increased telehealth opportunities; and (viii) competition with other hospitals and licensed health facilities for qualified nursing and paraprofessional personnel.

The effects of such increased competition on the revenues of the Members of the Obligated Group, including pressures for increased discounts in contracts with alternate delivery systems, cannot be predicted and could limit the ability of the Obligated Group to meet its obligations under the Master Indenture. See **APPENDIX A – INFORMATION CONCERNING WEST VIRGINIA UNIVERSITY HEALTH SYSTEM – Service Area and Competition** for a description of the principal competitors of the Members of the Obligated Group in their service areas and certain information regarding service area economics.

Labor Costs and Disruption. Hospitals are labor intensive. Labor costs, including salary, benefits, and other liabilities associated with the workforce, have a significant impact on hospital operations and financial condition. Pressure to recruit, train, and retain qualified employees is expected to

accelerate. These factors may materially increase the Obligated Group's costs of operation. Workforce disruption may negatively impact the Obligated Group's revenues and reputation.

Pension and Benefit Funds. As large employers, hospitals may incur significant expenses to fund pension and benefit plans for employees and former employees, and to fund required workers' compensation benefits. Funding obligations in some cases may be erratic or unanticipated and may require significant commitments of available cash needed for other purposes. See **APPENDIX A – INFORMATION CONCERNING WEST VIRGINIA UNIVERSITY HEALTH SYSTEM** for information regarding the Obligated Group's pension liabilities.

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, may increase in the future. A hospital may also be adversely affected by negative financial and liability impacts on its physicians. Costs of insurance, including self-insurance, may increase dramatically, or the availability of commercial insurance may be jeopardized.

Facility Damage. Hospitals are highly dependent on the condition and functionality of their physical facilities. Damage from natural causes, fire, deliberate acts of destruction, or various facilities system failures may have a material adverse impact on hospital operations, financial conditions and results of operations.

Federal Laws Affecting Healthcare Facilities

HIPAA. The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") added two prohibited practices, the commission of which may lead to civil monetary penalties: (1) the practice or pattern of presenting a claim for an item or service on a reimbursement code that the person knows or should know will result in greater payment than appropriate, i.e., upcoding; and (2) engaging in a practice of submitting claims for payment for medically unnecessary services. Violation of such prohibited practices could amount to civil monetary penalties ranging from $50,000 to $1.5 million for all identical violations in a calendar year and/or imprisonment. Management of the Obligated Group does not expect that the prohibited practices provisions of HIPAA will affect the Obligated Group in a material respect.

HIPAA also includes administrative simplification provisions intended to facilitate the processing of healthcare payments by encouraging the electronic exchange of information and the use of standardized formats for healthcare information. Congress recognized, however, that standardization of information formats and greater use of electronic technology presents additional privacy and security risks due to the increased likelihood that databases of personally identifiable healthcare information will be created and the ease with which vast amounts of such data can be transmitted. Therefore, HIPAA requires the establishment of distinct privacy and security protections for individually identifiable health information ("Protected Health Information" or "PHI").

DHHS promulgated privacy regulations under HIPAA (the "Privacy Rule") that protect the privacy of PHI maintained by healthcare providers, health plans, and healthcare clearinghouses (collectively, "Covered Entities"). Compliance with the Privacy Rule was required as of April 14, 2003. Management of the Obligated Group believes that its operations and information systems comply with the Privacy Rule.

Security regulations have also been promulgated under HIPAA. These security regulations were issued in final form on February 20, 2003, with a compliance date of April 21, 2005 (the "Security Rule"). Additionally, DHHS promulgated regulations to standardize the electronic transfer of information

pursuant to certain enumerated transactions (the "Code Set Transactions"), with a compliance deadline of October 16, 2003. Management of the Obligated Group believes that all of the hospital Members are in substantial compliance with the Security Rule and the Code Set Transactions.

Violations of HIPAA can result in civil monetary penalties of up to $25,000 per type of violation in each calendar year and criminal penalties of up to $250,000 per violation. Paired with violations of the HITECH Act, as described below, these penalties can be even higher, with civil penalties under the HITECH Act generally ranging from $100 to $50,000 per violation, with caps of $25,000 to $1.5 million for all violations of a single requirement in a calendar year, depending on the severity of the violation and the level of willful negligence involved.

The HITECH Act. On February 17, 2009, President Obama signed into law the Health Information Technology for Economic and Clinical Health Act (the "HITECH Act"), which is part of the American Recovery and Reinvestment Act of 2009 ("ARRA"). The HITECH Act significantly changes the landscape of federal privacy and security law with regard to PHI. The HITECH Act (i) extended the reach of HIPAA, certain provisions of the Privacy Rule, and the Security Rule, (ii) imposed a breach notification requirement on Covered Entities and their agents and subcontractors (collectively, "Business Associates"), (iii) limited certain uses and disclosures of PHI, (iv) increased individuals' rights with respect to PHI, and (v) increased enforcement of, and penalties for, violations of the privacy and security of PHI. Many of the HITECH Act's provisions became effective on February 17, 2010. The Obligated Group does not expect that the prohibited practices provisions of the HITECH Act will affect the Obligated Group in a material respect.

The HITECH Act also creates a federal breach notification law that mirrors protections that many states have passed in recent years. This law requires the Members of the Obligated Group to notify patients of any unauthorized access, acquisition, or disclosure of their unsecured protected health information that poses significant risk of financial, reputational, or other harm to a patient. In addition, a new breach notification requirement was established requiring reporting to the Secretary of DHHS, and in some cases local media outlets, of certain unauthorized access, acquisition, or disclosure of protected health information that poses significant risk of financial, reputational, or other harm to a patient. On January 25, 2013, DHHS issued an omnibus final rule (the "Final Rule") interpreting and implementing various provisions of the HITECH Act, including a final breach notification rule. In addition, the facilities of the Members of the Obligated Group remain subject to any state laws that relate to the reporting of data breaches that are more restrictive than the regulations issued under HIPAA and the requirements of the HITECH Act.

The Final Rule changed certain requirements for Covered Entities and established rules that now apply directly to their vendors that handle PHI and qualify as Business Associates under HIPAA. A Covered Entity and its Business Associates must make reasonable efforts to use, disclose, and request only the minimal amount of PHI needed to accompany the intended use. HIPAA confidentiality provisions extend not only to patient medical records, but also to a wide variety of healthcare clinical and financial settings where patient privacy restrictions often impose new communication, operational, accounting and billing restrictions. These confidentiality provisions add costs and create potentially unanticipated sources of legal liability.

Any violation of HIPAA, the HITECH Act, or the regulations promulgated under either is subject to HIPAA civil and criminal penalties that include monetary penalties and/or imprisonment. The Obligated Group believes that all of its healthcare facilities are in substantial compliance with HIPAA, the HITECH Act, and the rules promulgated thereunder.

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

Healthcare providers have been and will continue to be significantly impacted by changes in the last several years in federal healthcare laws and regulations, particularly those pertaining to Medicare and Medicaid. The purpose of much of the recent statutory and regulatory activity has been to reduce the rate of increase in healthcare costs, particularly costs paid under the Medicare and Medicaid programs. Diverse and complex mechanisms to limit the amount of money paid to healthcare providers under both the Medicare and Medicaid programs have been enacted, and have caused severe reductions in reimbursement from the Medicare program. The Medicare reimbursement rules are reviewed, and many of them are revised, annually based upon recommendations from government advisory commissions such as MedPAC and other sources, including healthcare providers.

Past federal budgets have contained cuts to the Medicare and Medicaid program budgets, and, as previously mentioned, there are plans to cut Medicare and Medicaid payments by as much as $155 billion over the next 10 years to offset a portion of the cost of the expanded coverage under the ACA. While the future of the ACA and the funding of Medicare and/or Medicaid are uncertain, any reduction in the level of Medicare and/or Medicaid spending or a reduction in the rate of increase of Medicare and/or Medicaid spending, would have an adverse impact on the revenues of the Obligated Group derived from the Medicare and Medicaid programs.

The following is a summary of the Medicare and Medicaid programs and certain risk factors related thereto. The information above and the information below may be affected by legislation repealing or rewriting the ACA. See **"Federal Legislative and Regulatory Initiatives"** above.

Medicare. Medicare is the federal health insurance system under which hospitals are paid for services provided to eligible elderly persons, disabled persons and persons with end-stage renal disease. 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 state and accreditation organizations such as The Joint Commission, DNV Healthcare Inc. and the American Osteopathic Association. 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, personnel, billing, policies, and services.

With regard to Medicare, it is important to note that more people will become eligible for the Medicare program as the population ages. "Baby Boomers" are currently turning age 65 at the average rate of 10,000 per day over the next 16 years. The State Bureau of Senior Services estimates that 27,000 "Baby Boomers" will turn 60 each year in West Virginia. The State's population is expected to age at a rate exceeding that of the United States as whole. The share of the State's population that is over 65 is expected to grow to 22.9% by 2030, up from 16% in 2010. Current projections indicate that demographic changes and continuation of current cost trends will exert significant and negative forces on the overall

federal budget, as well as the State's budget. Inpatient hospitals rely to a high degree on payment from the federal Medicare program.

Hospital Inpatient Reimbursement. Medicare payments for operating expenses incurred in the delivery of inpatient hospital services and inpatient psychiatric services are based on IPPS, which essentially pays hospitals a fixed amount for each Medicare inpatient discharge based upon patient diagnosis and established categories of treatments or conditions known as diagnosis related groups ("DRGs"), or more recently Medical Severity DRGs ("MS-DRGs"). Each MS-DRG is given a relative value from which a fixed payment can then be established. With limited exceptions, such payments are not adjusted for actual costs, variations in intensity of illness, or length of stay. MS-DRG rates are adjusted annually by the use of an "update factor" based on the projected increase in a market basket inflation index which measures changes in the costs of goods and services purchased by hospitals, but the adjustments historically have not kept pace with inflation.

If a hospital treats a patient and incurs less cost than the applicable MS-DRG-based payment, the hospital will be entitled to retain the difference. Conversely, if a hospital's cost for treating the patient exceeds the DRG-based payment, the hospital generally will not be entitled to any additional payment. CMS continually attempts to adjust reimbursements to better reflect hospital costs rather than charges. If a case is unusually complex or expensive, it may qualify for an "outlier" payment, which is added to the MS-DRG-adjusted base rate payment. The MS-DRG system has undergone changes to increase and refine the classifications system, with certain classifications receiving increases in payment and others a decrease. There can be no assurance that payments under IPPS will be sufficient to cover all actual costs of providing inpatient hospital services to Medicare patients.

Two-Midnight Rule. In 2013, CMS issued the 2014 Final Inpatient Hospital Prospective Payment Rule, which adopted the "Two-Midnight" rule. The "Two-Midnight" rule specifies that hospital stays spanning two or more midnights after the beneficiary is properly and formally admitted as an inpatient will be presumed to be "reasonable and necessary" for purposes of inpatient reimbursement under Medicare Part A. With some exceptions, patients whose stays are not expected to extend past two midnights should not be admitted and instead should be billed as outpatient. Effective October 1, 2015, responsibility for enforcement of the "Two-Midnight" rule shifted from Medicare administrative contractors to quality improvement organizations ("QIO"), and recovery audit contractors will only conduct reviews for providers that have been referred by the related QIO. The OPPS final rule for 2016, effective January 1, 2016, slightly revised the "Two-Midnight" rule to allow an exception for Medicare Part A payment on a case-by-case basis for inpatient admissions of less than two midnights if documentation in the medical records supports that the patient required inpatient care.

The American Hospital Association, joined by several other health care associations and hospital plaintiffs filed two lawsuits against DHHS challenging the "Two-Midnight" rule. The lawsuits contend that several provisions included in the 2014 Final Inpatient Hospital Prospective Payment Rule burden hospitals with unlawful, arbitrary standards and documentation requirements and deprive hospitals of proper Medicare reimbursement for caring for patients. Faced with this legal challenge of the "Two-Midnight" rule, CMS released a proposed rule on April 18, 2016 that would forego the inpatient payment cuts. On August 2, 2017, in its 2017 IPPS final rule, CMS eliminated the inpatient pay cuts associated with the "Two-Midnight" rule. In addition, the final rule instituted an increase of approximately 0.8% in federal fiscal year 2017 to offset the estimated cost of the "Two-Midnight" rule in federal fiscal years 2014, 2015 and 2016. Management of the Obligated Group is unable to predict the outcome of the proposed final rule or future effects it may have on the revenues of the Obligated Group.

Outpatient Reimbursement. Hospital outpatient services are also reimbursed by Medicare according to a prospective payment system for hospital outpatient services ("OPPS"). Under OPPS, most

outpatient services are grouped into one or more of approximately 800 Ambulatory Patient Classifications ("APC") and paid a uniform national payment amount adjusted for area wage differences and the average amount of resources required to provide the service (e.g. visit, chest x-ray, surgical procedure). OPPS applies to most hospital outpatient services, other than ambulance and rehabilitation services, clinical diagnostic laboratory services, dialysis for end-stage renal disease, non-implantable durable medical equipment, prosthetic devices and orthotics. Hospitals can receive three additional payments in addition to the amount determined under the standard OPPS rule: pass-through payment for certain new technologies; outlier payments for unusually costly cases; and special payments to certain children's and cancer hospitals. Outpatient services not covered by OPPS are reimbursed on the basis of fee schedules, the lower of costs or charges, or a blend of fee schedules and costs. Under OPPS, a hospital with costs exceeding the applicable payment rate would incur losses on such services provided to Medicare beneficiaries. There can be no assurance that OPPS payments will be sufficient to cover all of the Obligated Group's actual costs of providing hospital outpatient services to Medicare patients.

The Bipartisan Budget Act of 2015 (the "BBA 2015") changed the reimbursement available for off-campus hospital outpatient departments ("HOPDs") and will likely result in reduced Medicare payments for non-emergency services performed at certain HOPDs. Specifically, the BBA 2015 provides that, starting January 1, 2017, off-campus HOPDs established on or after November 2, 2015, will no longer be eligible for payment under the OPPS for non-emergency services. Instead, non-emergency services performed at these facilities will be paid under the Ambulatory Surgical Center Payment System or the Physician Fee Schedule. This decrease in reimbursement payments does not apply to (i) any off-campus HOPDs that existed and were billing as off-campus HOPDs for covered services of off-campus HOPDs on November 2, 2015, (ii) any on-campus outpatient departments, or (iii) any off-campus organizations, other than off-campus HOPDs, that are required to satisfy provider-based regulations, including satellite facilities and provider-based entities such as rural health clinics. These reimbursement changes may have a significant impact on the financial performance of many HOPDs.

Other Medicare Service Payments. Medicare payment for skilled nursing services, psychiatric services, inpatient rehabilitation 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 cost of providing these services to Medicare patients. In addition, there is no assurance that the Obligated Group will be fully reimbursed for all services it bills through consolidated billing.

Reimbursement of Hospital Capital Costs. Hospital capital costs apportioned to Medicare patient use (including depreciation and interest) are paid by Medicare exclusively on the basis of a standard federal rate (based upon average national costs of capital), subject to limited adjustments specific to the hospital. There can be no assurance that future capital-related payments will be sufficient to cover the actual capital-related costs of the Obligated Group's facilities applicable to Medicare patient stays or will provide flexibility for hospitals to meet changing capital needs.

Medicare Payment for Preventable Medical Errors. The DRA required the Secretary of DHHS to select at least two conditions that are: (1) high cost, high volume, or both; (2) identified through coding as a complicating condition or major complicating condition that, when present as a secondary diagnosis at discharge, results in payment at a higher MS-DRGs and (3) reasonably preventable through application of evidence-based guidelines. Such conditions are referred to as "hospital-acquired conditions." The DRA further required hospitals to begin reporting on claims for discharges, beginning October 1, 2007, whether the selected conditions were present on admission. In its 2008 IPPS Final Rule, CMS selected eight conditions in furtherance of this mandate. These included seven conditions identified by the National Quality Forum as "never events." In the 2009 IPPS Final Rule, CMS finalized several more conditions, within three categories. All of the conditions will have payment implications when acquired

during an inpatient stay for discharges on or after October 1, 2008. CMS will not reimburse hospitals for "never events" unless the conditions were present at the time of admission. Various HMO's and other private insurers have followed suit in refusing to pay for certain hospital-acquired conditions. There can be no assurance that such existing and any future payment limitations will not adversely affect the revenues of the Obligated Group. Additionally, "never events" may be expanded and may be 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.

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

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

The relative values for physician services contained in the RBRVS are based on a work component intended to reflect the time and intensity of effort required to provide the service; a practice expense component which includes costs such as office rents, allied health support salaries, equipment, and supplies, and a component for the cost of malpractice insurance.

Medicare requires CMS to adjust the Medicare Physician Fee Schedule ("MPFS") payment rates annually; the MPFS covers payments for more than 7,000 types of services in physician offices, hospitals, and other settings based on a formula. The Medicare Access and CHIP Reauthorization Act of 2015 ("MACRA") replaced the sustainable growth rate ("SGR") formula (a limit on the growth of Medicare payments for physician services that was linked to changes in the U.S. Gross Domestic Product) with the following statutorily prescribed physician payment updates and incentives: (i) beginning July 1, 2015 and effective January 1 of each subsequent calendar year through 2019, Medicare physician payments will be updated 0.5%; (ii) beginning January 1, 2020 through 2025, physician payments will not be updated; and (iii) beginning January 1, 2026 and effective January 1 of each subsequent calendar year, physician payments will be updated 0.75% for physicians who adequately participate on qualified alternative payment models, but only 0.25% for physicians who do not. It is generally accepted that MACRA will accelerate progress toward physician-hospital integration. MACRA also includes provisions affecting hospitals, post-acute care providers, ambulance services, payors and other healthcare industry stakeholders.

On October 14, 2016, CMS issued the final rule implementing the Quality Payment Program as part of MACRA. Under the final rule, physicians may participate in one of two reimbursement tracks: merit-based incentive payment systems ("MIPS"), or advanced alternative payment models ("APMs"). In MIPS, physician's pay will be based on success in four performance categories: quality, resource use, clinical practice improvement and advancing care information, which is based on the meaningful use program. Certain providers with a low volume of Medicare patients are exempt from MIPS. For providers that decide to take part in APMs, the provider may earn a Medicare incentive payment for their participation in a designated innovative payment model. The first performance year for the Quality Payment Program began on January 1, 2017 for providers ready to participate, but participation is not required until October 2, 2017. The first payment adjustments based on performance under the Quality

Payment Program will go into effect on January 1, 2019. Failure to participate in the Quality Payment Program will result in a payment adjustment of negative 4%.

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

Under both Medicare and Medicaid programs, certain healthcare providers, including hospitals, are required to report certain financial information on a periodic basis, and with respect to certain types of classifications of information, penalties are imposed for inaccurate reports. As these requirements are numerous, technical and complex, there can be no assurance that the Obligated Group will avoid incurring such penalties in the future. These penalties may be material and adverse and could include criminal or civil liability for making false claims and/or exclusion from participation in the federal healthcare programs. Under certain circumstances, payments made may be determined to have been made as a consequence of improper claims subject to the federal False Claims Act or other federal statutes, subjecting the provider to civil, administrative, or criminal sanctions. The United States Department of Justice has initiated a number of national investigations involving proceedings under the federal False Claims Act relating to alleged improper billing practices by hospitals. These actions have resulted in substantial settlement amounts being paid in certain cases.

CMS has implemented the Medicare Recovery Audit Contractor ("RAC") program on a nationwide basis to identify improper Medicare payments. RACs are paid on a contingency fee basis, receiving a percentage of the improper overpayments and underpayments they collect from providers. RACs can review the last four years of provider claims for the following types of services: hospital inpatient and outpatient, skilled nursing facility, physician, ambulance and laboratory, as well as durable medical equipment. The RACs use automated software programs to identify potential payment errors in such areas as duplicate payments, fiscal intermediaries' mistakes, medical necessity and coding.

Management of the Obligated Group does not anticipate that Medicare audits or cost report settlements for the Medicare program will materially adversely affect the financial condition of the Obligated Group, taken as a whole, nor does it believe that the Obligated Group has improperly submitted claims; however, in light of the complexity of the regulations relating to the Medicare program, and the threat of ongoing investigations as described above, there can be no assurance that significant difficulties will not develop in the future.

Disproportionate Share Payments. Beginning in federal fiscal year 2014, hospitals receiving supplemental disproportionate share hospital ("DSH") payments (i.e., payments a provider receives from the federal government to help defray the cost of treating the uninsured) from Medicare had their DSH payments reduced by potentially 75% (offset however, by the reduced levels of uninsured patients requiring services). The base 25% is supplemented by additional payments based on the volume of uninsured and uncompensated care provided by each such hospital and is anticipated to be partially offset by a higher proportion of patients covered by other provisions of the ACA. CMS has proposed reducing

Medicare DSH payments by $400 million for fiscal year 2017. Separately, beginning in federal fiscal year 2018, Medicaid DSH allotments to each state also will be reduced, based on a methodology to be determined by DHHS, accounting for statewide reductions in uninsured and uncompensated care. The State received DSH allotments of $73,138,544 in fiscal year 2015 and $73,357,960 in fiscal year 2016. Of the DSH allotments received by the State, the System received DSH payments of $11,323,000 in 2015 and $13,598,000 in 2016. It is difficult to predict the full impact of Medicare DSH reductions. There is no assurance that any of the Members of the Obligated Group that operate hospitals will receive DSH payments in the future.

Medicaid, State Aid and Other Sources of Patient Revenue

Medicaid. Medicaid is a program for medical assistance, funded jointly by the federal government and the states, for certain needy individuals and their dependents. Under Medicaid, the federal government provides limited funding to states that have medical assistance programs that meet federal standards. Attempts to balance or reduce federal and state budgets will likely negatively impact Medicaid spending. Payments made to healthcare providers under the Medicaid program are subject to change as a result of federal or state legislative and administrative actions, including changes in the methods for calculating payments, the amount of payments that will be made for covered services and the types of services that will be covered under the program. Such changes have occurred in the past and may be expected to occur in the future, particularly in response to federal and state budgetary constraints. As noted above, past federal budgets have contained cuts to the Medicare and Medicaid program budgets, and Medicare and Medicaid may be cut by as much as $155 billion over the next 10 years to offset a portion of the cost of ACA expansion. Any reduction in the level of Medicare and/or Medicaid spending or a reduction in the rate of increase of Medicare and/or Medicaid spending, would have an adverse impact on the revenues of the Obligated Group derived from the Medicare and Medicaid programs.

Approximately 27.1% of the gross patient charges of WVUH for the fiscal year ended December 31, 2016, 20.0% of the gross patient charges of UHC for the fiscal year ended December 31, 2016, 26.5% of the gross patient charges of Berkeley Medical and Jefferson Medical, combined, for the fiscal year ended December 31, 2016, and 22.1% of the gross patient charges of CCMC for the fiscal year ended December 31, 2016 were derived from Medicaid.

The Medicaid program is administered in the State by the West Virginia Department of Health and Human Resources. Beneficiaries of the State Medicaid program receive services either through managed care organizations ("MCOs") or a traditional Medicaid program with prospective DRG-based payment, as described below. In September 2015, the Medicaid expansion population was required to move to receiving services through MCOs. MCO enrollment totaled 382,624 Medicaid members in January 2017. In addition to the Medicaid expansion population receiving services through MCOs, starting in fiscal year 2017, approximately 60,000 Medicaid members (SSI) will be moved to managed care from fee for service reimbursement. See **"Public Employees Insurance Agency"** below, and in **APPENDIX A – INFORMATION CONCERNING WEST VIRGINIA UNIVERSITY HEALTH SYSTEM** hereto.

In the Obligated Group's service area, Medicaid MCOs are well established. The Obligated Group has four non-exclusive Medicaid managed care agreements with other managed care plans for services to West Virginia Medicaid enrollees. The Obligated Group has several additional non-exclusive Medicaid managed care agreements with managed care plans that serve Medicaid enrollees of other states within their respective service areas. The Medicaid payments to the Obligated Group vary between payments based upon government mandated fee schedules and discounts from billed charges, DRG-based systems, and percentage-of-premium capitation. Medicaid MCO products do not receive significant discounts from the Obligated Group relative to prevailing government rates.

Public Employees Insurance Agency. The Public Employees Insurance Agency ("PEIA") provides hospital, surgical, group major medical, basic group life, accidental death and prescription drug coverage for active employees of the State and various related State and non-State agencies. PEIA's enrollment consists of approximately 76,104 health and basic life insurance policyholders and 13,730 policyholders with life insurance only. As of June 30, 2016, PEIA insured approximately 172,199 individuals, including participants and dependents.

PEIA offers a managed care option and a State-administered program, which employs a DRG-based system for reimbursement. The Obligated Group has entered into an MCO with Carelink for the provision of services to PEIA beneficiaries, with reimbursement determined according to PEIA's DRG schedule. Only a small percentage of State employees elect to participate in PEIA's MCO plans. PEIA offers its own self-administered DRG-based reimbursement program as an employee option. Under this plan, reimbursement for inpatient services is prospectively determined according to the DRG in which the patient's discharge is classified. The DRG classification system is the same system employed by the Medicare program; however, the base payment rate is substantially lower.

Outpatient services provided to PEIA participants are reimbursed predominately based on an outpatient fee schedule.

Under GASB 45, the State's public employers are required to formally acknowledge liability for "other post-employment benefits" besides pensions ("OPEB"), as those benefits are earned by eligible employees. Additionally, State employers must recognize OPEB accrued in prior years, but never expensed. PEIA hired an independent actuarial firm to estimate the State employers' OPEB liability. The most recent valuation estimated OPEB liability at approximately $3.2 billion as of June 30, 2013.

Approximately 30% of the gross patient charges of the Obligated Group for fiscal year ended December 31, 2016 were derived from Medicaid and PEIA.

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

West Virginia charges healthcare providers a tax on revenues derived from healthcare services. The authorizing legislation imposes a tax of 2.5% upon the inpatient and outpatient service revenues of hospitals. The tax receipts received are used to fund a portion of the State's share of Medicaid reimbursement.

On March 30, 2016, the PEIA Finance Board voted to re-approve $120 million in benefit reductions for the fiscal year ending June 30, 2017. However, the budget for the fiscal year ending June 30, 2017 adopted by the State Legislature included additional funding of $43.5 million for employer premiums, which lessened the need. On December 1, 2016, the PEIA Finance Board voted to approve $50 million in benefit reductions for the fiscal year ending June 30, 2018. For future fiscal years, PEIA has indicated that it anticipates that additional funding or increases in employee co-pays, deductibles and out-of-pocket maximums will be required. See **"State Budgets"** below.

Health Plans and Managed Care. Most private health insurance coverage is provided by various types of "managed care" plans, including HMOs and PPOs, that generally use discounts and other economic incentives to reduce or limit the cost and utilization of healthcare services. As noted above, Medicare and Medicaid also purchase hospital care using managed care options. Payments to hospitals

from managed care plans typically are lower than those received from traditional indemnity or commercial insurers.

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, which, in each case, usually is discounted from the typical charges for the care provided. As a result, the discounts offered to HMOs and PPOs may result in payment to a provider that is less than its actual cost. Additionally, the volume of patients directed to a provider may vary significantly from projections, and/or 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 hospitals are paid a predetermined periodic rate for each enrollee in the HMO who is "assigned" or otherwise directed to receive care at a particular hospital. The hospital may assume financial risk for the cost and scope of institutional care given. If payment is insufficient to meet the Obligated Group's actual costs of care, or if utilization by such enrollees materially exceeds projections, the financial condition of the Obligated Group could erode rapidly and significantly.

Often, HMO contracts are enforceable for a stated term, regardless of hospital losses and may require hospitals to care for enrollees for a certain period, regardless of whether the HMO is able to pay the hospital. Hospitals also from time to time have disputes with managed care payors concerning payment and contract interpretation issues.

Managed care penetration in West Virginia has continued to decline since its peak of approximately 15% in the late 1990s. Current estimates range from 2% to 5% penetration. Commercial indemnity and self-insured plans with "choice" dominate the group health market in West Virginia.

The Obligated Group contracts with several third-party payors. For the fiscal year ended December 31, 2016, non-governmental third-party payors accounted for approximately 22% of the gross patient charges of the Obligated Group.

The Obligated Group has entered into PPO and HMO contractual arrangements and with traditional insurers pursuant to which the Obligated Group agrees to perform certain healthcare services for eligible participants at discounted rates. Revenues received under such contracts are expected to be sufficient to cover the variable cost of the services provided.

There can be no assurance that managed care contracts entered into by the Obligated Group with managed care payors will be renewed by such payors upon expiration thereof or will not be terminated prior to expiration thereof. Termination or expiration without renewal, of managed care contracts could have a material adverse effect on the future financial condition or results of operations of the Obligated Group. Additionally, the failure to maintain such contracts could have the effect of reducing the Obligated Group's market share and gross patient charges. Conversely, participation may result in lower net income if the Obligated Group is unable to adequately contain its costs.

The growth of alternative delivery systems such as managed care organizations can have a negative impact on hospitals in several ways. First, a hospital generally will not be able to serve the patients of alternative delivery systems with which it does not contract. Second, a hospital generally is required to substantially reduce its charges to obtain a contract to service alternative delivery system patients. Third, the alternative delivery systems market is becoming increasingly competitive and many of the alternative delivery systems with which the Obligated Group has contracted may not survive, which may result in the Obligated Group being responsible for providing services for which the Obligated Group may not ultimately be compensated.

Defined broadly, for the fiscal year ended December 31, 2016, managed care gross patient charges (including Highmark, as defined below) constituted approximately 19% of gross patient charges of WVUH, 18% of gross patient charges of UHC, 20% of gross patient charges of Berkeley Medical and Jefferson Medical, combined, and 15% of gross patient charges of CCMC. For the fiscal year ended December 31, 2016, Highmark, which is the largest commercial managed care payor to the System's hospitals, accounted for approximately 14% of gross patient charges of WVUH, 15% of gross patient charges of UHC, 17% of gross patient charges of Berkeley Medical and Jefferson Medical combined, and 13% of gross patient charges of CCMC.

Highmark Blue Cross Blue Shield West Virginia. Highmark Blue Cross Blue Shield West Virginia ("Highmark") enters into participating hospital agreements ("PHAs") with hospitals which provide for payment by Highmark of a percentage of billed charges for patients covered by Highmark. Currently, the Obligated Group's contract with Highmark provides for payment based on DRG classification, estimated at 83% of billed charges. No assurance can be given that such PHAs will be as favorable to the Obligated Group as the existing PHA or that the Obligated Group will continue to maintain a PHA with Highmark. The Obligated Group's agreement with Highmark expires on December 31, 2019.

Regulatory and Contractual Matters

State Regulation. West Virginia has established statutory and regulatory requirements for healthcare facilities. Failure to comply with laws and rules governing licensure and standards of care could result in the revocation of a hospital's license and operating privileges, including licensure of inpatient facilities and outpatient programs, including hospitals, skilled nursing facilities, hospice programs and basic care facilities.

False Claims Laws. There are principally three federal statutes addressing the issue of "false claims." First, the Civil False Claims Act (the "FCA") imposes civil liability (including substantial monetary penalties and damages) on any person or corporation that (1) knowingly presents or causes to be presented a false or fraudulent claim for payment to the United States government; (2) knowingly makes, uses, or causes to be made or used a false record or statement to obtain payment; or (3) engages in a conspiracy to defraud the federal government by getting a false or fraudulent claim allowed or paid. Specific intent to defraud the federal government is not required to act with knowledge. The FCA authorizes private persons to file qui tam actions on behalf of the United States.

The FCA was amended when the Fraud Enforcement and Recovery Act ("FERA") was signed into law by President Obama on May 20, 2009. Before FERA, liability under the FCA was dependent upon either the presentment of a false claim to the federal government or a false statement made with the intent of inducing the federal government to pay a false claim. FERA extends the FCA to cover claims or statements made to government contractors, grantees, or other recipients of federal funds. It is possible that a Medicare provider might be subject to a suit under the FCA for knowingly avoiding an obligation to repay overpayments, even if the provider made no false representations to the federal government.

The ACA also amended certain provisions of the FCA to make retention of overpayments beyond 60 days of discovery a violation. It also added provisions concerning the timing of the obligation to identify, report and refund an overpayment. On February 12, 2016, CMS issued the Medicare overpayments final rule, CMS imposed a new "reasonable diligence" standard for identifying overpayments that must be reported and returned within 60 days. CMS clarified that the 60-day period for reporting and returning overpayments begins when either reasonable diligence is completed (including determination of the overpayment amount) or on the day the person receives credible information of a potential overpayment if such person failed to conduct reasonable diligence and received an overpayment.

CMS shortened the lookback period for identifying overpayments from 10 years to 6 years. The final rule does, however, impose an affirmative duty to proactively determine whether overpayments have been made. This expansion of the FCA exposes hospitals and other healthcare providers to liability under the FCA for a broader range of claims that in the past.

On June 30, 2016, the DOJ issued an interim final rule that adjusts civil monetary penalties for inflation, including nearly doubling the penalties for FCA violations. The current FCA civil penalties range from $5,500 to $11,000 per claim, plus treble damages for any damages sustained by the federal government because of the false claim. For FCA violations occurring on or after August 1, 2016, FCA civil penalties increase to between $10,781.40 and $21,562.80 per claim, plus treble damages for any damages sustained by the federal government because of the false claim.

In addition to the FCA, the Civil Monetary Penalties Law authorizes the imposition of substantial civil monetary penalties against an entity that engages in activities including, but not limited to, (1) knowingly presenting or causing to be presented, a claim for services not provided as claimed or which is otherwise false or fraudulent in any way; (2) knowingly giving or causing to be given false or misleading information reasonably expected to influence the decision to discharge a patient; (3) offering or giving remuneration to any beneficiary of a federal healthcare program likely to influence the receipt of reimbursable items or services; (4) arranging for reimbursable services with an entity which is excluded from participation from a federal healthcare program; (5) knowingly or willfully soliciting or receiving remuneration for a referral of a federal healthcare program beneficiary; or (6) using a payment intended for a federal healthcare program beneficiary for another use. The Secretary of DHHS, acting through the OIG, also has both mandatory and permissive authority to exclude individuals and entities from participation in federal healthcare programs pursuant to this statute.

Finally, it is a criminal federal healthcare fraud offense to: (1) knowingly and willfully execute or attempt to execute any scheme to defraud any healthcare benefit program; or (2) obtain, by means of false or fraudulent pretenses, representations or promises any money or property owned or controlled by any healthcare benefit program. Penalties for a violation of this federal law include fines and/or imprisonment, and a forfeiture of any property derived from proceeds traceable to the offense.

Anti-Fraud and Abuse Laws. The federal Anti-Kickback Statute makes it a felony to knowingly and willfully offer, pay, solicit, or receive remuneration, directly or indirectly, in order to induce business that is reimbursable under any federal healthcare program. The statute has been interpreted to cover any arrangement where one purpose of the remuneration was to obtain or pay money for the referral of services or to induce further referrals. Violation of the Anti-Kickback Statute may result in imprisonment for up to five years and/or fines of up to $25,000 for each act. In addition, the OIG of DHHS has the authority to impose civil assessments and fines and to exclude hospitals engaged in prohibited activities from the Medicare, Medicaid, TRICARE (a healthcare program providing benefits to dependents of active duty and retired members of the United States military services), and other federal healthcare programs for not less than five years. In addition to certain statutory exceptions to the Anti-Kickback Statute, the OIG has promulgated a number of regulatory "safe harbors" under the Anti-Kickback Statute designed to protect certain payment and business practices. A party may seek an advisory opinion to determine whether an actual or proposed arrangement meets a particular safe harbor; however, the failure of a party to seek an advisory opinion may not be introduced into evidence to prove that the party intended to violate the provisions of the statute. Failure to comply with a statutory exception or regulatory safe harbor does not mean that an arrangement is unlawful but may increase the likelihood of a regulatory challenge.

HIPAA created a new program operated jointly by DHHS and the United States Attorney General to coordinate federal, state, and local law enforcement with respect to fraud and abuse including the Anti-

Kickback Statute. HIPAA also provides for minimum periods of exclusion from a federal healthcare program for fraud related to federal healthcare programs, provides for intermediate sanctions, and expands the scope of civil monetary penalties. The BBA expanded the authority of the OIG to exclude persons from federal healthcare programs, increased certain civil and monetary penalties for violations of the Anti-Kickback Statute and added a new monetary penalty for persons who contract with a provider that the person knows or should know is excluded from the federal healthcare programs. Finally, actions which violate the Anti-Kickback Statute or similar laws may also involve liability under the FCA.

Pursuant to the mandates of HIPAA and the HITECH Act and the added tools provided to the DHHS and the general public under the HITECH Act, increased emphasis is being placed on federal investigations and civil and criminal prosecutions of Medicare and Medicaid "fraud and abuse" cases, and increases in personnel investigating and prosecuting such cases have been reported, which will most likely result in a higher level of scrutiny of hospitals and healthcare providers, including the Obligated Group.

Management of the Obligated Group believes that the Obligated Group has used its best efforts to comply with the Anti-Kickback Statute. However, because of the breadth of those laws and the narrowness of the safe harbor regulations, there can be no assurance that regulatory authorities will not take a contrary position or that the Obligated Group will not be found to have violated the Anti-Kickback Statute.

At the present time, the Obligated Group's management is not aware of any pending or threatened claim, investigation, or enforcement action regarding the Anti-Kickback Statute which, if determined adversely to the Obligated Group, taken as a whole, would have a material adverse effect on the Obligated Group's financial condition.

Liability under State "Fraud" and "False Claims" Laws. Like the federal government, the State has adopted fraud and abuse laws which make it a felony to solicit, offer or receive any remuneration with the intent of causing an expenditure of moneys from any State medical services program or to knowingly make or cause to be made false statements or false representations in an effort to obtain or assist another in obtaining medical assistance under any medical programs administered by the State. Violations of State fraud and abuse laws constitute a felony and may result in fines of up to $10,000 and imprisonment for up to ten years. Actions which violate the State's fraud and abuse laws may also involve civil liability which may result in damages of up to three times the amount of the benefit or allowances to which the person was not entitled and liability for attorneys' fees and other costs of litigation.

The State legislature has also adopted the Insurance Fraud Prevention Act, which prohibits the knowing, and willful submission of a materially false statement in support of a claim for payment pursuant to a policy of insurance. A party violating the terms of this statute is guilty of a crime punishable by a fine of up to $10,000 and imprisonment of up to ten years. A party convicted of a violation of this statute is subject to the restitution provisions of the Victim Protection Act of 1984, and may also be liable for the cost of the investigation by the insurance fraud unit or other law enforcement agency. Civil penalties include possible suspension of state licensure, civil penalties of up to $10,000 per violation and restitution to persons aggrieved by violations of this statute.

Restrictions on Self-Referrals. The federal Ethics in Patient Referrals Act ("Stark Law") prohibits, subject to limited exceptions, a physician who has a financial relationship, or whose immediate family has a financial relationship, with entities (including hospitals) providing "designated health services" from referring Medicare and Medicaid patients to such entities for the furnishing of such designated health services. The Stark Law designated health services include physical therapy services, occupational therapy services, radiology or other diagnostic services (including MRIs, CT scans and

ultrasound procedures), durable medical equipment, radiation therapy services, parenteral and enteral nutrients, equipment and supplies, prosthetics, orthotics and prosthetic devices, home health services, outpatient prescription drugs, inpatient and outpatient hospital services, clinical laboratory services, and nuclear medicine services. The Stark Law also prohibits the entity receiving the referral from filing a claim or billing for the services arising out of the prohibited referral.

There are certain exceptions to the Stark Law, based on the nature of the financial relationship between the referring physician and the entity. Unlike the federal Anti-Kickback Statute, no finding of intent to violate the Stark Law is required. No wrongful intent or culpable conduct is required for violation of the Stark Law. Sanctions for violation of the Stark Law include denial of payment for the services provided in violation of the prohibition, refunds of amounts collected in violation, a civil penalty of up to $15,000 for each service arising out of the prohibited referral, exclusion from participation in the federal healthcare programs, and a civil penalty of up to $100,000 against parties that enter into a scheme to circumvent the Stark Law's prohibition. In addition, knowing violations of the Stark Law may also serve as the basis for liability under the False Claims Act. The types of financial arrangements between a physician and an entity that trigger the self-referral prohibitions of the Stark Law are broad, and include direct and indirect ownership and investment interests and compensation arrangements. In addition, CMS has made several changes to existing Stark Law regulations in the final 2016 Physician Fee Schedule, affecting hospital-physician recruitment arrangements, timeshare arrangements, Stark's writing and signature requirements, requirements concerning term of agreements and holdover leases, as well as changes in the regulatory definitions of "remuneration" and "stand in the shoes."

As required under the ACA, CMS released a protocol under which healthcare providers can make self-disclosures of actual and potential violations of the Stark Law, with reduced penalties for self-disclosed violations. CMS released this protocol on September 23, 2010.

A number of states have passed similar statutes pursuant to which similar types of prohibitions are made applicable to all other health plans or third-party payors. West Virginia law provides an exception for referrals made to any clinical laboratory or pharmacy when the physician or podiatrist discloses in writing to the patient that such physician or podiatrist has a proprietary interest in the clinical laboratory or pharmacy.

Because of the complexity of the Stark Law and the evolving nature of quality improvement and cost-reduction efforts, there can be no assurances that the Obligated Group or its affiliates will not be found to have violated the Stark Law. Sanctions under the federal Stark Law, including exclusion from the Medicare and Medicaid programs, could have a material adverse effect on the financial condition and results of operations of the Obligated Group. At the present time, management of the Obligated Group is not aware of any pending or threatened claim, investigation, or enforcement action regarding the Stark Law which, if determined adversely to the Obligated Group, taken as a whole, would have a material adverse effect on the Obligated Group's financial condition.

Physician Recruitment. The IRS and OIG have issued various pronouncements that could limit physician recruiting and retention arrangements. In Revenue Ruling 97-21, the IRS ruled that tax-exempt hospitals that provide recruiting and retention incentives to physicians risk loss of tax-exempt status unless the incentives are necessary to remedy a community need and accordingly provide a community benefit; improvement of a charitable hospital's financial condition does not necessarily constitute such a purpose. The OIG has taken the position that any arrangement between a federal healthcare program-certified facility and a physician that is intended to encourage the physician to refer patients may violate the federal Anti-Kickback Statute unless a regulatory exception applies. Physician recruitment and retention arrangements may also implicate the Stark Law. While the OIG has promulgated a practitioner recruitment safe harbor to the Anti-Kickback Statute, it is limited to recruitment in areas that are health

professional shortage areas ("HPSAs"). The Stark Law exception for practitioner recruitment is not limited to HPSAs; rather it applies to the recruitment of physicians who are relocating their practices to the geographic area served by the hospital, if certain requirements are met. The Stark Law also contains an exception pertaining to retention arrangements that allows hospitals, in limited circumstances, to pay incentives to retain a physician in underserved areas.

Management of the Obligated Group believes that the Obligated Group's physician recruitment programs are in material compliance with these laws and regulations, but no assurance can be given that regulatory authorities will not take a contrary position or that the Obligated Group will not be found to have violated applicable law or that future laws, regulations or policies will not have a material adverse impact on the Obligated Group's ability to recruit and retain physicians.

Enforcement Activity. Enforcement activity against healthcare providers has increased, and enforcement authorities may aggressively pursue perceived violations of healthcare laws. In the current regulatory climate, it is anticipated that many hospitals and physician groups may be subject to an audit, investigation, or other enforcement action regarding the healthcare fraud laws described above. 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 also 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 healthcare fraud laws described above, and therefore penalties or settlement amounts often are compounded. Generally, these risks are not covered by insurance.

Enforcement Affecting Clinical Research. In addition to increasing enforcement of laws governing payment and reimbursement, the federal government has also heightened enforcement of laws and regulations governing the conduct of clinical trials at hospitals. DHHS elevated and strengthened its Office of Human Research Protections, one of the agencies with responsibilities 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. The FDA's inspection of facilities has increased significantly in recent years. These agencies' enforcement powers range from substantial fines and penalties to exclusions of researchers and suspension or termination of entire research programs.

Emergency Medical Treatment and Active Labor Act. The federal Emergency Medical Treatment and Active Labor Act ("EMTALA") imposes certain requirements on hospitals and facilities with emergency departments. Generally, EMTALA requires that hospitals provide "appropriate medical screening" to patients who come to the emergency department to determine if an emergency medical condition exists. The hospital must stabilize the patient within the capabilities of the hospital, and the patient cannot be transferred unless stabilization has occurred or unless such transfer is done pursuant to EMTALA requirements. Failure to comply with EMTALA may result in a hospital's exclusion from the Medicare and/or Medicaid programs, as well as civil monetary penalties. As such, failure of the Obligated Group to meet its responsibilities under EMTALA could adversely affect the Obligated Group's financial condition.

Management of the Obligated Group believes its policies and procedures are in material compliance with EMTALA, but no assurance can be given that a violation of EMTALA will not be

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

Environmental Laws and Regulations. The Obligated Group is 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 facilities of the Obligated Group; and requirements for training employees in the proper handling and management of hazardous materials and wastes.

Each Member of the Obligated Group may be subject to requirements related to investigating and remedying hazardous substances located on its property, including such substances that may have migrated off its 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 compliance with such 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; may result in investigations, administrative proceedings, civil litigation, criminal prosecution, penalties or other governmental agency actions; and may not be covered by insurance. There is no assurance that the Obligated Group will not encounter such problems in the future, and such problems may result in material adverse consequences to the operations or financial condition of the Obligated Group.

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

The Master Trustee or the Bond Trustee may decline to enforce the Master Indenture or the Bond Indenture, as the case may be, if the respective Trustee has not been indemnified to its satisfaction, in accordance with its Indenture, for all liabilities it may incur as a consequence thereof. Such liabilities may include, but are not limited to, costs associated with complying with environmental laws and regulations.

West Virginia Rate Regulation

The West Virginia Health Care Authority (the "WVHCA") has been responsible for reviewing and approving rate increases for West Virginia hospitals, upon which rates to nongovernmental payors are based. During the 2016 legislative session, the West Virginia legislature enacted Senate Bill 68, which became effective on May 6, 2016. Senate Bill 68 eliminated the jurisdiction of the WVHCA as to rates for healthcare services and repeals related provisions of state law.

West Virginia Certificate of Need Law

West Virginia maintains "certificate of need" legislation to control the levels and types of capital expenditures undertaken and new services provided by healthcare facilities in West Virginia, including the Obligated Group. Approval may be necessary in order for certain major capital expenditures to be made or new services to be offered. No assurance can be given as to the Obligated Group's ability to obtain "certificate of need" approval of projects for the maintenance of appropriate facilities, services, technology and quality of care necessary to remain competitive in its service area. The WVHCA is the

designated agency for certificate of need review. During the 2016 legislative session, the West Virginia legislature enacted House Bill 4365, which streamlines the certificate of need process. House Bill 4365 became effective on March 12, 2016. Following the 2016 legislative session, the Legislative Auditor directed his staff to conduct a legislative audit of the West Virginia Health Care Authority's certificate of need program. On February 7, 2017, the West Virginia Legislative Auditor's Office recommended that the certificate of need process be eliminated. A bill has been introduced in the West Virginia House of Delegates to eliminate the certificate of need process. It is currently unknown whether action on this bill or any similar bill will be taken during the 2017 legislative session and if such action will be successful.

Impact of Disruptions in the Credit Markets and General Economic Factors

The disruption of the credit and financial markets several years ago led to volatility in the securities markets, significant losses in investment portfolios, periodic disruption of access to the capital markets, increased business failures and consumer and business bankruptcies and was a major cause of the economic recession in 2008 and 2009. In response to that disruption, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Financial Reform Act") was enacted on July 21, 2010.

The healthcare sector has been adversely affected as a direct consequence of the disruption of the credit and financial markets. The consequences of these developments have generally included, realized and unrealized investment portfolio losses, reduced investment income, limitations on access to the credit markets and difficulties in remarketing revenue bonds subject to tender. Patient service revenues and inpatient volumes have not increased as historic trends would otherwise indicate. Reduced employment and personal income have resulted in increases in self-pay admissions, increased levels of bad debt and uncompensated care and reduced demand for elective procedures. The recession also increased stress on state budgets, which could potentially result in reductions in Medicaid payment rates or Medicaid eligibility standards and delays of payment of amounts due under Medicaid and other state or local payment programs.

The Financial Reform Act was enacted in an effort to stabilize the credit and financial markets. Additional federal legislation and regulatory action continues to be considered by Congress, various federal agencies, as well as foreign governments, which would increase the regulation of financial institutions and domestic and global credit and securities markets. The effects of these legislative, regulatory and other governmental actions upon the Obligated Group and, in particular upon its access to capital market and the value of its investment portfolios, cannot be predicted.

President Trump and members of Congress have expressed their opposition to elements of the Financial Reform Act and their intent to modify it. The timing, nature and extent of any modifications and their potential impact on the Obligated Group cannot be predicted with any certainty at this time.

State Budgets

Many states face severe financial challenges, including erosion of general fund tax revenues. The financial challenges facing states may negatively affect hospitals in a number of ways, including, but not limited to, a greater number of indigent patients who are unable to pay for their care and a greater number of individuals who qualify for Medicaid and/or reductions in Medicaid reimbursement rates.

The recent economic recession and limited recovery has also increased stresses on state budgets, including the budget of the State. Over the last few fiscal years, the State has experienced projected shortfalls for its general revenue fund, which the State has addressed through a combination of across-the-board budget cuts, transfers from the State's rainy day fund to the general revenue fund and transfers of

surplus from other state funds to the general revenue fund. Currently, the State expects the shortfall in general revenue collections to be over $123 million for fiscal year 2017 and approximately $500 million for fiscal year 2018. In addition to the State's budget challenges, S&P (as hereinafter defined) downgraded the long-term debt of the State to 'AA-' from 'AA' on April 21, 2016 and Moody's (as hereinafter defined) downgraded the long-term debt of the State to 'Aa2' from 'Aa1' on February 21, 2017. Both downgrades reflect the view that structural changes to the State's economy due to weakness in the energy sector, specifically coal, are a long-term challenge instead of a cyclical setback.

Banking and Bond Insurance Industry Risk

The market turmoil discussed above has had a serious adverse effect on the financial condition of a number of bond insurers and financial institutions, weakening their credit status as reflected in their credit ratings. These developments may have seriously weakened the existing bond insurers' and credit enhancers' ability to pay claims. Continued weakening of the financial condition and/or credit ratings of the existing bond insurers and of financial institutions that provide liquidity and credit support for the Obligated Group's bonds may result in higher interest rates paid by the Obligated Group with respect to the Obligated Group's existing bonded indebtedness and therefore have a financial impact on the Obligated Group. Further, deterioration of the financial condition of the existing credit facility issuers may also lead to rating downgrades or adverse rating actions concerning the Obligated Group's bonded indebtedness that could affect the market price and interest rates paid by the Obligated Group. Finally, variable rate bonds of the Obligated Group which are tendered for purchase and not remarketed will be purchased by various liquidity providers or credit facility issuers. Bonds, if any, held by liquidity providers and credit facility issuers typically bear interest at a rate significantly higher than bonds held by other bondholders and are also subject to a more rapid amortization of principal than publicly held bonds.

Limited Obligations of the Issuer

The 2017 A Bonds are limited obligations of the Issuer, and are payable solely from the sources described under **"SECURITY AND SOURCES OF PAYMENT FOR THE 2017 A BONDS"** herein, which include payments by the Obligated Group under the Loan Agreement, payments made by any Member of the Obligated Group under the 2017-1 Note, and certain funds held by the Bond Trustee under the Bond Indenture. No representation can be made or assurance given that the Obligated Group will generate sufficient Gross Receipts to meet its obligations under the Loan Agreement and the 2017-1 Note. The ability of the Obligated Group to meet such obligations could be adversely affected by future events, conditions, and circumstances that are not predictable, including, but not limited to, those described in this Section.

Interest Rate Swap Risk

In the normal course of business, the Obligated Group periodically enters into interest rate swap agreements to hedge interest rate risk. Changes in the market value of such agreements could negatively or positively impact the Obligated Group's operating results and financial condition, and such impact could be material. See footnote 9 to the audited consolidated financial statements attached hereto as **APPENDIX B – CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATING SUPPLEMENTARY INFORMATION OF WEST VIRGINIA UNITED HEALTH SYSTEM, INC. AND CONTROLLED ENTITIES AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014** hereto for a description of certain of the Obligated Group's existing swap agreements. Any of the Obligated Group's swap agreements may be subject to early termination upon the occurrence of certain specified events. If either the Obligated Group or the counterparty terminates such an agreement, under certain market conditions the Obligated Group could be obligated to make a termination payment to

the counterparty, and such payment could be substantial and potentially materially adverse to the Obligated Group's financial condition.

Certain of the Obligated Group's existing swap agreements require the Obligated Group to secure its obligations in certain circumstances, which circumstances include, without limitation, a downgrade of the long-term debt issued on behalf of the Obligated Group or if aggregate market values of swap with a given counterparty exceeds a threshold set forth in the related agreement. The Obligated Group's ability to place a lien on its collateral is limited by the Master Indenture. See **APPENDIX C – DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – Liens on Property** hereto. If the Obligated Group is unable to secure its obligations under a swap agreement with sufficient collateral, the counterparty will have the right to terminate such swap agreement and the Obligated Group could be required to make a termination payment to the counterparty, the amount of which could be substantial. Under the terms of those swap agreements, no collateral, based on the current financial condition of the Obligated Group, is currently required to be posted.

Realization of Value of CCMC Memorial Campus

The CCMC Memorial Campus, which is pledged under the Deed of Trust as described above, is not comprised of general purpose buildings and would not generally be suitable for industrial or commercial use. Consequently, it would be difficult to find a buyer or lessee for the CCMC Memorial Campus if it were necessary to foreclose upon it. Thus, upon any default, it may not be possible to realize funds at least equal to the outstanding interest on and principal of the 2017 A Bonds from a sale or lease of the CCMC Memorial Campus. Furthermore, in order to operate the CCMC Memorial Campus as healthcare facilities, a purchaser of the CCMC Memorial Campus at a foreclosure sale, under present law, would have to obtain operating licenses from the applicable state regulatory agency, appropriate provider agreements from third party payors, and a certificate of need from the WVHCA. The dollar value secured by the Deed of Trust is less than the aggregate par amount of all Obligations outstanding under the Master Indenture.

IN ADDITION, THE DEED OF TRUST SHALL ONLY REMAIN OUTSTANDING SO LONG AS ANY OF THE 2004 BONDS ARE OUTSTANDING IN ACCORDANCE WITH THE MASTER INDENTURE AND THE DEED OF TRUST.

Enforcement of Remedies; Risks of Bankruptcy

The obligations of the Obligated Group under the Master Indenture and the Obligations are general obligations of the Members of the Obligated Group and are not currently secured by any liens on real estate, equipment or other assets of the current Members of the Obligated Group or future Members of the Obligated Group, other than the security interest granted to the Master Trustee in the revenues of the Members of the Obligated Group and the security interest in the CCMC Memorial Campus granted under the Deed of Trust, as above described. Enforcement of the remedies under the Master Indenture, the Loan Agreement and the Bond Indenture may be limited or delayed in the event of application of federal bankruptcy laws or other laws affecting creditors' rights and may be substantially delayed and subject to judicial discretion in the event of litigation or the required use of statutory remedial procedures.

If a Member of the Obligated Group were to file a petition for relief under Title 11 of the United States Code (the "Bankruptcy Code"), the order for relief entered in response to the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against such Member of the Obligated Group or any interest it has in property. The commencement of a case under the Bankruptcy Code could greatly affect the rights of the non-filing Members of the Obligated

Group, including, but not limited to, allowing the use of cash and cash equivalents pledged to the Members of the Obligated Group, impairing the claims of the Members of the Obligated Group, and potentially discharging unpaid obligations of the filing Member of the Obligated Group.

If a bankruptcy court so ordered, such property of the Members of the Obligated Group, including its accounts receivable and proceeds thereof, could be used, at least temporarily, for the benefit of the bankruptcy estate of such Member of the Obligated Group despite the claim of its creditors.

In a case under the Bankruptcy Code, a Member of the Obligated Group could file a plan of reorganization. The plan provides for the comprehensive treatment of all claims against such Member of the Obligated Group, and could result in the modification of rights of any class of claims or interests, secured or unsecured. Other than as provided in the confirmed plan, all claims and interests are discharged and extinguished.

A plan may be confirmed if each class of claims and interests has accepted the plan or if at least one class of impaired claims that is entitled to vote has accepted the plan and the bankruptcy court finds, among other things, that the plan is fair and equitable, does not discriminate unfairly with respect to any nonaccepting class of claims, provides creditors with more than would be received if the estate was liquidated, and is proposed in good faith, and that the debtor's performance under the plan is feasible. A class of claims accepts a plan if, of the creditors that vote, more than one-half of the number of claims in the class and at least two-thirds in amount of claims are voted in favor of the plan. Approval by classes of interests requires a vote in favor of the plan by two-thirds in amount. If these levels of votes are attained, those voting against the plan or not voting at all are nonetheless bound by the terms thereof.

A Member of the Obligated Group could also file a case under the Bankruptcy Code to liquidate its assets. In a liquidation, secured claims are paid according to the value of the secured interest, unsecured claims are paid in order of priority, and the costs of administering the estate are paid from the funds of the estate.

In the event of bankruptcy of a Member of the Obligated Group, there is no assurance that certain covenants, including tax covenants, contained in the Bond Indenture, the Loan Agreement, the Master Indenture or certain other documents would survive. Accordingly, such Member, as debtor in possession, or a bankruptcy trustee could take action which might adversely affect the exclusion of interest on the 2017 A Bonds from gross income of Bondholders for federal income tax purposes.

Risks Related to Obligated Group Financings

The obligations of the Obligated Group under the Obligations and the Master Indenture will be limited to the same extent as the obligations of any debtor under applicable federal and state laws governing bankruptcy, insolvency, and avoidance of fraudulent transfers and application of general principles of creditors' rights and as additionally described below. The Master Indenture permits the addition of other Members of the Obligated Group if certain conditions are met. See **APPENDIX C – DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – The Obligated Group** hereto.

The joint and several obligations described herein of the Members of the Obligated Group to make payments of debt service on the Obligations issued pursuant to and under the Master Indenture may not be enforceable to the extent (1) enforceability may be limited by applicable bankruptcy, moratorium, reorganization, fraudulent conveyance or similar laws affecting the enforcement of creditors' rights and by general equitable principles or (2) such payments (a) are requested to be made with respect to payments on any Obligation which is issued for a purpose that is not consistent with the charitable

purposes of the Member of the Obligated Group from which such payment is requested or which is issued for the benefit of any entity other than a tax-exempt organization; (b) are requested to be made from any money or assets which are donor restricted or which are subject to a direct or express trust which does not permit the use of such money or assets for such payment; (c) would result in the cessation or discontinuation of any material portion of the healthcare or related services previously provided by such Member of the Obligated Group; or (d) are requested to be made pursuant to any loan violating applicable usury laws. The extent to which the money or assets of any present or future Member of the Obligated Group falls within the categories referred to above cannot be determined and could be substantial. The foregoing notwithstanding, the assets, liabilities and revenues of the Members of the Obligated Group will continue to be combined for financial reporting purposes and will be used in determining whether various covenants and tests contained in the Master Indenture (including tests relating to issuance of Additional Indebtedness) are satisfied.

A Member of the Obligated Group may not be required to make any payment of any Obligation, or portion thereof, the proceeds of which were not loaned or otherwise disbursed to such Member of the Obligated Group to the extent that such payment would render such Member insolvent or would conflict with, would not be permitted by, or would be subject to recovery for the benefit of other creditors of such Member under applicable laws.

The application of the law relating to the enforceability of guaranties or obligations of a Member of the Obligated Group to make debt service payments on behalf of another Member of the Obligated Group, is not amenable to an unqualified declaration of whether a transfer would be prohibited or subject to avoidance.

As a general matter, in addition to a transfer of property made with the actual intent to hinder, defraud or delay creditors, a transfer of an interest in property by an entity may be avoided if the transfer is made for less than "reasonably equivalent value" or "fair consideration" and the transferor (i) is insolvent (e.g., is unable to pay its debts as they become due), (ii) rendered insolvent by the transaction, (iii) is undercapitalized (i.e., operating or about to operate without property constituting reasonably sufficient capital given its business operations), or (iv) intended or expected to incur debts that it could not pay as they became due.

The lack of certainty in the treatment of transfers is attributable to several factors. First, there is no true uniform law governing fraudulent transfers. Such transfers may be avoided under the Bankruptcy Code, state law variants of the Uniform Fraudulent Transfer Act and its predecessor, the Uniform Fraudulent Conveyance Act, or other non-uniform statutes or common law principles. Second and more importantly, the standards for determining the reasonable equivalence of value, or the fairness of consideration, and the measure for determining insolvency are subjective standards resolved in the exercise of judicial discretion after engaging in a fact intensive analysis. This subjectivity has resulted in a conflicting body of case law and a lack of certainty as to whether a given transfer would be subject to avoidance.

In addition, the Bankruptcy Code provides a means to avoid transfers of a debtor's interests in property made on account of an antecedent debt within 90 days of the debtor filing for relief, or one year if the transferee is an "insider," if, as a result of that transfer, the transferee receives more than it would have received in a liquidation of the debtor under Chapter 7 of the Bankruptcy Code. Whether the creation of a lien, or a payment, made by a Member of the Obligated Group would be determined to be avoidable would be dependent on the particular circumstances surrounding the transfer.

There exists, in addition to the foregoing, common law authority and authority under various state statutes pursuant to which courts may terminate the existence of a nonprofit corporation or undertake

supervision of its affairs on various grounds, including a finding that the corporation has insufficient assets to carry out its stated charitable purposes or has taken some action that renders it unable to carry out its purposes. Such court action may arise on a court's own motion or pursuant to a petition of the attorney general of a particular state or 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.

Limitations of Gross Receipts

The enforcement of the pledge of the Obligated Group's Gross Receipts under the Master Indenture may be limited by a number of factors, including the absence of an express provision permitting assignment of payments due to Members of the Obligated Group under Medicare or Medicaid programs and contracts between Members of the Obligated Group and other third party payors. To the extent that Gross Receipts are derived from payments by the federal government under the Medicare or Medicaid programs, any right to receive such payment directly may be unenforceable. The Social Security Act and state regulations prohibit anyone other than the individual receiving care or the institution providing service from collecting Medicare and Medicaid payments directly from the federal or state government. In addition, Medicare and Medicaid receivables may be subject to provisions of the Assignment of Claims Act of 1940, which restricts the ability of a secured party to collect amounts directly from government agencies.

Matters Relating to the Security for the 2017 A Bonds

Certain amendments to the Master Indenture may be made with the consent of the holders of not less than 51% in aggregate principal amount of Obligations outstanding at the time of execution of such amendments. Such percentage may be composed wholly or partially of the holders of the outstanding Obligations (including Obligations issued in the future) other than the 2017-1 Note issued in connection with the 2017 A Bonds. Such amendments could be material and may adversely affect the security of the holders of the 2017 A Bonds.

Certain of the rights and remedies afforded to the holders of the outstanding Obligations by the Master Indenture, including without limitation, the right to demand acceleration of the Obligations (including the 2017-1 Note) may be controlled by the holders of not less than 25% in aggregate principal amount of the Obligations outstanding under the Master Indenture.

Certain amendments to the Bond Indenture may be made with the consent of the holders of not less than 51% of the outstanding principal amount of the 2017 A Bonds outstanding under the Bond Indenture. Such amendments may adversely affect the security of the holders of the 2017 A Bonds.

The enforceability, priority and perfection of the security interest in Gross Receipts created under the Master Indenture and the ability to receive and realize on the same may be limited by a number of factors, including, without limitation: (i) provisions prohibiting the direct payment of amounts due to healthcare providers from Medicaid and Medicare programs to persons other than such providers; (ii) the absence of an express provision permitting the assignment of receivables due under the contracts with third-party payors, and present or future prohibitions against assignment contained in any applicable statutes or regulations; (iii) certain judicial decisions which cast doubt upon the right of the Master Trustee, in the event of the bankruptcy of a Member of the Obligated Group, to collect and retain revenues due the Members from Medicare, Medicaid and other governmental programs; (iv) commingling of proceeds of revenues with other moneys of the Obligated Group not so pledged under the Master Indenture; (v) statutory liens; (vi) rights arising in favor of the United States or any agency thereof; (vii) constructive trusts, equitable liens or other rights imposed or conferred by any state or

federal court in the exercise of its equitable jurisdiction; (viii) federal and state laws governing fraudulent transfers as discussed above; (ix) federal bankruptcy laws which may affect the enforceability of the Master Indenture or the security interest in the revenues of any Member of the Obligated Group which are earned by such Member within 90 days preceding or, in certain circumstances with respect to related corporations, within one year preceding and after, any effectual institution of bankruptcy proceedings by or against such Member; (x) rights of third parties in Gross Receipts converted to cash and not in possession of the Master Trustee (or a depository on behalf of the Master Trustee); and (xi) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the Uniform Commercial Code as from time to time in effect, or other applicable laws of the State.

Except for the CCMC Memorial Campus (as described above), the facilities of the Obligated Group are not pledged as security for the 2017 A Bonds. Consequently, in the event of a default under the Bond Indenture, the Bondholders would have the status of general unsecured creditors (except with respect to the pledge of Gross Receipts). The facilities of the Obligated Group are not general purpose buildings and generally would not be suitable for industrial or commercial use. Consequently, it could be difficult to find a buyer or lessee for the facilities if it were necessary to proceed against such facilities, whether pursuant to a judgment, if any, against the Obligated Group or otherwise. As a result, upon any such default, the Bond Trustee may not realize the amount necessary to pay the Bonds in full from the sale or lease of such facilities.

Pursuant to the terms of the Master Indenture, the Members of the Obligated Group may incur additional Indebtedness (including Indebtedness secured by additional Obligations) that is entitled to the benefits of security that does not extend to any other Indebtedness (including the 2017-1 Note). Such security may include liens on the Obligated Group's Property (including healthcare facilities) or any depreciation reserve, debt service or interest reserve or similar fund established for additional Indebtedness. See **APPENDIX C – DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS** hereto.

Certain of the rights and remedies afforded to the holders of Obligations by the Master Indenture, including without limitation the right to demand acceleration of Obligations (including the 2017-1 Note), may be controlled by the holders of a majority in aggregate principal amount of the Obligations.

Additional Debt

The Master Indenture permits the issuance of additional Notes on a parity with the 2017-1 Note and the other outstanding parity Obligations and the incurrence of additional Indebtedness by the Obligated Group if certain tests are met. See **"SECURITY AND SOURCES OF PAYMENT FOR THE 2017 A BONDS"** and the information in **APPENDIX C – DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS**.

Concerning the Obligated Group's Operations

The receipt of future revenues by the Obligated Group is subject to, among other factors, federal and state regulations and policies affecting the healthcare industry, the policies and practices of MCOs, private insurers and other third-party payors, and private purchasers of healthcare services. The effect on the Obligated Group of future changes in federal, state, and private policies cannot be determined at this time.

Future revenues and expenses of the Obligated Group may be affected by events and economic conditions, which may include an inability to control expenses in periods of inflation, as well as other conditions such as (i) demand for the services provided by the Obligated Group; (ii) the capabilities and

continued support of the management of the Obligated Group; (iii) the ability of management to recruit new physicians and other personnel and to maintain the support of the present medical staff and other personnel; (iv) economic developments and population trends in the service area; (v) competition, rates, costs, third-party reimbursement programs; (vi) the availability of gifts and contributions from donors and of federal and state loans and grants; (vii) the effect of changes in accreditation standards or governmental regulations; (viii) the availability of adequate malpractice insurance coverage; and (ix) the ability of management to control expenses during periods of inflation and to increase room charges and other fees charged while maintaining the amount and quality of health services delivered. All of the above referred-to factors could affect the Obligated Group's ability to make payments with respect to the 2017 A Bonds.

Accreditations

On a regular basis, healthcare facilities, including those of the Obligated Group, are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements which include, but are not limited to, requirements relating to Medicare and Medicaid participation and payment and requirements of private payors, The Joint Commission, and various federal, state and local agencies. Renewal and continuance of certain of these licenses, certifications, and accreditations are based on inspections, surveys, audits, investigations or other reviews, some of which may require or include affirmative action or response by the Obligated Group. Management of the Obligated Group currently anticipates no difficulty renewing or continuing currently held licenses, certifications, or accreditations. Nevertheless, actions in any of these areas could result in the loss of utilization or revenues, or the Obligated Group's ability to operate all or a portion of its facilities, and, consequently, could adversely affect the Obligated Group's ability to make principal, interest, and premium, if any, payments with respect to the 2017 A Bonds. No assurance can be given as to the effect on future operations of existing laws, regulations, and standards for certification or accreditation or of any future changes in such laws, regulations, and standards.

Business Relationships and Other Business Matters

Affiliation, Merger, Acquisition, and Disposition. As with many multi-provider systems, the System plans for, evaluates and pursues potential acquisition, merger, and affiliation candidates on a consistent basis as part of its overall strategic planning and development process. Such planning and discussions will likely result in the growth of the number and change in composition of entities affiliated with the System over time. As part of its ongoing planning and property management functions, the System reviews the use, compatibility, and business viability of many of the System's operations and, from time to time, may pursue changes in the use or disposition of various System assets, including hospital facilities. Likewise, the System may conduct discussions with third parties about the potential acquisition of operations or properties that may become affiliated with the System in the future or about the potential sale of some of the operations and properties that currently are affiliated with the System. Discussions with respect to affiliation, merger, acquisition, disposition, or change of use of facilities are held on a frequent and usually confidential basis with other parties and may include the execution of non-binding letters of intent. As a result, it is possible that the organizations and assets that currently make up the Obligated Group may change from time to time, subject to provisions in the Master Indenture and other financing documents that apply to merger, sale, disposition, or purchase of assets or with respect to joining or withdrawing from the Obligated Group. See **APPENDIX C – DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – Particular Covenants of Each Member of the Obligated Group** hereto.

Currently, the Members of the Obligated Group are affiliated with other nonprofit and for-profit corporations. In certain instances, such affiliated entities may conduct operations that are of strategic

importance to the Members of the Obligated Group, or such operations may subject the Members of the Obligated Group to potential legal or financial liabilities. In certain cases, the Obligated Group may fund the affiliated entities on a startup or ongoing basis, and this funding may be significant.

In addition to relationships with hospitals and physicians, the Members of the Obligated Group may pursue investments, ventures, affiliations, development, and acquisitions of other healthcare-related entities. These may include home healthcare, long-term care entities or operations, pharmaceutical providers and other healthcare enterprises that support the overall operations and mission of the Obligated Group. In addition, the Members of the Obligated Group may pursue such transactions with health insurers, HMOs, PPOs, third-party administrators and other health insurance-related businesses. Because of the integration occurring throughout the healthcare field, WVUHS will consider such arrangements where there is a perceived strategic or operational benefit.

All such initiatives may involve significant capital commitments and/or capital or operating risk in businesses in which Members of the Obligated Group may have less expertise than in hospital operations. There can be no assurance that these projects, if pursued, will not have a material adverse effect on the financial condition of the Obligated Group, taken as a whole.

Senate Bill 597, effective upon signature of the Governor of West Virginia on March 18, 2016, permits academic medical centers to enter into "cooperative agreements." Further, the law exempts actions of the WVHCA from antitrust actions under State and federal law and likewise exempts any actions of hospitals and healthcare providers from antitrust actions under State and federal law, if such actions are made in compliance with orders, directives, rules, approvals, or regulations issued or promulgated by the WVHCA.

Joint Ventures. The OIG has expressed its concern in various advisory bulletins that many types of joint venture arrangements involving hospitals may implicate the Anti-Kickback Statute, since the parties to joint ventures are typically in a position to refer patients of federal healthcare programs. In its 1989 Special Fraud Alert, the OIG raised concern about certain physician joint ventures where the intent is not to raise investment capital to start a business but rather to "lock up a stream of referrals from the physician investors and compensate these investors indirectly for these referrals." The OIG listed various features of suspect joint ventures, but noted that its list was not exhaustive. These features include: (i) whether investors are chosen because they are in a position to make referrals; (ii) whether physicians with more potential referrals are given larger investment interests; (iii) whether referrals are tracked and referral sources shared with investing physicians; (iv) whether the overall structure is a "shell" (i.e., one of the parties is an ongoing entity already engaged in a particular line of business); and (v) whether investors are required to invest a disproportionately small amount or are paid extraordinary returns in comparison with their risk.

In April 2003, the OIG issued a Special Advisory Bulletin, which indicated that "contractual joint ventures" (where a provider expands into a new line of business by contracting with an entity that already provides the items or services) may violate the Anti-Kickback Statute and that expressed skepticism that existing statutory or regulatory safe-harbors would protect suspect contractual joint ventures. In January, 2005, the OIG published its Supplemental Program Guidance for hospitals and reiterated its concerns regarding joint ventures entered into by hospitals.

In addition, under the federal tax laws governing Section 501(c)(3) organizations, a tax-exempt hospital's participation in a joint venture with for-profit entities must further the hospital's exempt purposes and the joint venture arrangement must permit the hospital to act exclusively in the furtherance of its exempt purposes, with only incidental benefit to any for-profit partners. If the joint venture does

not satisfy these criteria, the hospital's tax-exemption may be revoked, the hospital's income from the joint venture may be subject to tax, or the parties may be subject to some other sanction.

Any evaluation of compliance with the Anti-Kickback Statute or tax laws governing Section 501(c)(3) organizations depends on the totality of the facts and circumstances, while the Stark Law requires strict compliance with an exception if the prohibition is triggered. While the Obligated Group's management believes that the joint venture arrangements to which the Obligated Group is a party are in material compliance with the Anti-Kickback Statute, OIG pronouncements, the tax laws governing Section 501(c)(3) organizations and the Stark Law, there can be no assurance that regulatory authorities will not take a contrary position. Any determination that the Obligated Group is not in compliance could have a material adverse effect on the Obligated Group's future financial condition.

The Members of the Obligated Group periodically enter into joint ventures with physicians. The ownership and operation of certain of these joint ventures may not meet safe harbors under the Anti-Kickback Law. The Obligated Group's management has proceeded or will proceed with the transactions related to the joint ventures on the assumption, after consultation with legal counsel, that each of the transactions related to the joint ventures is in compliance with the Anti-Kickback Law, the Stark Law, tax laws governing tax-exempt hospitals and related regulatory guidance. However, there can be no assurance that a court or regulatory authorities will not take a contrary position or that such transactions will not be found to have violated one or more applicable laws. Any such determination could have a material adverse effect on the financial condition of the Obligated Group.

Integrated Delivery Systems. Health facilities and healthcare systems often own, control, or have affiliations with physician groups and independent practice associations. 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 from the related hospital or health system.

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 healthcare delivery and reimbursement systems that are intended to restrain the rate of increases of healthcare 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 payment model 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. This shift is likely to favor integrated delivery systems, which may be better able than stand-alone providers to realize efficiencies, coordinate services across the continuum of patient care, track performance, and monitor and control patient outcomes. 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" herein, may be heightened in an integrated delivery system. The foregoing laws were not designed to accommodate coordinated action among hospitals, physicians and other healthcare providers to set standards, reduce costs, and share savings, among other things. Although CMS and the agencies that enforce these laws are expected to institute new regulatory exceptions, safe harbors or waivers that will enable providers to participate in payment reform programs, there can be no assurance that such regulations will be forthcoming or that any regulations or guidance issued will sufficiently clarify the scope of permissible activity. 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 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.

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 be unsuccessful in assembling successful integrated networks, and may not achieve savings sufficient to offset the substantial costs of creating and maintaining this infrastructure. The support such developments, could incur losses from assuming increased risk and could incur damage to reputations.

Physician 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, including antitrust 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 health systems. CMS annually reviews overall physician reimbursement formulas for Medicare and Medicaid. Changes to physician compensation formulas could lead to physicians ceasing to accept Medicare or Medicaid patients. Regional differences in reimbursement by commercial and governmental payors may cause physicians to avoid locating their practices in communities with low reimbursement. The Obligated Group may be required to invest additional resources for recruiting and retaining physicians, or may be required to increase the percentage of employed physicians in order to maintain market share.

Antitrust. Enforcement of the antitrust laws against healthcare providers is becoming more common, and antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, third-party contracting, physician relations, and joint venture, merger, affiliation, and acquisition activities. In some respects, the application of the federal and state antitrust laws to healthcare is still evolving, and enforcement activity by federal and state agencies appears to be increasing. In particular, the FTC has publicly acknowledged increasing enforcement action in the area of physician joint contracting. Likewise, increased enforcement action exists relating to a retrospective review of completed hospital mergers. Relatively recently the FTC has urged that legislation be adopted to explicitly expand its enforcement powers over nonprofit hospitals.

Violation of the antitrust laws could subject a hospital to criminal and civil enforcement by federal and state agencies, as well as treble damage liability by private litigants. At various times, a Member of the Obligated Group may be subject to an investigation by a governmental agency charged with the enforcement of the antitrust laws, or may be subject to administrative or judicial action by a federal or state agency or a private party. The most common areas of potential liability are joint activities among providers with respect to payor contracting, medical staff credentialing, and use of a hospital's local market power for entry into related healthcare businesses. From time to time, the Obligated Group may be involved in joint contracting activity with other hospitals or providers. The precise degree to which any joint contracting activities may expose the Obligated Group to antitrust risk from governmental or private sources is dependent on specific facts which may change from time to time. A decision of the Supreme Court of the United States now allows physicians who are subject to adverse peer review proceedings to file federal antitrust actions against hospitals. Hospitals regularly have disputes regarding credentialing and peer review, and therefore may be subject to liability in this area. In addition, hospitals occasionally indemnify medical staff members who are involved in such credentialing or peer review activities, and may also be liable with respect to such indemnity. Recent court decisions have also established private causes of action against hospitals which use their local market power to promote ancillary healthcare business in which they have an interest. Such activities may result in monetary liability for the participating hospitals under certain circumstances where a competitor suffers business damage. Government or private parties are entitled to challenge joint ventures that may injure competition. Liability in any of these or other antitrust areas of liability may be substantial, depending on the facts and circumstances of each case, and may have a material adverse impact on the Obligated Group.

Healthcare Worker Classification. Healthcare 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.

Employee/Labor Relations and Collective Bargaining. The ability of the Obligated Group to employ and retain qualified employees, and its ability to maintain good relations with such employees, affect the quality of services to patients and the financial condition of the Obligated Group. 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. Renegotiation of collective bargaining agreements upon expiration may result in significant cost increases to hospitals. Employee strikes or other unfavorable labor actions may have an adverse impact on operations, revenue and hospital reputation.

On February 12, 2016, the legislature of the State enacted the West Virginia Workplace Freedom Act, which became effective on July 1, 2016. The State is the twenty-sixth in the United States to enact a right-to-work law. Although the Workplace Freedom Act went effect on July 1, 2016, it may not be enforced until after the expiration of collective bargaining agreements currently in effect. WVUH and a union representing approximately 1,200 of its employees entered into a new collective bargaining agreement expiring December 31, 2019.

Wage and Hour Class Actions and Litigation. Federal law and many states impose standards related to worker classification, eligibility, and payment for overtime, liability for providing rest periods

and similar requirements. Large employers with complex workforces, such as hospitals, are susceptible to actual and alleged violations of these standards. In recent years, there has been a proliferation of lawsuits over these "wage and hour" issues, often in the form of large, sometimes multi-state, class actions. For large employers, such as hospitals and health systems, such class actions can involve multi-million dollar claims, judgments, and/or settlements. A major class action decided or settled adversely to the Obligated Group could have a material adverse impact on its financial condition and result of operations. Currently, no such class action lawsuits are pending against the Obligated Group.

Staffing Shortages. From time to time, the healthcare industry has suffered from a scarcity of nursing personnel, respiratory therapists, radiation technicians, pharmacists, and other qualified healthcare technicians and personnel. 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 healthcare professionals, coupled with increased recruiting and retention costs, may increase hospital operating costs, possibly significantly. This trend could have a material adverse impact on the financial conditions and results of operations of hospitals.

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

Litigation also arises from the corporate and business activities of the Members of the Obligated Group and their affiliates, employee-related matters, medical staff and provider network matters, and denials of medical staff and provider network membership and privileges. As with professional liability, certain of these risks may not be covered by insurance. For example, some antitrust claims, business disputes and workers' compensation claims are not covered by insurance or other sources and may, in whole or in part, be a liability of the Members of the Obligated Group and their affiliates if determined or settled adversely.

Although the number of malpractice lawsuits filed against physicians and hospitals in West Virginia has stabilized in recent years, the dollar amounts of patient damage recoveries still remain potentially significant. The ability of, and the cost to the Obligated Group to insure or otherwise protect itself against, malpractice claims may adversely affect its future results of operations or financial condition. For further information, see **APPENDIX A – INFORMATION CONCERNING WEST VIRGINIA UNIVERSITY HEALTH SYSTEM – Litigation** hereto.

In 2003, the State legislature passed comprehensive medical malpractice tort reform and significant amendments to the enabling legislation for the establishment of Physicians Mutual Insurance Company. The tort reform component of this legislation established a pre-lawsuit screening process for all malpractice claims. The legislation lowered the existing $1,000,000 cap on awards for pain and suffering and other intangible losses to $250,000 per occurrence, regardless of the number of plaintiffs and defendants, except where damages for non-economic loss were for (1) wrongful death, (2) permanent and substantial physical deformity, loss of use of limb or loss of use of a bodily organ system, or (3) permanent physical or mental functional injury, in which case the limit for all defendants per occurrence

is $500,000. To be eligible for these limits, a defendant must have at least $1,000,000 of professional liability insurance. These caps ($250,000 and $500,000) are adjusted annually based upon the consumer price index. Currently, the adjusted caps are just over $300,000 and $600,000. Subject to limitations, this legislation further provided that lawsuits filed as a result of good faith care for an emergency condition provided at designated trauma centers are subject to a $500,000 total cap on all damages, exclusive of interest.

The legislation eliminated the rule whereby any defendant who is greater than 25% at fault can be required to pay the entire verdict (joint liability) and replaced it with a rule whereby each individual defendant's liability is equal to his percentage of fault (several liability). The legislation maintains that an action cannot be brought against a healthcare provider by or on behalf of a third party nonpatient unless the provider acted in a willful and wanton reckless disregard of a foreseeable risk of harm to third persons. These limitations do not apply to a derivative claim for loss of consortium or a wrongful death claim by the personal representative of the deceased. This legislation allows collateral sources, which include both private and governmental payors of medical and hospital expenses, to be offset from the verdict before final judgment is entered. The legislation also strengthens the required qualifications for expert witnesses, raises the required level of proof for the so-called "Loss of Chance" theory of recovery and eliminates the doctrine of "ostensible agency" -whereby hospitals were often held responsible for the acts of non-employed physicians except where a provider does not maintain a minimum of $1,000,000 malpractice insurance. These tort reforms apply to all causes of action that were filed on or after July 1, 2003.

The legislation in 2003 also established a patient injury compensation fund to address any shortfalls as a result of the enactment of this several liability provision. During the 2016 legislative session, the State legislature enacted Senate Bill 602, which provides that no compensation shall be provided to claimants filing a claim with the patient injury compensation fund on or after July 1, 2016. Senate Bill 602 further provides that, beginning July 1, 2016, a plaintiff, who has suffered economic damages as a result of an injury in excess of the limitation on liability described above and for whom recovery from the patient injury compensation fund is no longer available, may recover additional economic damages of up to $1,000,000.

Further, the Physicians Mutual Insurance Company was also established in 2003, which improved the ability of healthcare providers to obtain malpractice insurance in West Virginia.

During the 2015 legislative session, the State legislature expanded the caps on damages under the Medical Professional Liability Act to include additional healthcare providers, including nursing homes and pharmacies.

Each Member of the Obligated Group provides for professional liability insurance through a combination of trustee self-insurance reserves and excess indemnity policies. Should reserves be depleted to satisfy claims, required annual additions to reserves could increase substantially. There is no assurance that the Members of the Obligated Group will be able to maintain coverage amount currently in place in the future, that the coverage will be sufficient to cover malpractice judgments rendered against a Member of the Obligated Group or that such coverage will be available at a reasonable cost in the future.

Technological Changes

Medical research and resulting discoveries continue to grow at a rapid pace. Implementing new treatment procedures or acquiring new equipment associated with these new discoveries may add greatly to the operating costs of the Members of the Obligated Group with no or little offsetting increase in federal reimbursement and may also render obsolete certain of the health services provided by Members

of the Obligated Group. New drugs and devices may increase hospitals' expenses because, for the most part, the costs of new drugs and devices are not typically accounted for in the DRG payment received by hospitals for inpatient care and are often not covered for outpatient services. Under some circumstances, IPPS and OPPS reimbursement is adjusted to provide additional compensation to healthcare providers for cases treated using certain new technologies. Even if such additional compensation is available, the Members of the Obligated Group that provide healthcare services could experience increased costs, of a magnitude that cannot be predicted accurately, due to technological advancements, the introduction of new drugs or similar developments.

Information Technology

The ability to adequately price and bill healthcare 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. An ongoing commitment of significant resources is required to maintain, protect, and enhance existing information systems and to 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 **"HIPAA"** 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 healthcare 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 healthcare providers, which may increase the cost, complexity, and risks of operations. All of these risks may have adverse consequences on hospitals and healthcare providers.

Cybersecurity Risks

Despite the implementation of network security measures by the Obligated Group, its information technology systems may be vulnerable to breaches, hacker attacks, computer viruses, physical or electronic break-ins and other similar events or issues. 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 to provide healthcare services.

Future Legislation

Legislation is periodically introduced in the United States Congress and in the West Virginia legislature that could result in limitations on hospital revenues, reimbursement, costs, or charges or that could require an increase in the quantity of indigent care required to maintain charitable status. The effects on the Obligated Group of such legislation, if enacted, cannot accurately be determined at this time.

In addition to legislative proposals previously discussed herein, other legislative proposals that could have an adverse effect on the Obligated Group include: (a) any changes in the taxation of nonprofit

corporations or in the scope of their exemption from income or property taxes; (b) limitations on the amount or availability of tax exempt financing for corporations described in Section 501(c)(3) of the Code; and (c) regulatory limitations affecting the Obligated Group's ability to undertake capital projects or develop new services.

Legislative bodies have considered legislation concerning the charity care standards that nonprofit, charitable hospitals must meet to maintain their federal income tax exempt status under the Code and legislation mandating nonprofit, charitable hospitals to have an open-door policy toward Medicare and Medicaid patients as well as offer, in a non-discriminatory manner, qualified charity care and community benefits. Excise tax penalties on nonprofit, charitable hospitals that violate these charity care and community benefit requirements could be imposed or their tax-exempt status under the Code could be revoked. The scope and effect of legislation, if any, which may be adopted at the federal or state levels with respect to charity care of nonprofit hospitals cannot be predicted. Any such legislation or similar legislation, if enacted, may have the effect of subjecting a portion of the Obligated Group's income to federal or state income taxes or to other tax penalties and adversely affect the ability of the Obligated Group to generate net revenues sufficient to meet its obligations and to pay the debt service on the 2017 A Bonds and its other obligations.

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, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for or marketability of the 2017 A Bonds. Prospective purchasers of the 2017 A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Tax-Exempt Status of the Members of the Obligated Group

The tax-exempt status of interest on the 2017 A Bonds depends, among other things, upon maintenance by the Members of the Obligated Group who operate facilities financed or refinanced with the proceeds of tax-exempt bonds of their status as organizations described in Section 501(c)(3) of the Code. The maintenance of such status is contingent on compliance with general rules based on the Code, Treasury regulations, and judicial decisions regarding the organization and operation of tax-exempt hospitals and health systems, including their operation for charitable and education purposes and their avoidance of transactions that may cause their assets to inure to the benefit of private individuals. These general principles were developed primarily for public charities that do not conduct large-scale technical operations and business activities, and they often do not adequately address the myriad of operations and transactions entered into by a modern healthcare organization. The IRS' interpretation of and position on these rules as they affect the organization and operation of healthcare organizations (for example, with respect to providing charity care, joint ventures, physician and executive compensation, physician recruitment and retention, etc.) are constantly evolving. The IRS reserves the power to, and in fact occasionally does, alter, or reverse its positions concerning tax-exemption issues, even concerning long-held positions upon which tax-exempt healthcare organizations have relied. As described above under the heading **"Healthcare Reform,"** the ACA has expanded the requirements for maintenance of Section 501(c)(3) status by hospitals to include establishing and implementing charity care policies and procedures.

In addition to violations of the Code and Treasury regulations, the IRS has announced that it intends to closely scrutinize transactions between nonprofit corporations and for-profit entities and, in particular, has issued audit guidelines for tax-exempt hospitals. Although specific activities of hospitals,

such as medical office building leases and compensation arrangements and other contracts with physicians, have been the subject of interpretations by the IRS in the form of private letter rulings, many activities have not been addressed in any official opinion, interpretation, or policy of the IRS. Because the Members of the Obligated Group conduct large-scale and diverse operations involving private parties, there can be no assurance that the IRS would not challenge certain of their transactions. In addition, the IRS and state taxing authorities have undertaken audits and reviews of the operations of tax-exempt hospitals with respect to their exempt activities and the generation of unrelated business taxable income. The Members of the Obligated Group participate in activities that may generate unrelated business taxable income. The Obligated Group Agent believes it and the other Members of the Obligated Group have properly accounted for and reported such unrelated business taxable income; nevertheless, an investigation or audit could result in taxes, interest and penalties with respect to unreported unrelated business taxable income and in some cases could ultimately affect the tax-exempt status of a Member of the Obligated Group as well as the exclusion form gross income for federal income tax purposes of the interest payable on the 2017 A Bonds and other tax-exempt debt of the Obligated Group. In addition, legislation adopted at the federal and state levels with respect to unrelated business income cannot be predicted at this time and could have the effect of subjecting a portion of the income of a Member of the Obligated Group to federal or state income taxes.

The IRS has taken the position that hospitals which are in violation of the Anti-Kickback Statute may also be subject to revocation of their tax-exempt status. See the information under the heading **"BONDHOLDERS' RISKS – Regulatory and Contractual Matters."** As a result, tax-exempt hospitals, such as those of the Members of the Obligated Group, which have, and will continue to have, extensive transactions with physicians are subject to increased scrutiny and possible enforcement by the IRS.

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

Section 4958 of the Code imposes excise taxes on "excess benefit transactions" between "disqualified persons" and tax-exempt organizations such as the Obligated Group. According to the legislative history and regulations associated with Section 4958, these excise taxes may be imposed by the IRS either in lieu of or in addition to revocation of exemption. The legislation is potentially favorable to taxpayers because it provides the IRS with a punitive option short of revocation of exempt status to deal with incidents of private inurement. However, the standards for tax exemption have not been changed, including the requirement that no part of the net earnings of an exempt entity inure to the benefit of any private individual. Consequently, although the IRS has only infrequently revoked the tax exemption of nonprofit healthcare corporations in the past, the risk of revocation remains and there can be no assurance that the IRS will not direct enforcement activities against any of the members of the Obligated Group.

Bills have been introduced from time to time in Congress that would require a tax-exempt hospital to provide a certain amount of charity care and care to Medicare and Medicaid patients in order

to maintain its tax-exempt status and avoid the imposition of an excise tax. Other legislation would have conditioned a hospital's tax-exempt status on the delivery of adequate levels of charity care. Congress has not enacted such bills. However, there can be no assurance that similar legislative proposals or judicial action will not be adopted in the future.

One or more Members of the Obligated Group have been and may be audited by the IRS. The Obligated Group Agent believes it and the other Members of the Obligated Group have complied with the tax laws. Nevertheless, because of the complexity of the tax laws and the presence of issues about which reasonable persons can differ, an audit could result in additional taxes, interest, and penalties. An audit could ultimately affect the tax-exempt status of a Member of the Obligated Group as well as the exclusion from gross income for federal income tax purposes of the interest payable with respect to the 2017 A Bonds and other tax-exempt debt of the Obligated Group.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of nonprofit corporations. There can be no assurance that future changes in the laws and regulations of federal or state governments will not materially adversely affect the operations and financial condition of a Member of the Obligated Group by requiring it to pay income taxes.

Tax-Exempt Status of the 2017 A Bonds

The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the 2017 A Bonds, to be excluded from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and facilities financed with bond proceeds, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that certain investment earnings on bond proceeds be paid periodically to the United States and a requirement that the Issuer file an information report with the IRS. The Obligated Group has covenanted in certain documents referred to herein that it will comply with such requirements. Future failure to comply with the requirements stated in the Code and related regulations, rulings, and policies may result in the treatment of the interest on the 2017 A Bonds as taxable. Such adverse treatment may be retroactive to the date of issuance. See **"TAX MATTERS"** below.

Current and future legislative proposals, if enacted into law, may cause the interest on the 2017 A Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent the owners of the 2017 A Bonds from realizing the full current benefit of such interest. Legislative proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the 2017 A Bonds. The introduction or enactment of any such legislative proposals may also affect, perhaps significantly, the market price for, or marketability of, the 2017 A Bonds. Prospective purchasers of the 2017 A Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

IRS Bond Audits and Examinations

In 2007 under its compliance check program, the IRS sent several hundred post-issuance compliance questionnaires to nonprofit corporations that have borrowed on a tax-exempt basis regarding their post-issuance compliance with various requirements for maintaining the federal tax exemption of interest on their bonds. The questionnaire included questions relating to the borrower's (i) record retention, which the IRS has particularly emphasized, (ii) qualified use of bond-financed property, (iii) arbitrage yield restriction and rebate requirements, (iv) debt management policies and (v) voluntary compliance and education. In July 2011, the IRS issued a final report analyzing the responses from the completed questionnaires. The report indicates that there are significant gaps in the implementation by nonprofit corporations of post-issuance and record retention procedures for tax-exempt bonds. The IRS

has subsequently taken other initiatives to encourage issuers and borrowers to adopt post-issuance compliance procedures. These initiatives include requiring tax-exempt organizations to complete a number of schedules to IRS Form 990 – Return of Organizations Exempt From Income Tax, including (i) Schedule H, which requires hospitals and health systems to report how they provide community benefit and specify certain billing and collection practices; (ii) Schedule K, which requires detailed information related to outstanding tax-exempt bond issues, including information regarding operating, management and research contracts as well as private use compliance; and (iii) 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 will not lead to an IRS audit.

Management of the Obligated Group believes that the 2017 A Bonds properly comply with the tax laws. In addition, Bond Counsel will render an opinion with respect to the tax-exempt status of the 2017 A Bonds, as described under the heading **"TAX MATTERS;"** provided, however, the opinions of Bond Counsel are not binding on the IRS or the courts. No ruling with respect to the 2017 A Bonds has been or will be sought from the IRS. There can be no assurances that any IRS examination of the 2017 A Bonds will not adversely affect the market value of the 2017 A Bonds. See **"TAX MATTERS"** below.

Bond Rating

There can be no assurance that the ratings assigned to the 2017 A Bonds at the time of issuance will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the 2017 A Bonds. See the information under the heading **"BOND RATINGS."**

Investment Income

The Members of the Obligated Group have significant holdings in a broad range of investments. Market fluctuations have affected and will continue to affect materially the value of those investments and those fluctuations may be, and historically have been, material. Market disruptions have exacerbated the market fluctuations and negatively affected over certain time periods the investment performance of securities in the portfolios of the Members of the Obligated Group. In other years, the Obligated Group has experienced losses on its investments, including recent losses that have adversely affected the financial results of the Obligated Group. No assurance can be given that the Obligated Group's investments will produce positive returns or that losses on investments will not occur in the future.

Additional Risk Factors

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

1. Increased efforts by insurers and governmental agencies to limit the cost of hospital services (including, without limitation, the implementation of a system of prospective review of hospital rate changes and negotiating discounted rates), to reduce the number of hospital beds and to reduce utilization of hospital facilities by such means as preventive medicine, improved occupational health and safety, and outpatient care.

2. Cost increases without corresponding increases in revenue could result from, among other factors: increases in the salaries, wages, and fringe benefits of hospital and clinic employees; increases in costs associated with advances in medical technology or with inflation; or future legislation which would prevent or limit the Obligated Group's ability to increase revenues.

3. Any termination or alteration of existing agreements between a Member of the Obligated Group and individual physicians and physician groups who render services to the patients of a Member of the Obligated Group or any termination or alteration of referral patterns by individual physicians and physician groups who render services to the patients of the Obligated Group Members with whom the Obligated Group does not have contractual arrangements.

4. Future contract negotiations between public and private insurers, employers, and participating hospitals, including the hospitals of the Members of the Obligated Group, and other efforts by these insurers and employers to limit hospitalization costs and coverage could adversely affect the level of reimbursement to the Members of the Obligated Group.

5. An inflationary economy and difficulty in increasing charges and other fees charged while at the same time maintaining the amount or quality of health services may affect the operating margins of the Members of the Obligated Group.

6. The cost and effect of any future unionization of employees of one or more Members of the Obligated Group.

7. The possible inability to obtain future governmental approvals to undertake projects necessary to remain competitive both as to rates and charges as well as quality and scope of care could adversely affect the operations of the Obligated Group.

8. Imposition of wage and price controls for the healthcare industry, such as those that were imposed and adversely affected healthcare facilities in the early 1970s.

9. Increased unemployment or other adverse economic conditions which could increase the proportion of patients who are unable to pay fully for the cost of their care. In addition, increased unemployment caused by a general downturn in the economy in the service areas of the Members of the Obligated Group or by the closing of operations of one or more major employers in such service areas may result in a significant change in the demographics of such service areas, such as a reduction in the population.

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

11. Changes in law or revenue rulings governing the nonprofit or tax-exempt status of charitable corporations such as the Members of the Obligated Group, such that nonprofit corporations, as a condition of maintaining their tax-exempt status, are required to provide increased indigent care at reduced rates or without charge or discontinue services previously provided.

12. Efforts by taxing authorities to impose or increase taxes related to the property and operations of nonprofit organizations or to cause nonprofit organizations to increase the amount of services provided to indigents to avoid the imposition or increase of such taxes.

13. Proposals to eliminate the tax-exempt status of interest on bonds issued to finance healthcare facilities, or to limit the use of such tax-exempt bonds, have been made in the past, and may be made again in the future. The adoption of such proposals would increase the cost to the Members of the Obligated Group of financing future capital needs.

14. Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, occupational health and safety, and outpatient healthcare delivery may reduce utilization and

revenues of the Obligated Group in the future or otherwise lead the way to new avenues of competition. Technological advances in recent years have accelerated the trend toward the use by hospitals of sophisticated and costly equipment and services for diagnosis and treatment. The acquisition and operation of certain equipment or services may continue to be a significant factor in hospital utilization, but the ability of the Members of the Obligated Group to offer the equipment or services may be subject to the availability of equipment or specialists, governmental approval or the ability to finance these acquisitions or operations.

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

TAX MATTERS

General

The following discussion of "Tax Matters" is a brief discussion of certain income tax matters with respect to the 2017 A Bonds under existing applicable law. It does not purport to deal with all aspects of taxation that may be relevant to the owner of a bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the tax consequences of owning and disposing of the 2017 A Bonds.

Federal Income Tax Exemption of the 2017 A Bonds

In the opinion of 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 2017 A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is of the further opinion that interest on the 2017 A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other federal or state tax consequences related to the ownership and disposition of, or the accrual or receipt of interest on, the 2017 A Bonds. A complete copy of the proposed form of opinion of Bond Counsel for the 2017 A Bonds is set forth in **APPENDIX D** hereto.

Assumed Compliance with Certain Covenants and Federal Tax Requirements

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 2017 A Bonds. The Issuer and the Obligated Group have covenanted to comply with certain restrictions, conditions and requirements designed to insure that interest on the 2017 A 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 2017 A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2017 A 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) after the date of issuance of the 2017 A Bonds may adversely affect the value of, or the tax status of interest on, the 2017 A Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the 2017 A

Bonds. Prospective purchasers of 2017 A Bonds are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although Bond Counsel is of the opinion that interest on the 2017 A Bonds is excluded from gross income for federal income tax purposes and is exempt from State of West Virginia personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on the 2017 A Bonds may otherwise affect a Bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the beneficial owner's particular tax status and a beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any other such tax consequences.

The tax status of the 2017 A Bonds could be affected by post-issuance events. There are various requirements of the Code that must be observed or satisfied after the issuance of the 2017 A Bonds in order for the 2017 A Bonds to qualify for, and retain, tax-exempt status. These requirements include use of the proceeds of the 2017 A Bonds, use of the facilities refinanced by the 2017 A Bonds, investment of bond proceeds, and the rebate of so-called excess arbitrage earnings. Compliance with these requirements is the responsibility of the Issuer and the Obligated Group.

The IRS conducts an audit program to examine compliance with the requirements regarding tax-exempt status. If the 2017 A Bonds become the subject of an audit, under current IRS procedures, the Issuer and the Obligated Group would be treated as the taxpayers in the initial stages of an audit, and the owners of the 2017 A Bonds would have limited rights to participate in the audit process. The initiation of an audit with respect to the 2017 A Bonds could adversely affect the market value and liquidity of the 2017 A Bonds, even though no final determination about the tax-exempt status would have been made. If an audit were to result in a final determination that the 2017 A Bonds do not qualify as tax-exempt obligations, such a determination could be retroactive in effect to the date of issuance of the 2017 A Bonds.

Certain requirements and procedures contained or referred to in the Issuer's Resolution, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the 2017 A Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any 2017 A Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Spilman Thomas & Battle, PLLC.

Original Issue Discount and Original Issue Premium

To the extent the issue price of any maturity of the 2017 A Bonds is less than the amount to be paid at maturity of such 2017 A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2017 A Bonds) (the "Discount 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 2017 A Bonds which is excluded from gross income for federal income tax purposes and State personal income taxes. For this purpose, the issue price of a particular maturity of the 2017 A Bonds is the first price at which a substantial amount of such maturity of the 2017 A 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 2017 A Bonds accrues daily over the term to maturity of such 2017 A 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 2017 A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2017 A Bonds. Beneficial owners of the 2017 A Bonds should consult their own tax

advisors with respect to the tax consequences of ownership of 2017 A Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such 2017 A Bonds in the original offering to the public at the first price at which a substantial amount of such 2017 A Bonds is sold to the public.

2017 A 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 allocated to such beneficial owner. Beneficial owners of the 2017 A Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Information Reporting and Backup Withholding

Interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of interest on the 2017 A Bonds from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the 2017 A Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (i) are not "exempt recipients" and (ii) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's federal income tax liability provided the required information is furnished to the IRS.

State Income Tax Exemption

In the opinion of Bond Counsel, under the Act, as presently written and applied, the 2017 A Bonds and all interest and income thereon shall be exempt from all taxation by the State, or by any county, municipality or political subdivision or agency thereof, except inheritance taxes.

Individual Circumstances

Although Bond Counsel is of the opinion that interest on the 2017 A Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the 2017 A Bonds may otherwise affect an owner's federal liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner or the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Tax Changes

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2017 A Bonds to be subject, directly or indirectly, 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, clarification of the Code or court decisions may also affect the market price for, or marketability of, the 2017 A Bonds. Prospective purchasers of the 2017 A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2017 A 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 Issuer, or about the effect of future changes in the Code, the application regulations, the interpretation thereof or the enforcement thereof by the IRS. The Issuer and the Obligated Group have covenanted, however, to comply with the requirements of the Code.

Bond Counsel Obligations

Bond Counsel's engagement with respect to the 2017 A Bonds ends with the issuance of the 2017 A Bonds, and unless separately engaged, Bond Counsel is not obligated to defend the Issuer, the Obligated Group or the beneficial owners regarding the tax-exempt status of the 2017 A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Issuer, the Obligated Group and their appointed counsel, 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 2017 A Bonds is difficult, obtaining an independent review of IRS positions with which the Issuer legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the 2017 A Bonds for audit, or the course or result of such audit, or an audit of tax-exempt bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2017 A Bonds, and may cause the Issuer, the Obligated Group or the beneficial owners to incur significant expense.

Bond Counsel's opinions represent its legal judgment based in part upon the representations and covenants referenced therein and its review of existing law, but are not a guarantee of result or binding on the IRS or the courts. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may come to Bond Counsel's attention after the date of its opinions or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

LEGAL MATTERS

Legal matters incident to the authorization, issuance, and sale of the 2017 A Bonds are subject to the approving opinion of Spilman Thomas & Battle, PLLC, Charleston, West Virginia, Bond Counsel. The proposed form of Bond Counsel's opinion is appended hereto as **APPENDIX D - FORM OF BOND COUNSEL OPINION**. Certain legal matters will be passed upon by Bowles Rice LLP, Charleston, West Virginia as counsel to the Issuer, Robert J. O'Neil, Esq., as General Counsel for the Obligated Group, Jackson Kelly PLLC, Charleston, West Virginia as counsel to the Underwriters and Spilman Thomas & Battle, PLLC, Charleston, West Virginia as disclosure counsel to the Obligated Group.

The various legal opinions to be delivered concurrently with the delivery of the 2017 A Bonds express the professional judgment of the attorneys rendering the opinion as to the legal issues expressly addressed therein. In rendering a legal opinion, the attorneys do not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon or the future performance of the parties to the transaction. In addition, the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

CERTAIN RELATIONSHIPS

Merrill Lynch, Pierce, Fenner & Smith Incorporated, an Underwriter for the 2017 A Bonds, is an affiliate of the 2005 Swap Provider, and both entities are subsidiaries of Bank of America, N.A. Bank of America, N.A. purchased the WVUMC 2011 Bond, which is guaranteed by the Obligated Group.

Wells Fargo Bank, National Association, which is serving as an Underwriter for the 2017 A Bonds, purchased the 2012 A Bonds and the 2012 B Bonds. Wells Fargo Bank, National Association also provides the Wells Fargo Line of Credit to the Obligated Group and treasury banking services, for which it receives customary compensation.

TD Securities (USA) LLC, an Underwriter for the 2017 A Bonds, is an affiliate of TD Bank, N.A. TD Bank, N.A. provides the 2015 Taxable Term Loan.

RJFP is an affiliate of Raymond James & Associates, Inc., which the Obligated Group has retained as its financial advisor in connection with the issuance of the 2017 A Bonds. RJFP has entered into the 2003 Replacement Swap Agreement, the 2004 Replacement Swap Agreement, the 2006 Replacement Swap Agreement and the 2007 Replacement Swap Agreement with the Obligated Group.

Jackson Kelly PLLC, which is acting as counsel to the Underwriters, also acts as outside counsel to the certain Members of the Obligated Group for matters unrelated to the issuance of the 2017 A Bonds.

Bowles Rice LLP, which is acting as counsel to the Issuer, also acts as outside counsel to certain Members of the Obligated Group for matters unrelated to the issuance of the 2017 A Bonds.

BOND RATINGS

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and Moody's Investors Service ("Moody's") have assigned the 2017 A Bonds the ratings of "A" and "A2", respectively. Such ratings reflect only the views of the rating agencies and any explanation as to the significance of the ratings should be obtained from the rating agencies as follows: Standard & Poor's Rating Services, a division of the McGraw Hill Companies, Inc., 55 Water Street, New York, New York 10041, (212) 438-2124; Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, (212) 553-0300. Certain information and materials not included in this Official Statement were furnished to the rating agencies. The ratings of the 2017 A Bonds reflect only the respective view of such organizations. The above ratings are not a recommendation to buy, sell, or hold the 2017 A Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any such ratings may have an adverse effect on the market price or the marketability of the 2017 A Bonds.

There is no assurance that such ratings will continue for any given period of time or that they will not be reduced or withdrawn entirely by S&P or Moody's if, in their judgment, circumstances so warrant. The Issuer undertakes no responsibility either to notify the Holders of the 2017 A Bonds of any revision or withdrawal of the ratings or to oppose any such revision or withdrawal, although the Obligated Group Agent will covenant in the Continuing Disclosure Agreement to provide, or have provided by the Dissemination Agent (as defined herein), notice of any rating changes to the Repositories.

LITIGATION

There is no pending or threatened litigation seeking to restrain or enjoin the issuance, sale, or delivery of the 2017 A Bonds, or in any way contesting or affecting the validity of the 2017 A Bonds or

any proceedings of the Issuer taken with respect to the issuance or sale thereof, or in any way questioning or affecting the validity or enforceability of the Loan Agreement or the Bond Indenture, the use of the 2017 A Bond proceeds or the existence of the Issuer. For additional information, see **APPENDIX A – INFORMATION CONCERNING WEST VIRGINIA UNIVERSITY HEALTH SYSTEM – Litigation**.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), as representative of itself, Wells Fargo Bank, National Association, Fifth Third Securities, and TD Securities (USA) LLC (collectively, the "Underwriters"), have agreed to purchase the 2017 A Bonds for a purchase price of $192,794,820.45 (representing the aggregate principal amount of the 2017 A Bonds, plus net original issue premium of $8,095,642.45, less an Underwriters' discount of $620,822.00). The initial public offering prices set forth on the inside front cover of this Official Statement may be changed from time to time by the Underwriters without any requirement of prior notice. The Underwriters reserve the right to join with other dealers in offering the 2017 A Bonds to the public. The 2017 A Bonds may be offered and sold to other dealers (including 2017 A Bonds for deposit into investment trusts, certain of which may be sponsored or managed by the Underwriters) at prices other than the public offering prices stated on the cover page of this Official Statement.

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

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, 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 Obligated Group. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or 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 following language has been provided by Wells Fargo Securities. No other party takes responsibility for the accuracy or completeness thereof:

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), one of the underwriters of the 2017 A Bonds, has entered into an agreement (the "WFA

Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA") for the distribution of certain municipal securities offerings, including the 2017 A Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the 2017 A Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the 2017 A Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

The following language has been provided by TD Securities (USA) LLC. No other party takes responsibility for the accuracy or completeness thereof:

TD Securities (USA) LLC has entered into a negotiated dealer agreement (the "TD Dealer Agreement") with TD Ameritrade for the retail distribution of certain securities offerings, including the 2017 A Bonds at the original issue price. Pursuant to the TD Dealer Agreement, TD Ameritrade may purchase the 2017 A Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any of the 2017 A Bonds TD Ameritrade sells.

Jackson Kelly PLLC, counsel to the Underwriters, was selected by the Obligated Group.

INDEPENDENT AUDITORS

The consolidated financial statements of WVUHS as of December 31, 2015 and as of December 31, 2014 and appearing in **APPENDIX B** to this Official Statement have been audited by Baker Tilly Virchow Krause, LLP, independent auditors, as stated in their report appearing therein. Not all controlled affiliates of WVUHS are Members of the Obligated Group.

There can be no assurance that the financial results achieved in the future will be similar to historical results. Such future results will vary from historical results, and actual variations may be material. The historical operating results of the Members of the Obligated Group contained in this Official Statement cannot be taken as a representation that the Obligated Group will be able to generate sufficient revenues in the future to pay debt service on the 2017 A Bonds.

FINANCIAL ADVISOR

The Obligated Group has retained Raymond James & Associates, Inc. (the "Financial Advisor") New York, New York, as financial advisor in connection with the issuance of the 2017 A Bonds. Although the Financial Advisor has assisted in the preparation of this Official Statement, the Financial Advisor 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.

REGISTERED INVESTMENT ADVISOR

The Obligated Group has retained Raymond James & Associates, Inc. as a registered investment advisor. In its capacity as investment advisor, Raymond James & Associates, Inc. may assist the Obligated Group in the evaluation of potential investment alternatives and conduct a competitive procurement process for the investment of the 2017 A Bonds Project Fund in Investment Securities. Raymond James & Associates, Inc. will receive compensation for investment advisory services contingent on the sale and delivery of the 2017 A Bonds.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC"), the Obligated Group Agent will enter into a continuing disclosure agreement (the "Continuing Disclosure Agreement") with respect to the 2017 A Bonds for the benefit of the registered and beneficial owners of the 2017 A Bonds, substantially in the form attached as **APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT,** pursuant to which, the Obligated Group Agent will agree to provide or cause to be provided (i) certain annual financial information and operating data (the "Annual Report") not later than one hundred fifty (150) days following the end of the Obligated Group's fiscal year, commencing with the report for the fiscal year ended December 31, 2016, (ii) certain quarterly unaudited financial information and operating data not later than sixty (60) days following the end of each fiscal quarter of each fiscal year and (iii) notice of certain specified events, each in accordance with the requirements of the Rule. The Obligated Group Agent is not contractually obligated to supplement or update the information included in this Official Statement after the delivery of the 2017 A Bonds except as provided in the Continuing Disclosure Agreement. The Underwriters have not undertaken either to supplement or update the information included in this Official Statement. The Annual Report and any event notice will be filed electronically with the Electronic Municipal Markets Access system maintained by the Municipal Securities Rulemaking Board ("EMMA") by DAC, as dissemination agent (the "Dissemination Agent"), on behalf of the Obligated Group. Any failure to comply with the continuing disclosure requirements described above shall not, however, constitute an Event of Default under the Bond Indenture. Under the Continuing Disclosure Agreement, a Bondholder's sole remedy for such failure is to seek an order for specific performance.

In the last five years, the Obligated Group has complied in all material respects with its previous undertakings with regard to the Rule to provide continuing disclosure in connection with the Rule with the exception that certain disclosures have inconsistently reported information on a System, Obligated Group and divisional basis, and that certain material event postings (such as rating changes) have been posted under some but not all of the outstanding debt series. In addition, as is the case with the 2017 A Bonds, the Obligated Group has agreed to endeavor to provide quarterly reports within the time periods specified in certain prior continuing disclosure undertakings. All such quarterly reports have been provided.

MISCELLANEOUS

The references herein to the Act, the Master Indenture, the Bond Indenture, the 2017-1 Note, the Loan Agreement, the 2017 A Bonds and other materials are brief descriptions of certain provisions thereof. Such references do not purport to be comprehensive, and for full and complete statements of such provisions reference is made to such instruments, documents and other materials, copies of which are on file at the Corporate Trust Office of the Bond Trustee.

The information contained in this Official Statement has been compiled or prepared from information obtained from the Obligated Group, the Issuer and official 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. Any statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. Any estimates or assumptions in this Official Statement have been made on the basis of the best information available and are believed to be correct and reliable, but no representations whatsoever are made that such estimates or assumptions are correct and will be realized.

The execution and distribution of this Official Statement have been duly authorized by the Issuer.

WEST VIRGINIA HOSPITAL FINANCE AUTHORITY

By: /s/ James R. Christie
Name: James R. Christie
Title: Chairman

Approved:

WEST VIRGINIA UNITED HEALTH SYSTEM, INC.
d/b/a West Virginia University Health System,
as Obligated Group Agent

By: /s/ Douglas M. Coffman
Name: Douglas M. Coffman
Title: Authorized Officer

March 8, 2017

APPENDIX A

Information Concerning
West Virginia University Health System

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APPENDIX A

Information Concerning

WEST VIRGINIA UNIVERSITY HEALTH SYSTEM

The information contained herein has been provided by
West Virginia United Health System, Inc.
d/b/a West Virginia University Health System and affiliated entities.

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Capitalized terms used, but not defined, in this Appendix A are defined in the forepart of this Official Statement and in Appendix C to this Official Statement.

Any statements contained in this Appendix A that are not purely historical are forward-looking statements, including statements of the Obligated Group and the System's expectations, hopes and intentions, or strategies regarding the future. The forward-looking statements herein are necessarily based on various assumptions and estimates that are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and therefore, there can be no assurance that the forward-looking statements contained in this Appendix A would prove to be accurate. Readers should therefore not place undue reliance on forward-looking statements. All forward-looking statements included in this Appendix A are based on information available to the Obligated Group on the date hereof, and WVUHS assumes no obligation to update any such forward-looking statements.

WEST VIRGINIA UNIVERSITY HEALTH SYSTEM

INTRODUCTION

West Virginia United Health System, Inc. d/b/a West Virginia University Health System, a West Virginia nonprofit corporation ("WVUHS"), was created pursuant to authorization by the West Virginia Legislature in 1996, following the Legislature's finding that "[t]he citizens of the state are best served by the creation of a coordinated, integrated, efficient and effective health science and health care delivery system which is accountable to the citizens of the state, responsive to the health care and health science education needs of the citizens of the state, and responsive to the financial pressures of a dynamic health care environment." W. Va. Code §18-11C-2(b)(4). WVUHS is the parent corporation for a health care system that operates hospitals and other health care facilities, engages in other health care related activities and serves patients throughout the northern half of West Virginia (the "System"). The System is comprised of separately incorporated entities which, as described below, offer products and services related to, derived from or in support of, the System's medical practice, education, and research missions. As of March 2016, the System became both the largest healthcare provider and the largest employer in the State of West Virginia (the "State").

Effective February 19, 2016, WVUHS became a Member of the Obligated Group under the Master Indenture, which includes West Virginia University Hospitals, Inc. d/b/a J.W. Ruby Memorial Hospital ("WVUH"), United Hospital Center, Inc. ("UHC"), City Hospital, Inc. d/b/a Berkeley Medical Center ("Berkeley Medical"), The Charles Town General Hospital d/b/a Jefferson Medical Center ("Jefferson Medical"), University Healthcare Foundation, Inc. ("UHF"), and Camden-Clark Memorial Hospital Corporation d/b/a CamdenClark Medical Center ("CCMC") (individually, a "Member," and collectively, the "Obligated Group"). Each Member is a tax-exempt charitable organization described in Internal Revenue Code Section 501(c)(3) (a "Section 501(c)(3) Organization").

This Appendix A contains information concerning the Obligated Group and the major components of the System under the direct or indirect control of WVUHS.

System Strategic Plan

The System has developed a set of core strategies to guide its activities.

Mission

The mission of the System is to improve the health of communities it serves through the delivery of quality, cost-effective health care services and support of health professional training and research.

Vision

The System's vision is to transform health care in West Virginia by working together to: (a) be the standard of excellence in safety, quality, service and value; (b) provide easy access to an integrated system of care; (c) eliminate care disparities; and (d) prepare healthcare providers to thrive in the future health care environment.

Core Strategies

The following core strategies guide the mission and vision of the System:

- Building capabilities to optimize the performance of the System by: (i) establishing a cohesive understanding of the role and purpose of the System; (ii) integrating select business functions and processes; and (iii) initiating System-wide affinity groups.

- Aligning with physicians and other providers to meet the needs of the population through: (i) building a comprehensive aligned network of healthcare professionals throughout the service area; (ii) organizing the provider network around regional delivery networks reflecting standard quality and business principles; and (iii) developing the System's shared support services for regional delivery networks.

- Expanding system of care to better serve the System's market by: (i) creating deeper ambulatory and primary care physician presence in the markets served; (ii) establishing close, integrated relationships with targeted hospitals in the region; and (iii) engaging other hospitals in the region through affiliations that complement the system of care.

- Securing competencies for value-based care environment through: (i) building a clinically integrated network; (ii) developing population health/risk arrangements with the State; and (iii) cultivating strategic relationships with key managed care entities.

Relative Size of Obligated Group to System

The following chart compares the relative size of the Obligated Group to the System in each case under four measures as of and for the year ended December 31, 2016 (numbers are in thousands):

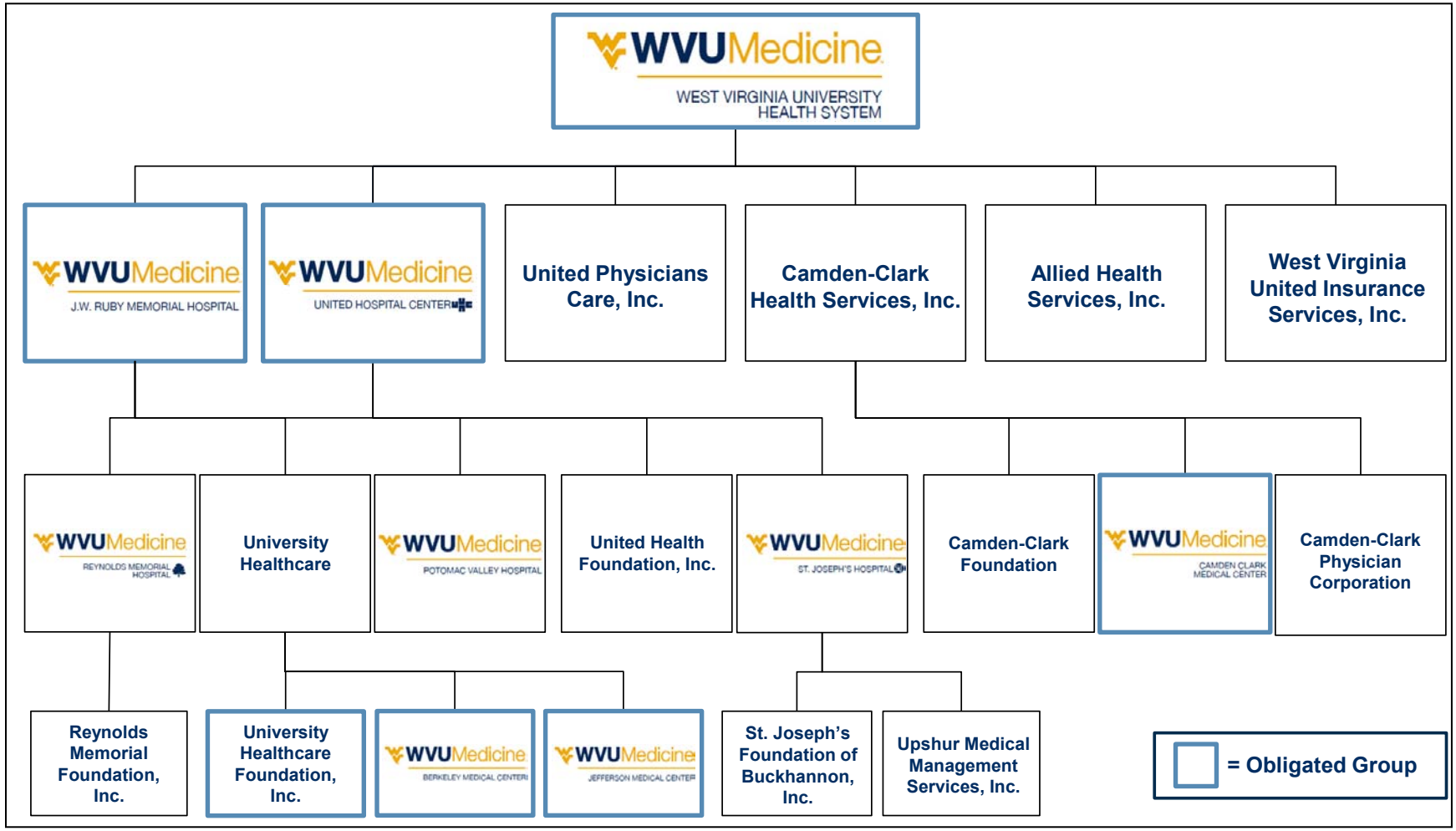
	Fiscal Year Ended December 31, 2016			
	Total Assets	**Total Operating Revenue**	**Total Operating Income (Loss)**	**Total Excess (Deficiency) Revenue over Expenses[1]**
WVUH	$1,279,429	$936,601	$40,988	$67,453
Berkeley Medical	133,193	190,081	11,250	12,832
Jefferson Medical	56,890	48,584	1,474	2,635
UHC (Hospital Only)	592,807	318,245	24,119	19,550
CCMC (Hospital Only)	254,136	231,240	13,204	15,362
UHF	34,340	2,248	(256)	921
WVUHS[2]	63,248	102,384	(842)	(748)
Eliminations	(68,918)	(106,961)	30	0
Total Obligated Group[2]	$2,345,124	$1,722,422	$89,967	$118,004
Total System	$2,504,251	$1,874,741	$70,504	$98,858
Obligated Group as Percentage of System	93.65%	91.88%	127.61%	119.37%

[1] Includes a total $32.5 million one-time extraordinary loss related to the advance refunding of the 2003 Series D Bonds, 2007 Series A Bonds, 2008 Series E Bonds and 2009 Series C Bonds in June 2016.
[2] WVUHS joined the Obligated Group on February 19, 2016.

This Appendix A does not purport to identify or discuss each of the affiliates of WVUHS or all of the entities that are taken into account in the presentation of consolidated financial information for the System. See Appendix B.

SYSTEM CORPORATE ORGANIZATION

The following is an organization chart indicating certain entities that make up the System, including the Obligated Group.



*Gateway Home Care, LLC (not shown) is jointly owned by Allied Health Services, Inc. and Berkeley Medical Center.

THE ENTITIES IDENTIFIED ABOVE AS THE OBLIGATED GROUP ARE JOINTLY AND SEVERALLY OBLIGATED FOR ALL OBLIGATIONS ISSUED UNDER THE MASTER INDENTURE.

WVUHS

WVUHS is the sole member of WVUH, UHC, and Camden-Clark Health Services, Inc. ("CCHS"), which is the sole member of CCMC. WVUH is the sole member of West Virginia University Hospitals – East, Inc., d/b/a University Healthcare ("University Healthcare"), which is the sole member of Berkeley Medical, UHF, and Jefferson Medical. WVUHS assists WVUH, University Healthcare, UHC, CCHS, and their hospital subsidiaries in fulfilling their charitable and academic missions in a changing healthcare environment.

WVUHS has all powers available to a nonprofit corporation under West Virginia law. The articles of incorporation and bylaws of WVUHS, WVUH, UHC and CCHS empower WVUHS to, among other things, and subject in some instances to certain parameters, recommendations and other requirements, elect and remove any member of the governing boards of WVUH, UHC, CCHS and/or their subsidiaries, approve amendments to their articles of incorporation and by-laws, approve any mergers, direct capital contributions to WVUHS, approve all budgets, direct inter-company fund transfers, approve non-budgeted acquisitions, purchases, sales or other asset dispositions in excess of $1,000,000, and approve the incurrence of material debt and key affiliations between members of the System and third parties.

Governance

WVUHS is governed by a voting board of 21 members with WVUHS's President and Chief Executive Officer serving as an ex-officio, non-voting member. Eleven of the voting members are designated as "university representatives" and ten are designated as "community representatives." Seven of the "university representatives" are appointed by the Governor of West Virginia from nominees selected by WVUH, subject to confirmation by the West Virginia Senate. The remaining four "university representatives" are ex-officio members associated with WVUH and/or West Virginia University ("WVU"). By statute, the total number of "university representatives" must at all times constitute a majority of the voting members of WVUHS's board. Five of the "community representatives" are to be selected by community representatives of the WVUHS board from nominees submitted by UHC and five of the "community representatives" are to be selected by the community representatives of the WVUHS board from nominees submitted by CCHS, as the sole member of CCMC.

Officers and Members of the Board of Directors of WVUHS

Officers of the Board of Directors

Name	Primary Affiliation	Office	Expiration
E. Gordon Gee	President, WVU	Chair	Ex-Officio
Patrick D. Deem	Attorney, Steptoe & Johnson PLLC	Vice Chair	December 2019
Kathy Eddy	Partner, McDonough, Eddy, Parsons, Baylous	Secretary	December 2019
Mark R. Nesselroad	Member, Glenmark Holdings, LLC	Treasurer	October 2016[1]
Albert L. Wright, Jr.	President/CEO, WVUHS President/CEO, WVUH	President/CEO	Ex-Officio – Non-Voting

[1] Serves until term renewed or successor appointed by Governor of the State.

Members of the Board of Directors[2]

Name	Primary Affiliation	Expiration
Richard M. Adams	Chairman/CEO, United Bankshares, Inc.	May 2019
Jeffrey Barger	Retired	March 2021
Joe Campbell	Market President, WesBanco Bank, Inc.	May 2017
Terry Capel, MD	Physician, Private Practice, Parkersburg	December 2019
Ellen S. Cappellanti	Managing Member, Jackson Kelly PLLC	Ex Officio
Judie Charlton, M.D.	Chief Medical Officer, WVUH and West Virginia University Medical Corporation; Vice Dean for Clinical Affairs, WVU School of Medicine	Ex Officio
Hon. Kevin J. Craig	Executive Vice President, Coal, Natural Resource Partners, L.P.	October 2016[1]
Thomas Heywood	Managing Partner, Bowles Rice, LLP	October 2018
John P. Keeley	Retired Business Owner	May 2017
Clay B. Marsh, M.D.	Vice President and Executive Dean, WVU Health Sciences Center	Ex-Officio
Michael A. Morehead, M.D.	Physician, CCMC, Parkersburg	December 2019
Richard A. Pill	Attorney, Pill and Pill, PLLC	October 2018
Eric Radcliffe, M.D.	Physician, UHC	March 2019
William R. Stone	President, J & R Repairs, Incorporated	October 2020
H. Wood Thrasher	Secretary, West Virginia Department of Commerce	March 2019

[1] Serves until term renewed or successor appointed by Governor of the State.
[2] There are currently two vacancies.

Conflicts of Interest

The Boards of Directors of each Member have adopted conflict of interest policies that govern transactions between members of the respective Boards and the applicable entities. Management of WVUHS believes that the transactions and relationships are on terms that are consistent with arm's length, fair market value arrangements between unaffiliated parties. Management of WVUHS does not believe the objectivity of any of the Boards of Directors of the Members is compromised in any way.

Ellen S. Cappellanti is the managing member of Jackson Kelly PLLC, which is serving as counsel to the Underwriters.

Thomas Heywood is managing member of Bowles Rice, LLP, which is serving as counsel to the Issuer.

Key Management Personnel of WVUHS and Certain Members of the Obligated Group

The responsibility for the operations of WVUHS is delegated by its Board of Directors to the President/Chief Executive Officer, Albert L. Wright, Jr. Selected biographical information is provided below for Dr. Wright and for other key management personnel of WVUHS and other Members.

Albert L. Wright, Jr., PharmD, MHA is President/Chief Executive Officer of WVUHS and President/Chief Executive Officer of WVUH. Dr. Wright was Vice President of Operations at UPMC Presbyterian Shadyside from 2009 until joining WVUH as President/Chief Executive Officer in 2014. He was appointed President/ Chief Executive Officer of WVUHS in September, 2016. Prior to UPMC, he served as the Chief Executive Officer/Chief Operating Officer at OhioHealth – Dublin Methodist Hospital. He also served as the regional director of pharmacy at Select Medical Corporation and a pharmacist at Ashtabula County Medical Center. He received his Pharm.D., cum laude, from the University of Florida, Master of Health Administration from The Ohio State University, and B.S. in Pharmacology, cum laude, from the University of Toledo.

Judie Charlton, MD is the primary physician executive of WVUHS and WVUH and is responsible for the organization's clinical services. Dr. Charlton began serving as Chief Medical Officer of WVUH in 2011. She also serves as Vice Dean for Clinical Affairs in the WVU School of Medicine and Chief Medical Officer of West Virginia University Medical Corporation d/b/a University Health Associates ("UHA"). Charlton is a 1981 graduate of the WVU School of Pharmacy and a 1985 graduate of the WVU School of Medicine. She completed post-graduate training at Mercy Hospital in Pittsburgh, Pennsylvania and WVUH. She joined the faculty of the WVU Department of Ophthalmology in 1989 and served as chair from 2008-2011. Over her years on faculty she received the awards of WVU School of Medicine Distinguished Teacher, the Dean's Award for Excellence in Clinical Service, and the WVU Most Loyal Faculty Mountaineer. She currently holds the Judie F. Charlton Chair for Glaucoma Outreach.

Frank Briggs, Pharm.D., M.P.H., FASHP, FACHE became the first Chief Quality Officer at WVUHS in January 2016. Over the previous 14 years, Dr. Briggs served in various positions within WVUH, most recently as the hospital's Vice President and Chief Quality Officer. Prior to his role in senior administration, he served as the first Director of Quality from 2006-2012 and as an Assistant Director of Pharmacy and the Coordinator of Pharmacy Residency Training from 2002-2006. He graduated with both his Bachelor of Science in Pharmacy and Doctor of Pharmacy from Massachusetts College of Pharmacy. Following completion of his Pharmacy education, he completed his residency in pharmacy administration at The Johns Hopkins Hospital in Baltimore, Maryland. He received his M.P.H. and Certificate in Healthcare Finance and Management from The Johns Hopkins University School of Public Health. He was recognized as a Fellow in the American Society of Health-System Pharmacists and is board certified by the American College of Healthcare Executives.

Douglas M. Coffman is the Senior Vice President of Finance and Chief Financial Officer of WVUHS. Prior to his current position, Mr. Coffman was the Vice President of Finance and Chief Financial Officer at UHC. From February 1993 to December 1998, Mr. Coffman was the Controller of UHC. From July 1985 through January 1993, he was employed by Ernst & Young in its audit division. He received a B.S. from WVU in 1985, passed the Certified Public Accountant exam in 1987, and obtained a M.B.A. from West Virginia Wesleyan College in 1999. He is a member and former board member of the Health Care Financial Manager's Association and is also a member of the American Institute of Certified Public Accountants.

Melanie Davies is the Chief Compliance Officer of WVUHS. Ms. Davies also serves as the Vice President of Corporate Compliance for WVUH and UHA. She held numerous positions within UHA, including more than seven years in revenue cycle operations and six years as the billing manager for its Department of Medicine. Before joining UHA in 1988, she was employed in a pediatric private practice. She is a life-long resident of West Virginia and received her B.A. from WVU in 2007. She is active with numerous organizations, including the Association of American Medical Colleges, the Health Care Compliance Association, and the Medical Group Management Association, and also holds dual healthcare coding certifications with the American Academy of Professional Coders.

John C. Forester is the Senior Vice President of Physician Services for WVUHS as well as the CEO of United Physicians Care, Inc. Prior to his current positions, Mr. Forester served as CEO of HealthSouth MountainView Regional Hospital in Morgantown, West Virginia from 2002 to 2008 and CEO of HealthSouth Huntington Rehabilitation Hospital in Huntington, West Virginia from 1998 to 2002. He also served in the role of Controller at HealthSouth Huntington, HealthSouth Southern Hills, and HealthSouth Western Hills Rehabilitation Center from 1995 to 1998. Before his time with HealthSouth, he was the Business Office Manager, Patient Account Representative, and acting CFO at Sistersville General Hospital in Sistersville, West Virginia. He received a B.S. in Business Administration with a focus on Accounting from West Virginia University in 1991 and a Healthcare M.B.A. Essentials Certification from West Virginia University in 2006.

Kevin Halbritter, M.D. is the Chief Medical Information Officer for WVUHS. Prior to this role, Dr. Halbritter was the Chief Medical Information Officer for WVUH from 2008 to 2014 and the Vice President of Medical Affairs for WVUH from 1998 to 2008. He is originally from Kingwood, West Virginia and

graduated from WVU with a B.A. in Chemistry and obtained his M.D. degree from the WVU in 1985. He completed his internal medicine residency at WVU where he served as chief resident and maintains his faculty appointment with WVU in the Department of Medicine, section of General Internal Medicine.

Robert J. O'Neil serves as Senior Vice President & General Counsel of WVUHS and WVUH. Mr. O'Neil received his B.A., summa cum laude, from The Ohio State University in 1978 and J.D., with honors, from The Ohio State University in 1981. Prior to assuming his current position in 2011, he practiced exclusively in the area of health care law for 30 years at Buckingham, Doolittle & Burroughs in Akron, Ohio; Spilman Thomas & Battle, PLLC, in Charleston, West Virginia, where he served as Managing Member, Member in Charge of Lawyer Administration, and Chairman of the Corporate Department; and Dinsmore & Shohl in Charleston, West Virginia, where he served as Head of the Health Care Practice Group. He has been listed in The Best Lawyers in America®, Chambers USA Guide to America's Leading Business Lawyers®, and West Virginia Super Lawyers®.

Benjamin M. Gerber joined WVUHS in January 2017 as Vice President for Payor Strategy & Contracting. Mr. Gerber also serves as Chief Operating Officer of Health Partners Network, Inc. ("HPN"), a WVUHS affiliate that operates a physician hospital organization. Prior to joining WVUHS, Mr. Gerber served as Vice President of Network & Payment Strategy and Associate General Counsel for Managed Care at Jefferson Health and Thomas Jefferson University Hospitals in Philadelphia, Pennsylvania. Previously, Mr. Gerber worked as an attorney in the Washington, D.C. office of Cleary Gottlieb Steen & Hamilton LLP. Mr. Gerber holds a B.S. in Finance from the Schreyer Honors College of Pennsylvania State University in 2003, a J.D. from Harvard Law School in 2006, and a Professional Certificate in Strategic Decision & Risk Management from Stanford University in 2016.

James Venturella became Vice President and Chief Information Officer of WVUHS in March 2015. Mr. Venturella has over 25 years of diverse experience in the healthcare industry working with hospitals, physician groups, pre- and post-acute service organizations, and payors. He has 17 years of management consulting experience with Deloitte Consulting and Andersen Consulting. He also spent 7 years as the Chief Information Officer of Physician and Hospital Services at UPMC. Mr. Venturella received his B.S. in Mechanical Engineering, magna cum laude, from the University of Pittsburgh in 1990.

Michael C. Tillman is the President/Chief Executive Officer of UHC. Mr. Tillman served as the Chief Operating Officer and in other administrative capacities at UHC from 1993 to 2015 and has previous experience with several hospitals in Maryland. Professionally, he is a registered nurse and received his undergraduate education at Towson State University. His graduate education includes an M.S. from University of Maryland and an M.B.A. from the University of Baltimore. He is a fellow in American College of Healthcare Executives ("ACHE") and has served as an adjunct professor at The Johns Hopkins University School of Nursing.

Anthony P. Zelenka, FACHE is the President/ Chief Executive Officer of University Healthcare, Berkeley Medical, and Jefferson Medical. Mr. Zelenka joined University Healthcare in March 2008 with over 30 years of healthcare management experience. Prior to his current position with University Healthcare, he held the position of President and Chief Operating Officer for Berkeley Medical. Prior to his coming to Berkeley Medical, he served administrative posts at Sistersville Hospital and Washington Hospital. He received his undergraduate degree from Marietta College, and his Master of Health Administration from The Ohio State University. He holds a certificate from The Ohio State University's Executive Program in Healthcare Financial Management. He is a fellow in the ACHE. Currently, he is the President of the Berkeley County Development Authority for Berkeley County, West Virginia and is a member of the Berkeley County Chamber of Commerce.

David McClure, FACHE is President/ Chief Executive Officer of CCMC and CCHS. Mr. McClure joined CCMC in 2008 as the Vice President of Operations, was promoted to Executive Vice-President/Chief Operations Officer, and assumed the role as the interim Chief Executive Officer in May 2014 and was subsequently named President/ Chief Executive Officer effective January 1, 2015. Prior to coming to CCMC

in 2008, he served as an Associate Administrator with Ohio Valley Medical Center in Wheeling, West Virginia. He holds a doctorate in health care administration from Stafford University, a master's of science from Cardinal Stritch University's College of Business and Management and a bachelor's degree in medical science from Alderson-Broaddus College. He is a fellow in ACHE, a past Regent for West Virginia and past President for the West Virginia chapter of ACHE.

Other Obligated Group Members

WVUH. In 1960, WVU, located in Morgantown, West Virginia, commenced operations of a tertiary care teaching hospital, as a component of WVU's medical center. In 1984, the Legislature of the State adopted enabling legislation which authorized separation of the hospital operations from WVU and the establishment of a separate corporate entity. WVUH was incorporated as a nonprofit corporation and, by an agreement of transfer and lease dated July 1, 1984, assumed the operation of and responsibility for WVU's teaching hospital. WVUH's original facility was replaced by its current facility, J.W. Ruby Memorial Hospital, a 10-story, 500,000 square foot facility that began operation in 1988. J.W. Ruby Memorial Hospital is a tertiary care referral center and serves as the principal clinical education and research site for West Virginia University School of Medicine ("WVUSOM"). As part of its 645-bed complement (updated as of January 4, 2017 with the completion of its SouthEast Tower project, page A-31) and within its existing contiguous facility, WVUH operates the WVU Children's Hospital, which attracts skilled clinicians and significant financial support and includes a 39-bed newborn intensive care unit, a 28-bed pediatric and adolescent ward, a 19-bed pediatric intensive care unit and a suite of 29 rooms for mothers and infants post-delivery. The Jon Michael Moore Trauma Center, which is also part of J.W. Ruby Memorial Hospital, is the only American College of Surgeons nationally verified Level I trauma center in West Virginia, providing tertiary care and serving as a resource for West Virginia and the surrounding region. Effective October 1, 2016, WVUH became the sole member of Reynolds Memorial Hospital, Inc., which is a 90-bed primary acute hospital located in Glen Dale, West Virginia.

UHC. UHC, located in Bridgeport, West Virginia, was formed in 1970 as a result of a merger of two hospitals: St. Mary's Hospital which opened in 1901 and Union Protestant Hospital which opened in 1898. UHC is a 292-bed community hospital and teaching hospital offering a full range of general acute care, outpatient care, psychiatric care, home and hospice care, and skilled nursing care primarily to the residents of Harrison County and north central West Virginia. UHC holds 80% of the membership interests in United Summit Center, a comprehensive community mental health care center, and is the sole member of United Health Foundation, Inc., a fundraising and program support organization for UHC. Effective October 1, 2015, UHC became the sole member of St. Joseph's Hospital of Buckhannon, Inc. ("St. Joseph's of Buckhannon"), which is a 25-bed critical access hospital ("CAH") located in Buckhannon, West Virginia.

Berkeley Medical. Berkeley Medical, located in Martinsburg, West Virginia, was founded in 1905. It is located on a 37-acre site in Martinsburg, West Virginia. As a 195-bed acute care community hospital, Berkeley Medical supports a primary service area of over 165,000 residents in Berkeley County, West Virginia, Morgan County, West Virginia (also served by War Memorial Hospital), and Jefferson County, West Virginia (also served by Jefferson Medical). WVUSOM has a significant presence in the Eastern Panhandle of West Virginia, including a teaching facility for the Eastern Division of the WVUSOM on the Berkeley Medical campus. The WVUH and WVU relationship compliments the development and growth of the Berkeley Medical campus.

Jefferson Medical. Jefferson Medical, located in Ranson, West Virginia, was founded in 1904. Jefferson Medical is a 25-bed, CAH and the only hospital located in Jefferson County, serving a population of approximately 50,000. Under the CAH designation, Jefferson Medical is eligible for cost-based reimbursement from the Medicare and Medicaid programs. Jefferson Medical's service area includes Jefferson County, West Virginia, Berkeley County, West Virginia (also served by Berkeley Medical) and Morgan County, West Virginia (also served by War Memorial Hospital), which have a collective population of approximately 165,000 residents. Jefferson Medical also has a teaching relationship with WVUSOM.

UHF. UHF (formerly known as City Hospital Foundation, Inc.) was created to raise funds, develop programs, manage financial assets and act in a philanthropic capacity for all of the University Healthcare affiliates. In December 2013, Jefferson Health Care Foundation, Inc., which aided and supported Jefferson Medical, was merged with and into UHF with UHF as the surviving entity.

CCMC. WVUHS is the sole member of CCHS, which is the sole member of CCMC, located in Parkersburg, West Virginia. CCMC's mission is to provide inpatient, outpatient, and emergency services for the residents of Wood County, West Virginia and the surrounding areas, which is commonly referred to as the Mid-Ohio Valley. Following an assessment of market conditions, CCMC consolidated services from its St. Joseph's campus (the "CCMC St. Joseph's Campus") to its Memorial Campus in 2014 and sold the CCMC St. Joseph's Campus to an unrelated third party in early 2016. CCMC is currently licensed to operate 327 beds.

Non-Obligated Group Subsidiaries

This subsection described entities that are direct or indirect subsidiaries of WVUHS but are not Members of the Obligated Group.

Allied Health Services, Inc. ("Allied"). Allied is a West Virginia for-profit corporation incorporated in the State. Allied is engaged in the business of providing laboratory, laundry, and specialty pharmacy services. In fall 2009, Allied opened a 38,000 square foot commercial laundry specializing in the processing and finishing of health care textiles. This facility serves the needs of several healthcare facilities in the region including WVUH, UHC, and CCMC, as well as a number of hospitals that are not members of the System. The consolidation of laundry services has reduced duplication of modern equipment, and has allowed the centralized facility to keep the per-unit costs for the System relatively low. The space freed up by removing the WVUH laundry facilities from J.W. Ruby Memorial Hospital has allowed for more on-campus clinical programming and needed administrative space to enrich the services of the WVU Health Sciences Center (the "HSC").

Camden-Clark Foundation ("CCF"). CCF is a West Virginia nonprofit corporation and a Section 501(c)(3) Organization organized to promote, encourage, and assist in the maintenance, development, and improvement of CCMC. CCHS is the sole member of CCF.

Camden-Clark Physicians Corporation ("CCPC"). CCPC is a West Virginia nonprofit corporation and a Section 501(c)(3) Organization organized to establish, support, manage and furnish facilities, personnel and services to provide diagnostic, therapeutic, wellness, health promotion, surgical and other professional medical services to sick, injured or disabled persons and to otherwise promote the quality, accessibility and affordability of such professional medical services.

CCHS. CCHS is a West Virginia nonprofit corporation, a Section 501(c)(3) Organization and sole member of CCMC organized to aid, strengthen, support, benefit, and further the work on CCMC.

Gateway Home Care, LLC ("GHC"). GHC is a West Virginia limited liability company jointly owned by Berkeley Medical and Allied. GHC provides durable medical equipment in Berkeley County and Jefferson County, West Virginia.

Health Partners Network, Inc. ("HPN"). HPN is a taxable nonprofit corporation organized in West Virginia and owned 50% by WVUHS and 50% by physicians. HPN serves as a messenger model physician hospital organization.

Potomac Valley Hospital of W. Va., Inc. ("Potomac Valley"). Potomac Valley is a West Virginia nonprofit corporation and a Section 501(c)(3) Organization. Potomac Valley is a CAH located in Keyser, West Virginia, which became a part of the System on March 1, 2014. WVUH is the sole member of Potomac Valley. Under the CAH designation, Potomac Valley is eligible for cost-based reimbursement from the

Medicare and Medicaid programs. Potomac Valley primarily serves Mineral County, West Virginia, which had a population of approximately 27,451 residents as of July 1, 2015.

Reynolds Memorial Foundation, Inc. ("RMF"). RMF is a West Virginia nonprofit corporation and Section 501(c)(3) Organization that provides fundraising and program support primarily to benefit Reynolds Memorial (as defined below).

Reynolds Memorial Hospital, Inc. ("Reynolds Memorial"). Reynolds Memorial is a West Virginia nonprofit corporation and a Section 501(c)(3) Organization. Reynolds Memorial is 90-bed community hospital located in Glen Dale, West Virginia and became a part of the System on October 1, 2016. WVUH is the sole member of Reynolds Memorial, which primarily serves Marshall County, West Virginia, which had a population of approximately 31,978 residents as of July 1, 2015.

St. Joseph's Foundation of Buckhannon, Inc. ("St. Joseph's Foundation"). St. Joseph's Foundation is a West Virginia nonprofit corporation and Section 501(c)(3) Organization that provides fundraising and program support primarily to benefit St. Joseph's of Buckhannon.

St. Joseph's of Buckhannon. St. Joseph's of Buckhannon is a West Virginia nonprofit corporation and a Section 501(c)(3) Organization. St. Joseph's of Buckhannon is a CAH located in Buckhannon, West Virginia, which became a part of the System on October 1, 2015. UHC is the sole member of St. Joseph's of Buckhannon. Under the CAH designation, St. Joseph's of Buckhannon is eligible for cost-based reimbursement from the Medicare and Medicaid programs. St. Joseph's of Buckhannon primarily serves Upshur County, West Virginia, which had a population of approximately 24,758 residents as of July 1, 2015.

United Health Foundation, Inc. ("United Health Foundation"). United Health Foundation is a nonprofit corporation and Section 501(c)(3) Organization that provides fundraising and program support to other non-profit, health care related entities in north central West Virginia, primarily UHC.

United Physicians Care, Inc. ("UPC"). UPC is a West Virginia nonprofit corporation and Section 501(c)(3) Organization that operates several family practice clinics in and provides emergency department services to north central West Virginia and in Eastern Panhandle of West Virginia.

United Summit Center, Inc. ("USC"). USC is a West Virginia nonprofit corporation that provides outpatient community mental health and related services to residents of a seven-county region in north central West Virginia. USC is owned jointly by UHC and the County Commissions of Braxton, Doddridge, Gilmer, Lewis and Harrison Counties.

University Healthcare. On January 1, 2005, Gateway Regional Health System, Inc., which was the sole member of Berkeley Medical, and Jefferson Regional Health System, Inc., which was the sole member of Jefferson Medical, merged to form University Healthcare of which WVUH is the sole corporate member. The boards of directors of the three entities - University Healthcare, Berkeley Medical, and Jefferson Medical have the same membership. University Healthcare is the sole member of UHF. It is the mission of UHF to assist in fundraising, special events, fund management, and other activities that will further the exempt mission of Berkeley Medical and Jefferson Medical. University Healthcare is a West Virginia nonprofit corporation and Section 501(c)(3) Organization.

West Virginia United Insurance Services, Inc. ("WVUIS"). WVUIS is a taxable for-profit West Virginia corporation and wholly-owned subsidiary of WVUHS whose principal function is managed care contracting and insurance services.

Other Subsidiaries and Affiliations

West Virginia University Foundation, Incorporated (the "WVU Foundation"). The WVU Foundation, a West Virginia nonprofit corporation and affiliate of WVU, manages certain investment funds

owned by WVUHS in a pooled account. The pooled funds include funds of WVUHS, WVUH and CCMC as of December 31, 2016.

WVUSOM. In 1960, WVU commenced operations of a tertiary care teaching hospital, the successor of which is J.W. Ruby Memorial Hospital, as a component of the medical center of WVU. In 1984, the Legislature of the State adopted enabling legislation which authorized separation of the hospital operations from WVU and the establishment of a separate corporate entity. WVUH's original facility, constructed in 1960, is now the HSC and serves as WVU's central academic teaching facility. Ownership of this facility resides with the State.

J.W. Ruby Memorial Hospital serves as a major statewide and regional healthcare referral center and provides the principal clinical education and research site for WVU. The terms of the enabling legislation required WVUH to provide a minimum of $4,000,000 per year in education expense for the interns and residents and an annual clinical teaching subsidy of not less than $6,000,000.

WVUH is responsible for providing educational and clinical facilities primarily for the HSC. Graduate medical and dental education for residents is offered in 48 major specialty and subspecialty areas. Of the residency programs offered, 38 are accredited by Accreditation Council for Graduate Medical Education. Approximately 410 residency positions are currently filled at WVUSOM's main campus in Morgantown and at University Healthcare. In addition, UHC has a family medicine residency program and CCMC has an internal medicine residency program. Over 1,000 students are enrolled in professional programs offered by WVUSOM, and in addition, 420 medical students are enrolled at WVUSOM. WVUH provides clinical training for the Exercise Physiology, Community Medicine, Medical Technology, Occupational Therapy and Physical Therapy programs. WVUH is a certificate-granting hospital for the radiologic technology programs of Radiography, Nuclear Medicine, Radiation Therapy, and Ultrasound. UHC is a certificate-granting hospital for the radiologic technology programs of Radiography and Ultrasound. WVUH also supports the various programs associated with the WVU Schools of Medicine, Nursing, Dentistry, Pharmacy and Public Health.

WVUH, as a major teaching facility, fulfills its obligations to its staff and area professionals by its activities in continuing medical education. WVUH sponsors continuous lectures, seminars, and conferences conducted by the medical staff or visiting lecturers. In addition, continuing education programs for the nursing staff, administrative staff, and support personnel are conducted throughout the year on a variety of relevant topics.

In April 2006, WVUSOM opened an educational facility on the Berkeley Medical campus, which allows for the further development of WVUSOM in the Eastern Panhandle. In 2007, the University Healthcare Board of Directors pledged financial support in the amount of $375,000 to aid the mission of WVUSOM Eastern Division to improve the health care of West Virginians by educating health care professionals.

UHA. UHA is the Morgantown-based faculty practice plan for the WVUSOM and is composed of approximately 519 physicians, who serve as the exclusive admitters to WVUH and the largest component of the faculty to WVUSOM. WVUH has a closed medical staff limited to the faculty of WVUSOM, who also comprise the physician members of UHA. UHA was created expressly for the benefit of the WVUSOM and manages the clinical practices of the Morgantown-based faculty of the WVUSOM. The physicians providing the services of UHA all have faculty appointments at the WVUSOM.

On June 30, 2011, the West Virginia Hospital Finance Authority issued its Hospital Refunding Bond (West Virginia University Medical Corporation) 2011 Series A (the "UHA Bonds") to refund its West Virginia University Medical Corporation Issue, Series 1992, which were issued to finance UHA's Physician Office Center, located adjacent to WVUH's facilities. WVUH guarantees the UHA Bonds, which were outstanding in the amount of $1,585,000 as of December 31, 2016, which guarantee is evidenced and secured by Obligations issued pursuant to the Master Indenture, secured on a parity with the other Obligations of the

Obligated Group. West Virginia University Medical Corporation intends to repay the UHA Bonds in full in March 2017.

Joint Operating Agreement among WVUH, UHA, WVUHS, and WVU. Pursuant to a Joint Operating Agreement dated July 30, 2010, among WVUH, UHA, WVUHS, and WVU (as amended, restated, supplemented or otherwise modified from time to time, the "Operating Agreement"), WVUH and UHA (collectively, "WVU Healthcare") agreed to further integrate their missions, purposes, management, clinical activities and economic and financial activities in order to better support the education, service and research missions of the WVUSOM. Included within the Operating Agreement is an integrated management structure, under which the President/Chief Executive Officer of WVUH, the Vice President and Executive Dean of the HSC and the Chief Medical Officer of UHA serve as a single administrative team responsible for ensuring that WVU Healthcare is an efficient, cost effective and responsive organization for patients, staff and students. The Operating Agreement requires development of an annual financial support plan for WVUH, UHA, and WVUSOM, with an objective of achieving an operating margin of WVUH that, percentage wise, is three times the operating margin of UHA and providing for contributions to the WVUSOM to be used in furtherance of mission-related activities. In each year, the parties to the Operating Agreement shall review and reassess the current annual financial support plan and establish a new annual financial support plan for the upcoming year. Pursuant to an amendment effective January 1, 2016, the parties amended the Operating Agreement to further integrate and define the role of management of WVU Healthcare, to eliminate the cap on WVUH's operating margin, and to strengthen the ability of WVU Healthcare to support the mission of WVUSOM and the HSC through the establishment of an annual financial support plan. The amendment sets forth the financial support plan for 2016 and 2017, while the management of WVU Healthcare will determine the annual financial support plan going forward. In 2017, the Operating Agreement provides that after the three to one operating margin percentage equalization required by the Operating Agreement is achieved, WVUH and UHA each shall transfer to WVUSOM funds equal to five percent of its operating margin until such time as it achieves its budgeted operating margin and 25% of its operating margin after such time as it achieves its budgeted operating margin.

University Healthcare Physicians, Inc. ("UHP"). UHP is a West Virginia nonprofit corporation and is the Eastern Panhandle-based faculty practice plan for WVUSOM. UHP is composed of approximately 80 physicians. The physicians providing the services of UHP all have faculty appointments at the WVUSOM, and it is a condition of WVUSOM appointment that faculty members provide clinical services through UHP.

Joint Operating Agreement between University Healthcare and UHP. Pursuant to a Joint Operating Agreement effective as of January 1, 2013, between University Healthcare and UHP (the "UHP Joint Operating Agreement"), University Healthcare ensures that UHP's operating losses are funded on a monthly basis. Under the terms of the UHP Joint Operating Agreement, UHP is guaranteed to break even monthly, with 76% of the support being provided by Berkeley Medical and 24% being provided by Jefferson Medical. Total mission support provided to UHP was $9,703,000 in 2016 and $12,195,000 in 2015.

Davis Memorial Hospital d/b/a Davis Medical Center ("Davis Medical"). Davis Medical is a West Virginia nonprofit corporation and Section 501(c)(3) Organization located in Elkins, West Virginia. WVUH and Davis Medical are pursuing a partnership to renovate and expand Davis Medical's Cancer Center on the campus of Davis Memorial. As part of the transaction, Davis Medical's Cancer Center will be affiliated with the WVU Cancer Institute.

Garrett Regional Medical Center ("GRMC"). GRMC is a 55-bed, nonprofit, acute care facility located in Garrett County, Maryland. WVUH and GRMC have entered into an exclusive clinical affiliation agreement which provides that WVUH will work with GRMC to develop certain new clinical services at GRMC. Further, in connection with GRMC's new Cancer Care and Infusion Services Center located in Oakland, Maryland, GRMC and WVUH announced an affiliation permitting the new Cancer Center to be a satellite of WVUH's Mary Babb Randolph Cancer Center.

HealthNet Aeromedical Services, Inc. ("HAS"). HAS is a West Virginia nonprofit corporation and Section 501(c)(3) Organization. HAS provides a statewide hospital-based air medical services and is jointly owned by WVUH, Charleston Area Medical Center, Inc. and Cabell Huntington Hospital. WVUH guarantees HAS's obligations with respect to the lease-purchases of two medically equipped helicopters that provide air medical services to WVUH which guaranties are evidenced and secured by Obligations issued pursuant to the Master Indenture, secured on a parity with the other Obligations of the Obligated Group. HAS is the sole member of HealthTeam Critical Care Transport, LLC.

HealthTeam Critical Care Transport, LLC ("HTCCT"). HTCCT is a West Virginia limited liability company whose sole member is HAS. HTCCT provides ambulatory services in Monongalia County for the benefit of WVUH.

Mylan Park Foundation, Inc. ("Mylan Park"). Mylan Park is a West Virginia nonprofit corporation, which owns a health, wellness, recreational and educational complex located on 300 acres of reclaimed surface-mine property in Monongalia County, West Virginia. Mylan Park, WVU, the WVU Foundation, the Hazel Ruby McQuain Charitable Trust, a nonprofit private foundation, and WVUH have partnered together to pursue the construction of a new health, education and wellness center on Mylan Park's property (the "HWE Complex"). WVU has committed to make certain annual rent payments to Mylan Park in exchange for certain rights to use the HWE Complex. In the event that WVU is unable to provide such financial support, WVUH has committed to make such annual rent payments in exchange for certain discounts for WVUH employees and a right of first refusal for all naming and related marketing rights related to the HWE Complex.

Ohio Valley Ambulatory Surgery Center, LLC ("OVASC"). OVASC is an Ohio limited liability company, 62.5% of which is owned by CCHS and 37.5%, collectively, by 11 individual physicians, that provides outpatient surgical services in Belpre, Ohio to the Parkersburg, West Virginia and Belpre, Ohio communities.

Physicians Accountable Care Solutions, LLC ("PACS ACO"). The System participates in a Medicare Shared Savings Program through PACS ACO. The System is one of 24 organizations participating in this accountable care organization, which has nearly 4,500 providers and serves approximately 120,000 Medicare patients. PACS ACO is currently in its second year of operations and is projected to have a slightly positive shared savings in 2016.

Wetzel County Hospital ("WCH"). WCH is a 48-bed, acute care county hospital located in New Martinsville, Wetzel County, West Virginia. WVUH and WCH have entered into a clinical affiliation agreement which provides that WVUH will work with WCH to support or develop certain clinical services at WCH. WVUH has also agreed to assist WCH leadership team in the provision of certain administrative functions, like revenue cycle management.

WVU Medicine

Effective October 19, 2015, the West Virginia University Board of Governors on behalf of WVU granted a license to WVUHS and its affiliated entities, including the other Members of the Obligated Group, to use certain trademarks, including the WVU Medicine logo. WVU Medicine is used as the clinical program branding for all System facilities and physician offices, WVUSOM and UHA.

Market Dynamics

Management of WVUHS is continually evaluating business opportunities that may involve the addition or acquisition of, or affiliation with, other organizations and enterprises, or the divestiture of enterprises that Members of the Obligated Group or their affiliates currently own or operate or with which Members of the Obligated Group or their affiliates are currently affiliated. WVUHS is often in simultaneous discussions regarding potential combinations. Most discussions do not result in formal collaboration.

WVUHS does not typically disclose such discussions unless and until a definitive agreement is reached. All such transactions involving Members of the Obligated Group are required to comply with the terms of the Master Indenture.

Hospital Facilities and Services

The Obligated Group includes five hospitals: WVUH, UHC, Berkeley Medical, Jefferson Medical, and CCMC. WVUH is a major academic teaching center and serves as the tertiary and quaternary referral center for the northern half of West Virginia. WVUH has 645 licensed beds as of January 4, 2017 and provides high acuity services including cardiac surgery, neurosurgery, orthopedic surgery, thoracic and vascular surgery, high-risk obstetrics, blood and bone marrow transplantation, gamma knife, neonatal intensive care, pediatric intensive care, and Level I Trauma. UHC is a large community hospital with 292 licensed beds. UHC provides a wide range of primary and secondary services in cardiology, geriatric services, obstetrics/gynecology, oncology, surgical services, diagnostic services, psychiatric services, and rehabilitation services. Berkeley Medical is a community health care provider with 195 licensed beds. Jefferson Medical is a CAH with 25 licensed beds. CCMC is a community hospital with 327 licensed beds. CCMC provides a wide range of primary and selected secondary services in cardiology, oncology, general surgery, vascular surgery, orthopedic surgery, neurological surgery, obstetrics, and gynecological surgery.

The System recently added three hospitals, Potomac Valley, St. Joseph's of Buckhannon and Reynolds Memorial Hospital that are not Members of the Obligated Group. Potomac Valley is a 25-bed CAH located in Keyser, West Virginia, and WVUH became its sole member on March 1, 2014. Potomac Valley primarily serves Mineral County, West Virginia. St. Joseph's of Buckhannon is a 25-bed CAH located in Buckhannon, West Virginia, and UHC became its sole member on October 1, 2015. St. Joseph's of Buckhannon primarily serves residents of Upshur County, West Virginia. Reynolds Memorial is a 90-bed community hospital in Glen Dale, West Virginia, and WVUH became its sole member on September 30, 2016. Reynolds Memorial primarily serves residents of Marshall County, West Virginia.

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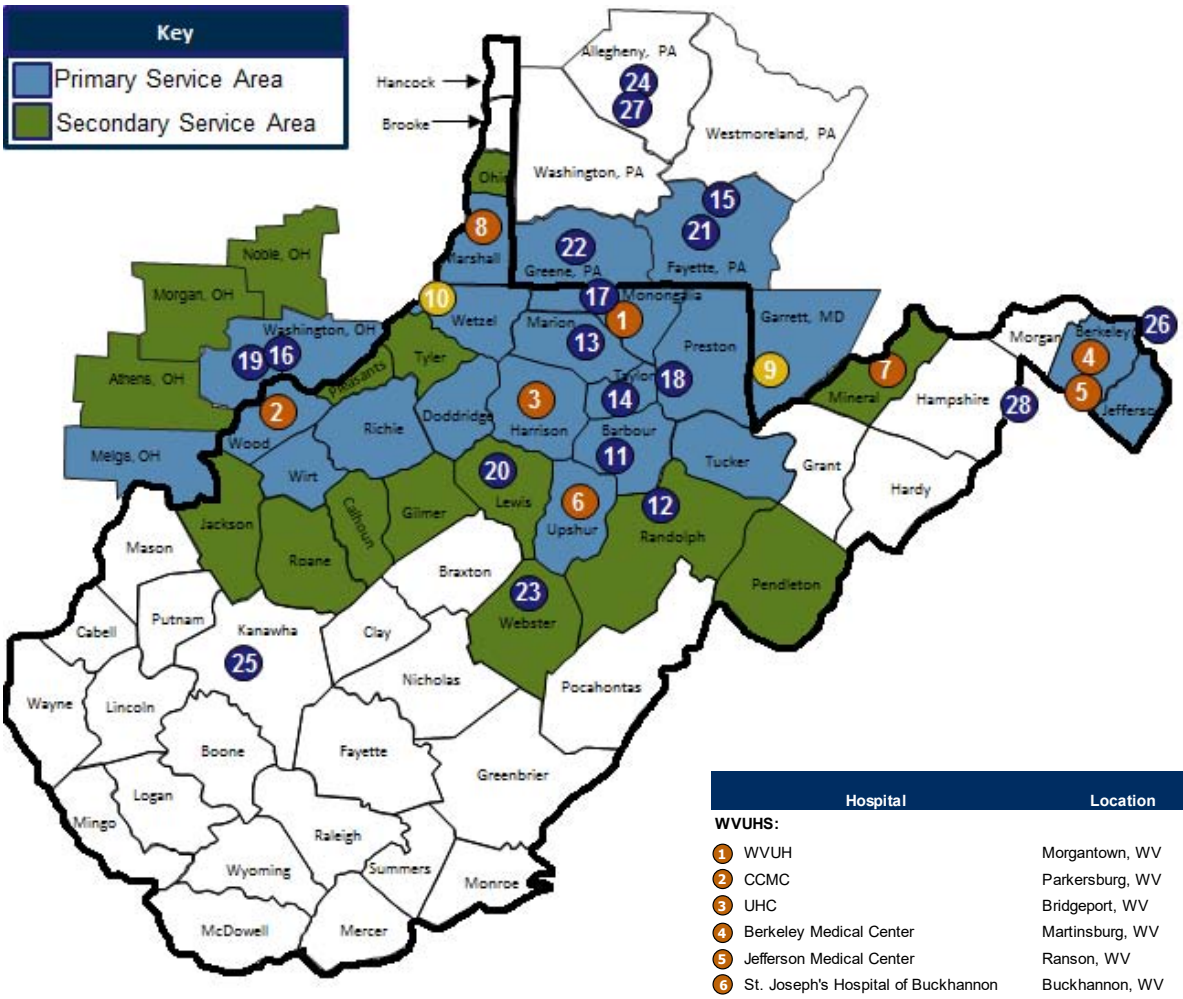
Services provided and the Obligated Group hospitals providing such services are identified below:

	WVUH	Berkeley Medical	Jefferson Medical	UHC	CCMC
General Medical Surgical Care	X	X	X	X	X
Pediatric Medical Surgical Care	X	X	X	X	X
Obstetric Services	X	X	X	X	X
Medical Surgical Intensive Care	X	X	X	X	X
Cardiac Intensive Care	X	X		X	X
Neonatal Intensive Care	X	X			
Pediatric Intensive Care	X				
Other Special Care	X				
Other Intensive Care	X				
Alcoholism Care	X				
Psychiatric Care	X	X		X	X
Skilled Nursing Care	X	X	X	X	X
Bariatric Weight Control Services	X				X
Breast Cancer Screening	X	X	X	X	X
Cardiology and Cardiac Surgery	X	X	X	X	X
Chemotherapy	X	X		X	X
Dental Services	X	X	X	X	X
Emergency Services	X	X	X	X	X
Trauma Center	X	X	X	X	X
Pain Management	X			X	X
Palliative Care	X	X		X	X
Endoscopic Services	X	X	X	X	
Endoscopic Retrograde Cholangiopancreatography	X	X	X	X	
Extracorporeal Shock Wave Lithotripter	X	X	X	X	X
Health Screening	X	X	X	X	X
Hemodialysis	X			X	X
HIV-AIDS Services	X				
Outpatient Care Services – Hospital Based	X	X	X	X	X
Neurological Services	X	X	X	X	X
Nutrition Programs	X	X	X	X	X
Occupational Health Services	X	X	X	X	
Oncology Services	X	X		X	X
Orthopedic Services	X	X	X	X	X
Outpatient Surgery	X	X	X	X	X
Patient Controlled Analgesia	X	X	X	X	X
Patient Representative Services	X	X	X	X	X
Physical Rehabilitation Outpatient Services	X	X		X	X
Radiology – Therapeutic	X			X	X
Radiology – Diagnostic	X	X	X	X	X
Robotic Surgery	X				
Sleep Center	X	X	X	X	X
Tobacco Treatment/Cessation Services		X	X		
Transplant Services	X				
Virtual Colonoscopy	X				
Wound Management Services	X	X	X	X	X

Sources: WVUH, UHC, Berkeley Medical, Jefferson Medical, and CCMC.

Service Area and Competition



Hospital	Location	Staffed Beds
WVUHS:		
1 WVUH	Morgantown, WV	519
2 CCMC	Parkersburg, WV	258
3 UHC	Bridgeport, WV	232
4 Berkeley Medical Center	Martinsburg, WV	184
5 Jefferson Medical Center	Ranson, WV	25
6 St. Joseph's Hospital of Buckhannon	Buckhannon, WV	25
7 Potomac Valley Hospital	Keyser, WV	25
8 Reynolds Memorial Hospital	Glen Dale, WV	59
Affiliate:		
9 Garrett Regional Medical Center	Oakland, MD	55
10 Wetzel County Hospital	New Martinsville, WV	48
Total		1,430
Other:		
11 Broaddus Hospital Association, Inc.	Phillipi, WV	72
12 Davis Health System	Elkins, WV	102
13 Fairmont Regional Medical Center	Fairmont, WV	140
14 Grafton City Hospital	Grafton, WV	25
15 Highlands Hospital	Connellsville, PA	64
16 Marietta Memorial Hospital	Marietta, OH	171
17 Mon General Hospital	Morgantown, WV	189
18 Preston Memorial Hospital	Kingwood, WV	25
19 Selby General Hospital	Marietta, OH	25
20 Stonewall Jackson Memorial Hospital	Weston, WV	70
21 Uniontown Hospital	Uniontown, PA	175
22 Washington Health System Greene	Waynesburg, PA	49
23 Webster County Memorial Hospital, Inc.	Webster Springs, WV	25
24 Allegheny Health Network	Pittsburgh, PA	2,178
25 CAMC	Charleston, WV	838
26 Meritus Health	Hagerstown, MD	264
27 UPMC	Pittsburgh, PA	5,366
28 Valley Health	Winchester, VA	746

Source: WVUHS, American Hospital Directory and Hospital Websites.
Note: WVUHS staffed beds as of January 1, 2017; excludes distinct observation and skilled nursing unit beds.

The System defines its primary service area for inpatient services as (i) a 16-county region in West Virginia, including: Barbour, Berkeley, Doddridge, Harrison, Jefferson, Marion, Marshall, Monongalia, Preston, Ritchie, Taylor, Tucker, Upshur, Wetzel, Wirt, and Wood Counties; (ii) Fayette and Greene Counties in Pennsylvania; (iii) Washington County in Ohio; and (iv) Garrett County in Maryland. The secondary service area for the System includes Gilmer, Jackson, Lewis, Mineral, Ohio, Pendleton, Pleasants, Randolph, Tyler, and Webster Counties in West Virginia.

The System is the largest provider in its service areas, accounting for the majority of admissions, and includes WVUH as a major academic teaching hospital. Other major teaching hospitals in the region are Charleston Area Medical Center in Charleston, West Virginia, and UPMC in Pittsburgh, Pennsylvania.

In north central West Virginia, there are 12 acute care hospitals (13 including the Veterans Hospital in Clarksburg) in addition to WVUH, UHC, and St. Joseph's of Buckhannon. Four of the 12 hospitals are small critical access facilities. There is also one unaffiliated hospital in each of the Pennsylvania counties in the service area.

The System's primary competitors in north central West Virginia are Mon General Hospital in Morgantown, Monongalia County, and Fairmont Regional Medical Center, a for-profit secondary hospital in Fairmont, Marion County. Each of those two facilities has approximately 175 staffed beds. The System's primary competitor for patients from southwestern Pennsylvania is Uniontown Hospital, a 170-bed hospital located in Uniontown, Pennsylvania. Uniontown is located approximately 28 miles from Morgantown, West Virginia.

WVUH and UHC are the only full-service, accredited cancer centers in their service areas and are the primary teaching hospitals in the region. Moreover, WVUH and UHC are effectively the only providers of many specialty or tertiary services to the residents of their primary and secondary service areas given the distance and drive times to competing tertiary care facilities in Pittsburgh or Charleston.

In the Eastern Panhandle of West Virginia, Berkeley Medical and Jefferson Medical hospitals are located in Martinsburg and Ranson, respectively, and serve as the only two facilities in the service area (other than the Veterans Hospital in Martinsburg). The primary competitors for University Healthcare are outside University Healthcare's primary service area and West Virginia. These competitors are Winchester Medical Center, a 411-bed, full-service tertiary facility in Winchester, Virginia, and Meritus Medical Center, a 253-bed facility in Hagerstown, Maryland. Both hospitals of University Healthcare serve as teaching locations for the Eastern Division of the HSC.

CCMC is a major health care provider in the Mid-Ohio Valley region of West Virginia and Ohio. CCMC's primary competitor is Memorial Health System which is comprised of Marietta Memorial Hospital and Selby General Hospital, both located in Marietta, Ohio, approximately 16 miles away from CCMC.

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System Market Share of Inpatient Discharges

	Service Area Market Share by Division				
	2011	**2012**	**2013**	**2014**	**2015**
WVUH Market Share:					
WVUH	**42%**	**45%**	**45%**	**46%**	**45%**
Mon General Hospital	28%	28%	25%	25%	23%
Fairmont Regional Medical Center	14%	12%	14%	13%	15%
UHC Market Share:					
UHC	**70%**	**70%**	**69%**	**69%**	**65%**
Fairmont Regional Medical Center	4%	3%	5%	4%	3%
University Healthcare Market Share:					
University Healthcare	**54%**	**55%**	**55%**	**55%**	**54%**
Virginia Hospitals	28%	28%	28%	29%	29%
CCMC Market Share:					
CCMC	**74%**	**72%**	**69%**	**64%**	**72%**
Ohio Hospitals	14%	16%	18%	23%	12%

	System Service Area Market Share				
	2011	**2012**	**2013**	**2014**	**2015**
Primary Service Area	44%	45%	45%	45%	45%
Secondary Service Area	20%	21%	22%	22%	24%

Source: 2011-2015 Inpatient Discharges, WVHCA, Thomson Reuters Market Discovery.
Note: Includes discharges from hospitals in West Virginia, Pennsylvania, Maryland, Virginia, and Ohio. Discharges from Ohio and Virginia hospitals are estimated in 2015.

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Acute Care and Critical Access Hospitals Located within the System's Primary and Secondary Service Areas 2015 Inpatient Discharges

	Licensed Beds	Total Discharges[5]	Primary Service Area Market Share of Inpatient Discharges (%)[6]	Secondary Service Area Market Share of Inpatient Discharges (%)[6]
System Hospitals:				
WVUH[1]	531[2]	28,495	18.22	10.94
CCMC[1]	327	13,018	8.31	6.48
UHC[1]	292	13,355	9.78	4.68
Berkeley Medical[1]	195	8,943	7.39	0.08
Jefferson Medical[1]	25	1,604	1.37	0.01
St. Joseph's of Buckhannon[3]	25	1,400	0.85	1.26
Potomac Valley[3]	25	637	0.01	1.67
Reynolds Memorial Hospital[3]	90	2,012	1.47	0.41
Affiliates:				
Garrett County Memorial Hospital	55	2,227	1.73	0.28
Wetzel County Hospital	58	572	1.62	0.21
Competitors:				
Fairmont Regional Medical Center	207	5,251	4.17	0.71
Mon General Hospital	189	9,047	6.89	1.50
Uniontown Hospital	175	9,215	8.08	0.00
Davis Memorial Hospital	80	3,089	0.74	6.70
Broaddus Hospital Association, Inc.	72	338	0.25	0.19
Stonewall Jackson Memorial Hospital	70	2,092	0.30	5.05
Memorial Health System[4]				
Highlands Hospital	64	2,059	1.81	0.00
Washington Health System Greene	49	1,581	1.23	0.01
Preston Memorial Hospital	25	862	0.74	0.04
Grafton City Hospital	25	443	0.38	0.01
Webster County Memorial Hospital Inc.	15	157	0.00	0.50
Wheeling Hospital	247	11,551	1.62	13.06
Ohio Valley Medical Center	218	5,943	1.22	6.77

(1) Member of the Obligated Group.
(2) WVUH's licensed bed count increased to 645 beds as of January 4, 2017.
(3) WVUH is the sole member of Potomac Valley and Reynolds Memorial Hospital, and UHC is the sole member of St. Joseph's of Buckhannon.
(4) Comprised of Marietta Memorial Hospital and Selby General Hospital. Information for Licensed Beds, Total Discharges, and Market Share is not available.
(5) 2015 Inpatient Discharges.
(6) Discharges from Ohio and Virginia hospitals is estimated based on historical data and The Advisory Board Inpatient Discharges forecast. The counties of Meigs, Washington, Athens, Morgan, and Noble in Ohio are not included in the market share analysis.

Source: West Virginia Health Care Authority; Thomson Reuters; and Market Discovery.

The System's Service Area Population Characteristics

For purposes of the chart below, the primary service area is comprised of those counties from which the System receives a majority of its patients. The respective counties and their population characteristics are found below.

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System Service Area Population

	2016[1] Population	2021[1] Population	Estimated Population Growth 2016-2021	% Estimated Population Growth 2016-2021
Primary Service Area:				
Barbour County, WV	16,140	16,255	115	0.71
Berkeley County, WV	113,284	118,971	5,687	5.02
Doddridge County, WV	4,405	4,498	93	2.11
Fayette County, PA	128,044	126,364	(1,680)	(1.31)
Garrett County, MD	27,328	27,200	(128)	(0.47)
Greene County, PA	35,797	35,380	(417)	(1.16)
Harrison County, WV	72,999	72,802	(197)	(0.27)
Jefferson County, WV	58,616	60,768	2,152	3.67
Marion County, WV	57,719	58,222	503	0.87
Marshall County, WV	27,535	27,190	(345)	(1.25)
Meigs County, OH	21,131	20,804	(327)	(1.55)
Monongalia County, WV	105,912	111,419	5,507	5.20
Preston County, WV	33,908	34,173	265	0.78
Ritchie County, WV	11,148	10,867	(281)	(2.52)
Taylor County, WV	14,343	14,422	79	0.55
Tucker County, WV	6,586	6,477	(109)	(1.66)
Upshur County, WV	25,746	26,223	477	1.85
Washington County, OH	62,215	61,874	(341)	(0.55)
Wetzel County, WV	16,997	16,474	(523)	(3.08)
Wirt County, WV	5,865	5,934	69	1.18
Wood County, WV	86,398	85,939	(459)	(0.53)
Total	**932,116**	**942,256**	**10,140**	**1.09**
Secondary Service Area:				
Athens County, OH	70,746	70,944	198	0.28
Calhoun County, WV	6,521	6,443	(78)	(1.20)
Gilmer County, WV	8,737	8,637	(100)	(1.14)
Jackson County, WV	30,040	29,962	(78)	(0.26)
Lewis County, WV	17,973	17,987	14	0.08
Mineral County, WV	27,181	26,688	(493)	(1.81)
Morgan County, OH	12,722	12,555	(167)	(1.31)
Noble County, OH	11,255	11,049	(206)	(1.83)
Ohio County, WV	46,827	45,697	(1,130)	(2.41)
Pendleton County, WV	7,223	6,980	(243)	(3.36)
Pleasants County, WV	7,035	7,092	57	0.81
Randolph County, WV	29,772	29,760	(12)	(0.04)
Roane County, WV	13,445	13,344	(101)	(0.75)
Tyler County, WV	8,243	8,286	43	0.52
Webster, WV	8,719	8,459	(260)	(2.98)
Total	**306,439**	**303,883**	**(2,556)**	**(0.83)**
Total Service Area	**1,238,555**	**1,246,139**	**7,584**	**0.61**

Sources: Truven Market Discovery Population Planning

(1) Estimated per Truven Market Discovery Population Planning

The following table depicts Average Household Income, Median Household Income, and Per Capita Income, for residents in the counties of the System service areas.

System Service Area Income Statistics

	2016 Average Household Income[1]	2016 Median Household Income[1]	2016 Per Capita Income[1]
Primary Service Area:			
Barbour County, WV	51,737	42,112	20,105
Berkeley County, WV	67,359	59,455	25,627
Doddridge County, WV	51,269	41,100	21,066
Fayette County, PA	53,013	42,898	21,854
Garrett County, MD	62,877	50,262	25,695
Greene County, PA	62,443	49,332	23,884
Harrison County, WV	63,863	42,874	26,473
Jefferson County, WV	83,045	69,893	30,540
Marion County, WV	62,079	46,909	26,223
Marshall County, WV	57,147	42,741	24,357
Meigs County, OH	51,501	40,887	20,807
Monongalia County, WV	68,669	48,416	28,808
Preston County, WV	59,171	47,989	23,148
Ritchie County, WV	46,720	38,997	18,746
Taylor County, WV	54,303	45,633	21,826
Tucker County, WV	53,023	44,792	22,856
Upshur County, WV	53,454	39,147	21,397
Washington County, OH	58,555	44,939	24,658
Wetzel County, WV	50,210	34,479	21,287
Wirt County, WV	50,572	36,346	21,453
Wood County, WV	56,706	44,194	24,034
Secondary Service Area:			
Athens County, OH	49,048	41,379	18,173
Calhoun County, WV	46,930	34,700	20,475
Gilmer County, WV	55,758	40,744	18,412
Jackson County, WV	60,114	43,107	24,812
Lewis County, WV	56,966	39,127	24,051
Mineral County, WV	42,667	31,096	17,669
Morgan County, OH	55,822	41,604	22,606
Noble County, OH	47,773	41,695	15,149
Ohio County, WV	62,976	44,937	26,981
Pendleton County, WV	52,497	38,384	22,764
Pleasants County, WV	63,605	47,081	24,203
Randolph County, WV	50,637	39,479	20,448
Roane County, WV	47,425	33,973	20,007
Tyler County, WV	53,961	42,913	22,827
Webster, WV	44,434	29,194	18,428
Overall Average	**59,228**	**42,856**	**23,980**

Sources: Truven Market Discovery Population Planning
(1) Estimated per Truven Market Discovery Population Planning

Service Area Employment

As of November, 2016, the civilian workforce of the System primary and secondary service areas was approximately 563,264 employees. Excluding counties in Pennsylvania, Maryland, and Ohio, the workforce for the service areas was approximately 393,056 employees. These employees constitute 50% percent of the State's civilian workforce.

The unemployment rate for the service area is 5.2% in November, 2016, which was similar to the State as a whole (5.1% in November 2016). Monongalia County, the location of WVUH, and Jefferson County, the location of Jefferson Medical, have some of the lowest unemployment rates in the State, at 3.4% and 2.7%, respectively, as of November, 2016.

Due to the wide range of counties in the System service area, a list of all of the top employers would be lengthy and impractical. However, in Monongalia County, WVUH is the largest employer. In Harrison County, UHC is the second largest employer, behind only the U.S. Department of Justice (FBI). In Berkeley County, Berkeley Medical is the third largest employer, behind the Berkeley County Board of Education and the U.S. Department of Veteran Affairs. In Jefferson County, Jefferson Medical is the sixth largest employer behind PNGI Charles Town Gaming, LLC, the Jefferson County Board of Education, Shepherd University, American Public University System, Inc. and the Internal Revenue Service Data Center. CCMC is the third largest employer in Wood County, behind the Wood County Board of Education and the U.S. Department of the Treasury (Bureau of Public Debt). Statewide, the System is the largest private employer. Wal-Mart also competes for this top ranking.

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System Service Area Employment
(November 2016)

	Civilian Labor Force[1]	Number Employed	Number Unemployed	Unemployment Rate
Primary Service Area:				
Barbour County, WV	7,281	6,898	383	5.3%
Berkeley County, WV	52,984	51,239	1,745	3.3%
Doddridge County, WV	3,718	3,551	167	4.5%
Fayette County, PA	58,764	54,502	4,262	7.3%
Garrett County, MD	15,123	14,390	733	4.8%
Greene County, PA	18,501	17,344	1,157	6.3%
Harrison County, WV	31,970	30,364	1,606	5.0%
Jefferson County, WV	28,348	27,570	778	2.7%
Marion County, WV	26,028	24,645	1,383	5.3%
Marshall County, WV	13,999	13,084	915	6.5%
Meigs County, OH	9,001	8,356	645	7.2%
Monongalia County, WV	52,270	50,516	1,754	3.4%
Preston County, WV	15,269	14,565	704	4.6%
Ritchie County, WV	4,651	4,359	292	6.3%
Taylor County, WV	7,859	7,495	364	4.6%
Tucker County, WV	3,462	3,301	161	4.7%
Upshur County, WV	9,860	9,243	617	6.3%
Washington County, OH	27,884	26,194	1,690	6.1%
Wetzel County, WV	7,272	6,738	534	7.3%
Wirt County, WV	2,241	2,069	172	7.7%
Wood County, WV	37,018	35,169	1,849	5.0%
Secondary Service Area:				
Athens County, OH	29,482	27,990	1,492	5.1%
Calhoun County, WV	2,985	2,651	334	11.2%
Gilmer County, WV	2,773	2,599	174	6.3%
Jackson County, WV	12,318	11,647	671	5.4%
Lewis County, WV	6,866	6,389	477	6.9%
Mineral County, WV	11,581	11,002	579	5.0%
Morgan County, OH	6,642	6,186	456	6.9%
Noble County, OH	4,811	4,429	382	7.9%
Ohio County, WV	20,642	19,684	958	4.6%
Pendleton County, WV	3,747	3,628	119	3.2%
Pleasants County, WV	3,011	2,801	210	7.0%
Randolph County, WV	12,293	11,655	638	5.2%
Roane County, WV	5,254	4,774	480	9.1%
Tyler County, WV	3,675	3,400	275	7.5%
Webster, WV	3,681	3,413	268	7.3%
Total Service Area	**563,264**	**533,840**	**29,424**	**5.2%**
State of West Virginia	**786,641**	**746,191**	**40,450**	**5.1%**

Sources: Bureau of Labor Statistics Data-Civilian Labor Force; November, 2016; not seasonally adjusted

[1] Numbers are approximate and may not total due to rounding.

Utilization Statistics

The following table shows, for the years indicated, certain operating statistics for the System:

	Fiscal Year Ended December 31,			
	2013[1][2][3]	2014[2][3]	2015[2][3]	2016[3]
Total Licensed Beds	1,687	1,441	1,420	1,624
Total Staffed Beds[4]	1,198	1,278	1,253	1,268
Discharges[5]	77,417	77,282	78,047	87,239
Births	5,269	5,288	4,635	5,287
Patient Days[5]	357,842	358,252	343,488	362,667
Surgical Operations				
Inpatient	21,537	20,919	21,208	22,550
Outpatient	47,551	49,842	54,890	60,778
Total	69,088	70,761	76,098	83,328
Outpatient Visits				
Emergency Room	241,146	254,524	260,440	276,610
Other	1,453,738	1,576,427	1,673,012	1,866,383
Total	1,694,884	1,830,951	1,933,452	2,142,993

[1] Does not include Potomac Valley (joined the System effective March 1, 2014).
[2] Does not include St. Joseph's of Buckhannon (joined the System effective October 1, 2015).
[3] Does not include Reynolds Memorial (joined the System effective October 1, 2016)
[4] Does not include distinct observation and skilled nursing beds.
[5] Includes acute care, observation, skilled nursing unit, and behavioral medicine discharges. Excludes newborns.

Payor Mix

The System's payor mix, for the years indicated, is as follows:

System Percentage of Gross Patient Charges by Payor

	Fiscal Year Ended December 31,			
	2013	2014	2015	2016
Medicare	42.8%	42.4%	42.6%	43.3%
Medicaid	18.6%	23.4%	24.3%	24.9%
Blue Cross	14.4%	14.6%	14.8%	14.0%
P.E.I.A.[1]	5.6%	5.4%	5.5%	5.5%
Other Governmental	2.8%	2.9%	2.5%	2.5%
Commercial/Managed Care	9.9%	9.2%	8.7%	8.2%
Private Pay	6.0%	2.1%	1.6%	1.6%
Total	100.0%	100.0%	100.0%	100.0%

[1] Public Employees Insurance Agency.
Note: Numbers may not total due to rounding.

Medicare payments for inpatient hospital stays are generally based upon a fixed rate per case for each eligible patient, and the payment amounts depend upon the patient's diagnosis and treatment. In addition, Medicare reimburses hospitals in the System for certain defined "pass-through" costs. Those include costs directly associated with medical education programs and organ acquisition expenses. The Medicaid program applies principles similar to those of the Medicare program, and the State makes fixed payments for each eligible discharge. See the discussion under "BONDHOLDERS' RISKS – FEDERAL LAWS AFFECTING

HEALTHCARE FACILITIES; Medicare and Medicaid Programs; Medicare" and "HEALTHCARE REFORM" in the forepart of this Official Statement.

Many employers that indirectly bear the costs of medical care for their employees, as well as many health insurers and health benefit plans, have instituted coverage restrictions that limit the type of medical services covered and the providers whose services will be paid. Many third-party payors and employers have instituted pre-admission screening and utilization review programs to promote ambulatory care and early discharge, and to reduce the use of ancillary tests and services. Some are also creating economic incentives for their insured employees to reduce costs by requiring second opinions, outpatient testing, preventative health programs, and economic incentives for choosing certain providers by limiting payment for non-approved provider services.

Demonstrated Delivery of Quality Health Care

The System demonstrates a commitment to deliver quality health care to its patients. WVUHS facilitates a meeting at least twice a year among the various hospital staffs responsible for ensuring clinical quality, to discuss development of and progress toward annual clinical quality improvement plans, discussion of new evidence-based practices, and collaborative efforts to be conducted System-wide.

The success of the System in emphasizing clinical quality is evidenced by recognition from several external parties.

WVUH

In 2016, WVUH received Vizient's Bernard A. Birnbaum, MD, Quality Leadership Award. WVUH was one of 13 academic medical centers to receive this award out of more than 100 academic medical centers and 124 community hospitals considered. This award demonstrates excellence in the delivery of high-quality care based on mortality, safety, efficiency, effectiveness, patient-centeredness and equity.

The American Nurses Credentialing Center designated WVUH a MAGNET® hospital for excellence in nursing – one of the highest honors a healthcare facility can receive – three times. It is the only MAGNET hospital in the State.

In 2016, WVUH became the first hospital to receive the Association of periOperative Registered Nurses (AORN) Committed to OR Excellence (CORE) Award – Silver Level in recognition of Perioperative Services. At the time of the award, WVUH was the only AORN CORE designated hospital in the United States.

As one of the top 20 Most Wired hospitals, WVUH also achieved the HIMSS Analytics EMRAM Stage 7 designation. As a measure of a hospital's implementation and utilization of information technology applications, the final stage, Stage 7, represents a paperless, advanced patient record environment. At the time (in 2014), WVUH was one of only five healthcare organizations to receive both inpatient and ambulatory designation.

WVUH has been recertified as an American College of Surgeons Level I Adult Trauma Center and the State's only Level II Pediatric Trauma Center. It is designated a Primary Stroke Center by The Joint Commission.

WVUH's Heart Failure Program has quickly built a national reputation and earned national recognition by cutting hospital re-admissions, improving efficiency in patient care, and developing strategies to improve the patient experience. In just its third year of existence, it has been named to the Target HF Honor Roll of the American Heart Association's ("AHA") Get With the Guidelines Gold Plus Award, an honor that reflects the program's commitment to AHA standards. It is the program's second year on the Gold

Plus Award list. It has also earned the Blue Cross/Blue Shield Quality Blue award for the second straight year.

The bariatric surgery center at Ruby Memorial Hospital, with its team approach to treating severe obesity, has been accredited as a Level 1 facility under the Bariatric Surgery Center Network Accreditation Program of the American College of Surgeons. The accreditation demonstrates WVUH's commitment to delivering the highest quality care for its bariatric surgery patients.

In addition, WVUH has received the following recognition:

- In 2016, the Epilepsy Center was re-designated as a level 4 center by the National Association of Epilepsy Center
- Both Urgent Care clinics were awarded the Certified Urgent Care Center designation by the Urgent Care Association of America for meeting all of its established criteria
- The National Committee for Quality Assurance awarded WVUH's Clark K. Sleeth Family Medicine Center its Patient-Centered Medical Home Recognition for using evidence-based, patient-centered processes that focus on highly coordinated care and long-term, participative relationships
- The WVUH Center for Joint Replacement earned The Joint Commission's Gold Seal of Approval for its hip and knee programs
- WVUH's Clinical Laboratories received accreditation from the College of American Pathologists
- For the third consecutive year, "U.S. News & World Report" named WVUH the number one hospital in West Virginia and identified 12 of WVUH's medical specialties as high-performing
- The Comprehensive Breast Care Program at WVUH's Mary Babb Randolph Cancer Center was granted a three-year, full accreditation designation by the National Accreditation Program for Breast Centers

United Hospital Center

In 2014, UHC in Bridgeport was a finalist for the Premier Partnership for Patients Award and received the Healthgrades Vascular Surgery Excellence Award and the West Virginia Governor's Award for Life. UHC was also recognized by the West Virginia Perinatal Partnership First Baby Initiative for having a 10% or greater reduction in primary Cesarean section rates among first-time mothers (2009-14).

In 2015, UHC made its first-ever appearance on the Most Wired list, was a Top Performer on Key Quality Measures by The Joint Commission, received the American Heart Association's Get With the Guidelines-Heart Failure Gold Plus Award, was recognized by the National Safe Sleep Hospital Certification Program as a Safe Sleep Champion, and received the West Virginia Academy of Nutrition and Dietetics Young Dietitian Award.

Highmark Blue Cross Blue Shield of West Virginia gave UHC its Blue Distinction Center for Maternity Care in early 2016.

University Healthcare

Berkeley Medical in Martinsburg and Jefferson Medical in Ranson have each been recognized by a variety of noted professional medical organizations.

Berkeley Medical has received the following recognitions:

- Named a 2016 Most Wired Hospital
- Advanced Certification as a Primary Stroke Center by The Joint Commission, the American Heart Association, and the American Stroke Association
- American Heart Association Get With the Guidelines-Heart Failure 2013 Gold Plus Award
- The Joint Commission's Gold Seal of Approval for Hip and Knee Replacement
- The Joint Commission Top Performer on Key Quality Measures (2012)
- Highmark Blue Cross Blue Shield of West Virginia Surgical Safety Award
- Highmark Blue Cross Blue Shield of West Virginia Blue Distinction Center for Hip and Knee Replacement
- American College of Radiology Mammography Accreditation
- American College of Radiology MRI Accreditation
- American College of Radiology CT Accreditation
- American College of Radiology Nuclear Medicine Accreditation
- American Association of Blood Banks Transfusion Service Accreditation
- Grade A Rating from Hospital Safety Score
- 2015 Healthgrades Patient Safety Excellence Award
- West Virginia Perinatal Partnership First Baby Initiative Award
- American Association of Cardiovascular and Pulmonary Rehabilitation Certified
- Clinical Laboratory Improvement Amendments Certified
- College of American Pathologists Laboratory Accreditation
- American College of Surgeons Cancer Programs Accreditation
- American College of Surgeons Level III Adult Trauma Center
- IAC Accreditation in Echocardiography
- Certificate of Distinction – Perinatal Care by The Joint Commission
- ACR Accreditation for Stereotactic Breast Biopsy
- Certificate of Distinction – Chest Pain by The Joint Commission
- Certificate of Accreditation, The Undersea & Hyperbaric Medical Society
- American Heart Association Authorized Training Center
- Highest Accreditation Status for Continuing Medical Education by ACCME
- HR Certification Institute Certified Employees

Jefferson Medical has received the following recognitions:

- Named a 2016 Most Wired Hospital
- American Heart Association Get With the Guidelines-Heart Failure 2012 Silver Plus Award
- The Joint Commission's Gold Seal of Approval for National Quality Approval
- The Joint Commission Top Performer on Key Quality Measures (2012)
- Highmark Blue Cross Blue Shield of West Virginia Best Practice Award – Overall Highest Heart Failure Defect-free Care Rate (2011)
- Highmark Blue Cross Blue Shield of West Virginia QualityBLUE Maximum Achievement
- American College of Radiology Mammography Accreditation
- Sodexo Best Practices Program Recognition in Environmental Services (2012)
- Clinical Laboratory Improvement Amendments Certified
- College of American Pathologists Laboratory Accreditation

- American College of Surgeons Level IV Adult Trauma Center Verified
- West Virginia Breastfeeding Alliance
- West Virginia Perinatal Partnership
- Top 100 Critical Access Hospitals
- American Heart Association Authorized Training Center

CCMC

While CCMC's operating costs per patient are competitive with other tertiary providers in the region, CCMC leadership believes that management of cost and quality must be integrated into CCMC's performance improvement processes. The challenge to staff, leadership, and medical staff is to constantly identify ways in which CCMC's performance can be improved. CCMC continues to foster a partnership with the medical staff through joint planning and operating activities. To this end, CCMC and medical staff are implementing a disease management approach to coordinate care in a number of specific multi-disciplinary services lines including heart failure, joint replacement, myocardial infarction, chronic obstructive pulmonary disease, pneumonia, and induced deliveries. CCMC continues to grow its clinical information capabilities by monitoring clinical quality indicators including outcome assessments, key indicators, protocols, practice guidelines, and care maps. In addition, service quality measures have been established to monitor wait times, dietary and housekeeping services, admission and discharge processes, response times, and patient scheduling.

In addition, CCMC was recognized in 2016 by CareChex as: (i) a Top 100 hospital in the nation; (ii) a top 10% hospital nationally and regionally for medical excellence in coronary bypass surgery; and (iii) the number 1 hospital in the market for patient safety in heart attack treatment, heart failure treatment, interventional coronary care, cancer care, joint replacement, stroke care, major neuro survey, women's health, vascular surgery, gastrointestinal hemorrhage and orthopedic care.

CCMC's expertise in the area of cardiac care resulted in the national designation as a 2016 Blue Distinction Center Plus in addition to its expertise being awarded the same designation for knee and hip replacement surgery.

Personnel

As of December 31, 2015, the System employed 10,419 full time equivalent employees ("FTEs") (excluding medical residents). Of these FTEs, 2,777 were registered nurses and 187 were licensed practical nurses. As of December 31, 2015, WVUH employed 4,771 FTEs (excluding medical residents). Of these FTEs, 1,403 were registered nurses and 76 were licensed practical nurses. As of December 31, 2015, Berkeley Medical had 1,055 FTEs, and Jefferson Medical had 294 FTEs. As of December 31, 2015, UHC employed approximately 1,744 FTEs (excluding medical residents and excluding United Summit Center, which has approximately 537 FTEs), of whom 485 were registered nurses and 36 were licensed practical nurses. As of December 31, 2015, CCMC employed approximately 1,444 FTEs (excluding medical residents), of whom 365 were registered nurses.

Management of WVUHS considers the System's relationship with its employees to be satisfactory. Within the System, only one union, at WVUH, is active. As of December 31, 2015, 1,205 FTEs, or 25.3% of all of WVUH's employees, were represented by this union. WVUH has negotiated a new collective bargaining agreement with its union which is in effect through December 31, 2019.

Employee Benefits

The Members of the Obligated Group currently offer a full range of benefits which management of WVUHS believes compares favorably with benefits offered by other employers and healthcare organizations in the System's service areas. WVUH and University Healthcare offer defined contribution plans, which cover substantially all full-time employees with an employer match. UHC offers (i) a defined contribution

plan covering substantially all employees with an employer contribution based on a variable percentage and (ii) a voluntary 403(b) without an employer match. CCMC provides a defined contribution plan covering substantially all employees with an employer contribution based on a variable percentage. CCMC also maintains a noncontributory defined benefit pension plan (the "CCMC Plan") that covers substantially all of its employees who were employed on or before June 30, 2012, at which time the CCMC Plan was frozen to new entrants. Accrued benefits were also frozen as of that date.

As of December 31, 2016, the pension benefit obligation for the System was $54.5 million and the fair market value of the plan assets was $43 million, resulting in a funded ratio of 79%. Benefits paid to beneficiaries as of the end of fiscal year 2016 totaled $1.4 million. The System contributed $4.2 million for the fiscal year ending December 31, 2016. See Appendix B.

Licenses, Accreditations and Memberships

Each hospital Member is currently accredited by The Joint Commission. Each hospital Member is licensed by the West Virginia Department of Health and Human Resources and is approved for participation in the Medicare and Medicaid programs. Memberships include Premier, Inc., Vizient, University HealthSystem Consortium, the West Virginia Hospital Association, and the American Hospital Association.

Insurance

The System provides professional and general liability insurance coverage through a combined self-insurance and commercial insurance program. Each Member is separately insured through a bona fide program of self-insurance or liability insurance and/or a combination of the two for professional and general liability losses. Funding levels for the self-insured programs of the Members of the Obligated Group are reviewed on an annual basis by an independent actuary.

Litigation

At any given time, the Obligated Group has a number of lawsuits or claims pending against it (i) alleging professional liability; and (ii) involving claims which are unrelated to professional liability. Based upon the nature of the aforesaid actions or claims and given the Obligated Group's self-insurance program, excess liability coverage, and general corporate reserves, the management of WVUHS believes that if such pending suits were decided unfavorably to the System, there would be no material adverse effect on its financial condition.

In addition, to the knowledge of the management of WVUHS, there are no suits threatened or pending against the System or any other member of the System which could have a material adverse effect on its financial condition or which would challenge the issuance of the 2017 A Bonds.

WEST VIRGINIA UNIVERSITY HOSPITALS, INC.

Facilities

As described above, WVUH's Ruby Memorial Hospital, a 10-story, 500,000 square foot facility, began operation in 1988.

On September 30, 1998, WVUH purchased the assets of Chestnut Ridge Hospital, a predominantly inpatient (licensed for 70 beds, staffed for 69 beds) psychiatric hospital built in 1987 and located adjacent to Ruby Memorial Hospital. In 2008, this hospital was renamed Chestnut Ridge Center and is operated as a department of WVUH. It is home to WVU's Department of Behavioral Medicine and Psychiatry. WVUH completed an expansion and renovation of Chestnut Ridge Center in 2011 and 2012.

In September 2003, WVUH completed a strategic plan and subsequent bond financing for the purpose of expanding facilities. This clinical expansion project originally included the addition of 58 medical and surgical beds, 10 adult intensive care beds, four (4) pediatric intensive care beds, two (2) outpatient operating rooms, and four (4) inpatient operating rooms. Of the 58 medical and surgical beds in the original plan, 32 were intended to be constructed as a long-term acute care hospital ("LTACH"). Due to LTACH reimbursement changes, management decided not to construct the unit and shelled the space, which has now become a 25-bed cardiac step-down unit.

In late 2008, WVUH completed the build-out of the eighth floor of the NorthEast Tower to house 24-bed patient unit with bariatric capability. In 2009, WVUH completed the construction of a 60,000 square foot, four-story building known as the Northwest Pavilion. The ground and first floors are finished and occupied by the Mary Babb Randolph Cancer Center. The second and third floors are currently shell space. In 2010, WVUH completed the construction and equipping of a 10,000 square foot facility at the Ruby Office Complex that includes a modern raised floor data center space.

In 2010, WVUH commenced design of a new, off-site clinical laboratory. By late 2011, the scope was focused on anatomic pathology and incorporated into the expansion project at Ruby Memorial, as described below (the "Expansion Project"). The new anatomic pathology lab opened in February 2016.

In addition to the anatomic pathology lab, the Expansion Project includes: (i) replacement of the Rosenbaum Family House with a new 40-unit facility that opened in March 2014; (ii) a new child development daycare center that opened in March 2014; (iii) revised roadway access and parking for Ruby Memorial Hospital that opened in August 2014; (iv) a new atrium entrance to J.W. Ruby Memorial Hospital that opened in July 2015 with ongoing expansion of the Emergency Department; and (v) a new 10-story, 312,000 square foot SouthEast Tower (the "SouthEast Tower") with a conference center, shell-space, and 114 net new patient beds. Of the 114 beds, approximately 70 are medical and surgical beds, 18 are adult intensive care beds, 16 are pediatric or neonatal intensive care beds, and 10 are general pediatric or obstetric beds. As of January 4, 2017, WVUH is licensed to operate 645 beds. The SouthEast Tower opened in January 2017 with minor backfill renovations to follow through the remainder of 2017. The average acute care occupancy at WVUH for the month of January 2017 was approximately 90%.

In May 2015, WVUH opened a new 109,000 square foot Outpatient Care Center featuring both primary and specialty care clinics. The facility is strategically located in a major shopping development near Morgantown, West Virginia, with convenient interstate access.

In addition to the WVUH hospital facilities, the HSC includes of the following:

WVUH's Mary Babb Randolph Cancer Center, which is one of only two comprehensive centers for cancer care, prevention, and research currently operating in the State.

HSC, containing over one million square feet of classroom, laboratory, and office space, housing the WVU Schools of Medicine, Dentistry, Pharmacy, and Nursing.

Physician Office Center, a four-story facility of approximately 126,000 square feet, is the primary practice setting for WVUSOM.

WVU Eye Institute, a three-story center for diagnosis, treatment, and research related to eye disease.

Erma Byrd Biomedical Research Center, a three story, 118,000 square foot laboratory building which houses WVU's Sensory Neurosciences Research Center and other research facilities.

HSC Learning Center, a 64,000 square foot facility that provides library, classrooms, computer labs and study space for WVU's health professions schools.

Blanchette Rockefeller Neurosciences Institute, a research center for the study of Alzheimer's disease and other neurodegenerative diseases, which was acquired by WVU in August 2016.

Current Projects

The projects to be financed with the proceeds of the 2017 A Bonds include: (a) the completion of the construction and equipping of the SouthEast Tower to the existing J.W. Ruby Memorial Hospital, to be located at WVUH's hospital facilities, 1 Medical Center Drive, Morgantown, West Virginia, (b) the construction and equipping of the Heart and Vascular Institute located in the SouthEast Tower, anticipated to consist of three open heart surgery suites, three hybrid vascular surgery suites, four cardiac catheterization suites, clinic/exam rooms, and administrative offices, to be located at WVUH's hospital facilities, 1 Medical Center Drive, Morgantown, West Virginia, (c) the construction, equipping and/or expansion of existing operating suites at J.W. Ruby Memorial Hospital located at 1 Medical Center Drive, Morgantown, West Virginia, and (d) the acquisition, construction and equipping of UHC's new Outpatient Ambulatory Center to be located at US Route 33, Hackers Creek District, Lewis County, West Virginia.

Selected Summary Financial Information for WVUH

The following selected financial data for the fiscal years ended December 31, 2013, 2014 and 2015 are derived from the report details of WVUHS's audited financial statements for the respective periods. The financial data for fiscal year ended December 31, 2016 is derived from unaudited financial statements. The financial information includes all adjustments, consisting of normal recurring accruals, which WVUHS, WVUH, and University Healthcare consider necessary for a fair presentation of the financial position and the results of operations for these periods. Management does not anticipate audited operating results for fiscal year December 31, 2016 to vary materially from unaudited operating results for fiscal year ended December 31, 2016. **The data should be read in conjunction with the financial information and related notes included herein as Appendix B.**

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WVUH and University Healthcare (combined)[1]
Condensed Combined Statements of Operations
($ in thousands)

	Fiscal Year Ended December 31,			
		Audited		Unaudited
	2013	2014	2015	2016
Net patient service revenue	$927,263	$960,417	$996,017	$1,112,473
Provision for bad debts	(69,786)	(35,882)	(21,195)	(25,731)
NPSR less provision for bad debts	857,477	924,535	974,822	1,086,742
Other revenue	44,079	49,818	69,037	88,526
Total Revenues	901,556	974,353	1,043,859	1,175,268
Salaries and wages	351,851	364,135	385,044	375,838
Employee benefits	83,224	85,423	89,058	109,454
Supplies and purchased services	365,142	403,467	436,431	563,201
Depreciation and amortization	53,854	50,838	57,360	60,675
Interest	12,882	14,104	15,952	12,386
Total Expenses	866,953	917,967	983,845	1,121,554
Income from Operations	34,603	56,386	60,014	53,714
Non-operating Revenues	72,260	15,440	(4,361)	29,207[2]
Excess of revenues over expenses	$106,863	$71,826	$55,653	$82,921 [2]

[1] Includes WVUH, Berkeley Medical, and Jefferson Medical, all of which are Members of the Obligated Group.
[2] Includes a $12.7 million one-time extraordinary loss related to the advance refunding of the 2003 Series D Bonds, 2008 Series E Bonds and 2009 Series C Bonds in June 2016.

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WVUH[1]
Condensed Statements of Operations
($ in thousands)

	Fiscal Year Ended December 31,			
		Audited		Unaudited
	2013	2014	2015	2016
Net patient service revenue	$709,234	$743,977	$764,323	$869,163
Provision for bad debts	(42,036)	(22,456)	(10,212)	(15,931)
NPSR less provision for bad debts	667,198	721,521	754,111	853,232
Other Revenue	36,498	42,714	62,479	83,369
Total Revenues	703,696	764,235	816,590	936,601
Salaries and wages	271,009	279,461	294,298	290,954
Employee benefits	63,043	65,240	65,997	88,773
Supplies and purchased services	287,741	321,819	346,275	452,472
Depreciation and amortization	42,187	38,947	45,269	50,572
Interest	8,801	10,100	12,037	12,842
Total Expenses	672,781	715,567	763,876	895,613
Income from Operations	30,915	48,668	52,714	40,988
Non-operating Revenues (Losses)	68,942	15,187	(3,901)	26,465[2]
Excess of revenues over expenses	$99,857	$63,855	$48,813	$67,453[2]

[1] Includes WVUH, a Member of the Obligated Group.
[2] Includes a $10.7 million one-time extraordinary loss related to the advance refunding of the 2003 Series D Bonds, 2008 Series E Bonds and 2009 Series C Bonds in June 2016.

Management

The responsibility for the operations of WVUH is delegated by its Board of Directors to its President and Chief Executive Officer, Albert Wright, Jr. Biographical information for Mr. Wright is set forth on page A-7 hereof.

Medical Staff

As of December 31, 2016, the WVUH medical staff consisted of approximately 625 members. Members of the medical staff are assigned to either the active or consulting staff categories. Active staff appointments are limited to those faculty members who are benefits eligible in Morgantown and who use the WVUH facilities as their principal place of practice. Appointees to the active staff may admit and attend patients, may vote and hold office, may serve on medical staff committees as requested and are required to attend at least half of all service committee and medical staff meetings. Consulting staff appointments are extended to those faculty members who are not deemed to be benefits eligible in Morgantown and use WVUH's facilities less regularly. Appointees to the consulting staff may admit and attend to patients, may serve on medical staff committees as requested, and may attend medical staff meetings. Consulting staff are not eligible to vote or hold office.

In fiscal year 2016, WVUH was successful in recruiting approximately 140 new physicians to the WVUH medical staff. During the same period, only approximately 40 members of the medical staff chose to terminate their privileges.

WVUH has a closed medical staff limited to the faculty of WVUSOM who also comprise the physician members of UHA. UHA was created expressly for the benefit of WVUSOM. The physicians providing the services of UHA all have faculty appointments at WVUSOM.

The following table summarizes by specialty the members of the active and consulting staff of WVUH as of December 31, 2016:

Department	Active Physicians	Consulting Physicians	Total Physicians	Percent Board Certified	Average Age
Anesthesiology	42	2	44	84%	46
Behavioral Med/Psychiatry	26	1	27	96%	47
Cardiovascular and Thoracic Surgery	11	2	13	92%	50
Community Practice	10	0	10	90%	45
Dentistry	28	12	40	Not tracked	57
Dentistry-Oral Surgery	5	2	7	57%	55
Emergency Medicine	55	6	61	90%	42
Family Medicine	18	0	18	100%	48
Medicine	129	6	135	96%	46
Neurology	16	1	17	88%	43
Neurosurgery	16	0	16	88%	47
Obstetrics/Gynecology	24	3	27	71%	50
Ophthalmology	20	4	24	83%	46
Orthopedics	24	5	29	88%	46
Otolaryngology	15	2	17	95%	55
Pathology	19	0	19	93%	47
Pediatrics	57	4	61	83%	48
Radiation Oncology	6	0	6	83%	50
Radiology	30	0	30	93%	50
Surgery	31	2	33	91%	47
Total/Weighted Average	582	52	634	90%	47

(1) Numbers may not foot due to rounding.

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The department, age, number of discharges and percentage of 2016 discharges for the top ten physicians with the highest number of discharges is reflected in the table below:

Top Ten Physicians by Specialty for 2016 at WVUH

Physician Specialty	Age	Discharges	% of Total Discharges
Behavioral Medicine	59	716	2.3
Behavioral Medicine	44	674	2.2
Pediatrics	58	555	1.8
Pediatrics	60	460	1.5
Internal Medicine	40	412	1.3
General Surgery	67	375	1.2
Internal Medicine	46	375	1.2
Internal Medicine	37	374	1.2
General Surgery	38	344	1.1
Pediatrics	51	342	1.1
Total		4,627	14.9

Source: WVUH internal data.

Utilization Statistics

The following table shows, for the years indicated, certain operating statistics for WVUH:

	Fiscal Year Ended December 31,			
	2013	2014	2015	2016
Total Licensed Beds	531	531	531	531
Total Staffed Beds[1]	514	514	514	519
Discharges [2]	32,329	32,954	34,298	36,306
Births	1,460	1,495	1,435	1,549
Patient Days[2]	153,545	155,439	165,254	173,748
Surgical Operations				
Inpatient	10,063	10,069	10,726	12,000
Outpatient	15,241	16,344	18,738	20,256
Total	25,304	25,413	29,464	32,526
Outpatient Visits				
Emergency Room	46,458	48,278	49,869	50,480
Other	617,671	663,215	709,443	718,621
Total	664,129	711,493	759,312	769,101

(1) Does not include distinct observation beds.
(2) Includes acute care, observation, and behavioral medicine discharges. Excludes newborns.

WVUH Sources of Revenues

WVUH's gross patient charges result from health care services provided to its patient population. Third-party payors, including HMOs, insurance companies, employers, PPOs under managed care programs, the federal government under the Medicare program and federal and state governments under Medicaid programs, reimburse WVUH for services rendered to their patients. In 2016, managed care/commercial payers, including Blue Cross, accounted for 22.8% of WVUH's total gross patient charges. The sources of payment for services provided by WVUH and the percentage of gross patient charges from each of these sources during the fiscal years ended December 31, 2013, 2014, 2015 and 2016 are shown below:

Percentage of Gross Patient Charges by Payor

	Fiscal Year Ended December 31,			
	2013	**2014**	**2015**	**2016**
Medicare	36.6%	36.1%	37.5%	39.7%
Medicaid	23.3%	26.9%	27.4%	27.1%
P.E.I.A./Other Governmental	9.7%	10.1%	9.3%	9.0%
Blue Cross	14.1%	14.7%	14.4%	13.2%
Commercial/Managed Care	11.3%	10.8%	10.0%	9.6%
Private Pay	5.1%	1.5%	1.4%	1.4%
Total[(1)]	100%	100%	100%	100.0%

[(1)] Numbers may not total due to rounding.
Source: WVUH records. Statistics for WVUH only, does not include data of University Healthcare facilities.

UNIVERSITY HEALTHCARE

Facilities

Berkeley Medical

In 1972, a four-story hospital opened on the 37-acre site on which Berkeley Medical is located today. Construction of an additional four floors and expansion of the first floor of the hospital was completed in 1982. In 1985, the Medical Arts Center, a physician office building, opened on the Berkeley Medical campus. Berkeley Medical initiated another expansion project in 1992 to add a new surgical wing, expand the emergency department, provide a new main entrance, expand the lobby area, and consolidate all outpatient services to a convenient location on the first floor. The $9.5 million project was completed in 1994. In October 1999, following a capital campaign that raised $1.2 million, the Dorothy A. McCormack Cancer Treatment & Rehabilitation Center and the Wellness Center opened on the Berkeley Medical campus. This $4 million project offered the residents of the Eastern Panhandle a comprehensive regional center for cancer treatment, rehabilitation, and wellness services. Since 2005, Berkeley Medical has undergone a $33 million expansion, including renovation and expansion of a new emergency department, the addition of catheterization lab and intensive care unit.

Jefferson Medical

Jefferson Medical's current hospital was constructed in 1975. Since 2005, Jefferson Medical has invested $10 million in a complete renovation of the existing hospital, a new emergency department, and a women's imaging center located in a separate building across the street from the hospital. UHF conducted a $2.25 million capital campaign to fund a portion of these improvements.

UHF

UHF owns three medical office buildings on the Berkeley Medical campus, including, but not limited to, the Dorothy A. McCormack Cancer Treatment & Rehabilitation Center. In addition, UHF also owns medical office buildings in Martinsburg and Inwood, West Virginia.

Selected Summary Financial Information for University Healthcare

The following selected financial data for the fiscal years ended December 31, 2013, 2014 and 2015 are derived from the report details of WVUHS's audited financial statements for the respective periods. The financial data for the fiscal year ended December 31, 2016 are derived from unaudited financial statements. The financial information includes all adjustments, consisting of normal recurring accruals, which WVUHS and University Healthcare consider necessary for a fair presentation of the financial position and the results of operations for these periods. Management anticipates that the unaudited financial results for the fiscal year ended December 31, 2016 will not vary materially from the audited financial results for the fiscal year ended December 31, 2016. **The data should be read in conjunction with the financial information and related notes included herein as Appendix B.**

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University Healthcare[1]
Condensed Combined Statements of Operations
($ in thousands)

	Fiscal Year Ended December 31,			
		Audited		Unaudited
	2013	2014	2015	2016
Net patient service revenue	$218,029	$216,440	$231,694	$243,310
Provision for bad debts	(27,750)	(13,426)	(10,983)	(9,800)
NPSR less provision for bad debts	190,279	203,014	220,711	233,510
Other revenue	7,581	7,104	6,558	5,157
Total Revenues	197,860	210,118	227,269	238,667
Salaries and wages	80,842	84,674	90,746	84,884
Employee benefits	20,181	20,183	23,061	20,681
Supplies and purchased services	77,401	81,648	90,156	110,729
Depreciation and amortization	11,667	11,891	12,091	10,103
Interest	4,081	4,004	3,915	(456)
Total Expenses	194,172	202,400	219,969	225,941
Income from Operations	3,688	7,718	7,300	12,726
Non-operating revenues (Losses)	3,318	253	(460)	2,742[2]
Excess of revenues over expenses	$7,006	$7,971	$6,840	$15,468[2]

[1] Includes Berkeley Medical and Jefferson Medical, both of which are Members of the Obligated Group.
[2] Includes a $1.9 million one-time extraordinary loss related to the advanced refunding of the 2009 Series C Bonds in June 2016.

Management

The responsibility for the operations of University Healthcare is delegated by its Board of Directors to its President and Chief Executive Officer, Anthony Zelenka. Biographical information for Mr. Zelenka is set forth on page A-7 hereof.

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Medical Staff

The following table summarizes by specialty the members of the Active and Consulting/Courtesy Staff of Berkeley Medical and Jefferson Medical as of December 31, 2016.

Department	Active Physicians	Consulting Physicians	Total Physicians	Percent Board Certified	Average Age
Anesthesiology/Pain Management	7	1	8	100%	51
Cardiology	3	9	12	100%	49
Dentistry	2	2	4	100%	41
Dermatology	0	1	1	100%	43
Diagnostic Radiology	7	2	9	100%	52
Emergency Medicine	24	11	35	88%	43
Endocrinology	3	1	4	75%	46
ENT/Otolaryngology	2	2	4	80%	48
Family Medicine	20	13	33	90%	44
Gastroenterology	3	0	3	100%	53
General Surgery	8	1	9	100%	53
Hematology/Oncology	0	3	3	100%	58
Hospitalist	13	0	13	90%	42
Infectious Disease	1	0	1	100%	37
Internal Medicine	17	3	20	100%	56
Nephrology	3	5	8	87	45
Neonatology	1	2	3	100%	55
Neurology	0	0	0	0	0
Neurosurgery	0	1	1	100%	58
Obstetrics/Gynecology	11	1	12	100%	50
Ophthalmology	4	1	5	100%	46
Oral & Maxillofacial	4	1	5	100%	44
Orthopedic Surgery	7	2	9	77%	53
Palliative Care	0	1	1	100%	40
Pathology	3	4	7	100%	46
Pediatrics	11	3	14	92%	43
Podiatry	2	1	3	66%	54
Psychiatry	3	3	6	100%	37
Pulmonology	3	1	4	100%	50
Radiation Oncology	0	1	1	100%	54
Rheumatology	1	0	1	100%	55
Urology	4	0	4	100%	55
Total/Weighted Average	167	76	243	94%	47

Source: University Healthcare records.

The department, age, number of discharges and percentage of 2016 discharges for the top ten physicians with the highest number of discharges is reflected in the tables below:

Top Ten Physicians by Specialty for 2016 at Berkeley Medical

Physician Specialty	Age	Discharges	% of Total Discharges*
Hospitalist	33	1,167	12.49
Hospitalist	56	758	8.11
Hospitalist	45	469	5.02
Hospitalist	51	455	4.87
Hospitalist	36	398	4.26
Hospitalist	41	377	4.03
Hospitalist	37	337	3.61
Behavioral Medicine	33	252	2.70
Pediatrics	37	234	2.50
Pediatrics	55	195	2.09
Total		**4,642**	**49.66**

*Numbers may not total due to rounding.
Source: Berkeley Medical Records.

Top Ten Physicians by Specialty for 2016 at Jefferson Medical

Physician Specialty	Age	Discharges	% of Total Discharges*
Family Practice	49	166	11.18
Family Practice	53	152	10.24
Hospitalist	45	133	8.96
Family Practice	40	132	8.89
Family Practice	50	126	8.48
Family Practice	34	122	8.22
Family Practice	35	103	6.94
Family Practice	38	80	5.39
Internal Medicine	57	75	5.05
Hospitalist	40	73	4.92
Total		**1,162**	**78.25**

*Numbers may not total due to rounding.
Source: Jefferson Medical records.

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Utilization Statistics

The following table shows, for the years indicated, certain operating statistics for University Healthcare:

	Fiscal Year Ended December 31,			
	2013	**2014**	**2015**	**2016**
Total Licensed Beds	266	266	220	220
Total Staffed Beds[1]	200	181	204	209
Discharges[2]	13,548	14,176	14,886	14,916
Births	1,213	1,264	1,252	1,285
Patient Days[2]	43,788	45,855	47,222	47,824
Surgical Operations				
Inpatient	2,471	2,370	2,490	2,573
Outpatient	8,977	9,246	10,357	10,338
Total	11,448	11,616	12,847	12,911
Outpatient Visits				
Emergency Room	81,103	82,605	86,401	85,768
Other	201,618	211,861	228,258	225,786
Total	282,721	294,466	314,659	311,554

(1) Does not include distinct observation beds.
(2) Includes acute care, observation, and behavioral medicine discharges. Excludes newborns.

University Healthcare Sources of Revenues

University Healthcare's gross patient charges result from healthcare services provided to its patient population. Third-party payors, including HMOs, insurance companies, employers, PPOs under managed care programs, the federal government under the Medicare program and federal and state governments under Medicaid programs, reimburse the hospitals for services rendered to their patients. In 2016, managed care/commercial payers, including Blue Cross, accounted for approximately 25.3% of University Healthcare's total gross patient charges. The sources of payment for services provided by University Healthcare and the percentage of gross patient charges from each of these sources during the fiscal years ended December 31, 2013, 2014, 2015 and 2016 are shown below:

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Percentage of Gross Patient Charges by Payor

	Fiscal Year Ended December 31,			
	2013	**2014**	**2015**	**2016**
Medicare	40.4%	39.3%	40.0%	40.0%
Medicaid	16.8%	25.3%	25.4%	26.5%
P.E.I.A./Other Governmental Payors	6.5%	6.1%	5.5%	5.9%
Blue Cross	17.5%	17.2%	17.5%	16.8%
Managed Care/Commercial	10.4%	9.2%	8.8%	8.5%
Private-Pay	8.4%	2.9%	2.8%	2.4%
Total[(1)]	100%	100%	100%	100%

[(1)] Numbers may not total due to rounding.
Source: University Healthcare records.
Note: Statistics for University Healthcare only, does not include data of WVUH facilities.

UNITED HOSPITAL CENTER, INC.

Facilities

In October 2010, UHC opened a new, modern hospital, which is located on approximately 125 acres located at the intersection of Jerry Dove Drive and Interstate I-79 in Bridgeport, Harrison County, West Virginia. The UHC hospital facility, which is approximately 680,000 square feet, has 292 licensed beds comprised of 195 medical surgical, 20 intensive care, 18 pediatrics, 9 obstetrics/gynecology, 18 behavioral health, and 32 skilled nursing. The UHC facility has enhanced outpatient capabilities that includes almost three dozen treatment areas in the emergency room, an efficiently designed diagnostic imaging department, a designated observation unit, and 41 same day surgery rooms. UHC also has a modern outpatient oncology center with a separate entrance. Development of the UHC facility along Interstate 79 enhances the geographic accessibility to health care services for a majority of UHC's service area residents. The site of the UHC hospital provides ample opportunity for future growth. In January 2017, UHC purchased a medical office building located on campus at UHC which contains a full complement of lessees, including UHP and USC.

Current Projects

The projects to be financed with the proceeds of the 2017 A Bonds include the acquisition, construction and equipping of UHC's new Outpatient Ambulatory Center to be located at US Route 33, Hackers Creek District, Lewis County, West Virginia.

Selected Summary Financial Information for UHC

The following selected financial data for the fiscal years ended December 31, 2013, 2014 and 2015 are derived from the report details of WVUHS's audited financial statements for the respective periods. The financial data for the fiscal year ended December 31, 2016 is derived from unaudited financial statements. The financial information includes all adjustments, consisting of normal recurring accruals, which WVUHS and UHC consider necessary for a fair presentation of the financial position and the results of operations for these periods. Management anticipates that the unaudited financial results for fiscal year ended December 31, 2016 will not vary materially from the audited financial results for the fiscal year ended December 31, 2016. **The data should be read in conjunction with the financial information and related notes included herein as Appendix B.**

UHC
Condensed Statements of Operations
($ in thousands)

	Fiscal Year Ended December 31,			
		Audited		Unaudited
	2013	2014	2015	2016
Net patient service revenue	$267,718	$280,286	$293,901	$319,471
Provision for bad debts	(32,513)	(21,305)	(18,094)	(12,699)
NPSR less provision for bad debts	235,205	258,981	275,807	306,772
Other revenue	10,398	9,636	9,082	11,473
Total Revenues	245,603	268,617	284,889	318,245
Salaries and wages	93,808	100,478	108,530	115,567
Employee benefits	27,295	32,211	31,788	31,398
Supplies and purchased services	83,408	87,061	96,536	115,443
Depreciation and amortization	22,838	23,236	24,378	23,160
Interest	10,658	10,236	9,913	8,557
Total Expenses	238,007	253,222	271,145	294,125
Income from Operations	7,596	15,395	13,744	24,120
Non-operating revenues (Losses)	22,699	2,466	(843)	(4,570) [1]
Excess of revenues over expenses	$30,295	$17,861	$12,901	19,550[1]

[1] Includes a $17.7 million one-time extraordinary loss related to the advance refunding of the 2009 Series C Bonds in June 2016.

Management

The responsibility for the operations of UHC is delegated by its Board of Directors to its President and Chief Executive Officer, Michael Tillman. Biographical information for Mr. Tillman is set forth on page A-7 hereof.

Medical Staff

As of December 31, 2016, the UHC medical staff consisted of approximately 268 members. Members of the medical staff are assigned to either the active or courtesy/consulting staff categories. Active staff appointments are limited to those members who use UHC as their principal place of practice. Appointees to the active staff may admit and attend patients, may vote and hold office, serve on medical staff committees as requested and are required to attend at least half of all service committee and medical staff meetings. Courtesy/consulting staff appointments are extended to these physicians who use UHC intermittently. Appointees to the courtesy/consulting staff may admit and attend to up to 12 patients a year. Courtesy/consulting staff are not eligible to vote or hold office.

UHC maintains an active physician recruiting program. Since 2013, UHC has recruited in excess of 50 new physicians to the Bridgeport, West Virginia area. Specialties recruited include anesthesia, dermatology, endocrinology, family medicine, gastroenterology, internal medicine, neurology, neurosurgery, obstetrics and gynecology, ophthalmology, orthopedics, plastic surgery, pathology, rheumatology, thoracic surgery and urology. UHC is continuing to focus on recruiting additional physicians in the specialties of general surgery, neurology, nephrology, family medicine, internal medicine, pediatrics, obstetrics and gynecology and gastroenterology.

The following table summarizes by specialty the members of the active and courtesy staff of UHC as of December 31, 2016:

Specialty	Active Physicians	Courtesy and Consulting Physicians	Total Physicians	Board Certified	Average Age
Allergy & Immunology	0	2	2	50%	56
Anesthesiology	7	0	7	71%	50
Cardiology	4	1	5	80%	55
Cardiology, Non-invasive	1	0	1	0%	76
Dermatology	3	4	7	100%	45
Diagnostic Radiology	1	18	19	95%	47
Emergency Medicine	30	0	30	80%	39
Endocrinology & Metabolism	3	0	3	33%	43
Family Medicine	29	17	46	81%	44
Gastroenterology	5	0	5	60%	44
General Surgery	4	1	5	100%	53
Hematology/Oncology	3	0	3	100%	45
Infectious Disease	2	1	3	100%	46
Internal Medicine	18	1	19	84%	44
Nephrology	2	2	4	100%	46
Neurology	3	0	3	100%	46
Neurophysiological Intraoperative Remote Monitoring	0	6	6	100%	53
Neurosurgery	9	0	9	78%	49
Obstetrics/Gynecology	7	1	8	100%	52
Ophthalmology	5	0	5	60%	52
Oral & Maxillofacial Surgery	1	0	1	100%	37
Orthopedic OP Sports Medicine	1	0	1	100%	37
Orthopedic Surgery	5	1	6	83%	46
Otolaryngology	2	1	3	100%	46
Pathology	5	0	5	100%	47
Pediatric Cardiology	0	2	2	50%	54
Pediatric Dentistry	1	0	1	0%	54
Pediatric Neurology	0	1	1	0%	63
Pediatrics	6	0	6	100%	48
Physical Medicine & Rehab	4	0	4	75%	44
Plastic Surgery	1	0	1	100%	60
Podiatric Surgery	4	2	6	67%	52
Psychiatry	2	0	2	50%	45
Pulmonary Medicine	3	0	3	67%	56
Radiation Oncology	1	0	1	100%	55
Rheumatology	2	0	2	0%	44
Teleneurologists	0	24	24	100%	50
Thoracic & Vascular Surgery	1	0	1	100%	43
Urology	2	0	2	100%	50
Vascular Surgery	2	4	6	100%	48
Total/Weighted Average	179	89	268	84%	47

Source: UHC records.

The department, age, number of discharges and percentage of 2016 discharges for the top ten physicians with the highest number of discharges is reflected in the table below:

Top Ten Physicians by Specialty for 2016 at UHC

Physician Specialty	Age	Discharges	% of Total Discharges*
Behavioral Health	54	757	6.40
Family Medicine	33	527	4.45
Hospitalist	36	485	4.10
Hospitalist	35	478	4.04
Family Medicine	62	394	3.33
Hospitalist	41	384	3.24
Hospitalist	37	377	3.19
Internal Medicine	59	366	3.09
Hospitalist	41	364	3.08
Hospitalist	32	331	2.80
Total		4,463	37.71

*Numbers may not total due to rounding.
Source: UHC records.

Utilization Statistics

The following table shows, for the years indicated, certain operating statistics for UHC:

	Fiscal Year Ended December 31,			
	2013	**2014**	**2015**	**2016**
Total Licensed Beds (1)	292	292	292	292
Total Staffed Beds (2)	232	232	232	232
Discharges (3)	16,397	16,582	16,171	16,539
Births	1,034	1,046	1,077	1,081
Patient Days (3)	66,477	68,865	64,763	69,304
Surgical Operations				
Inpatient	4,103	4,081	4,063	4,050
Outpatient	11,111	11,487	13,563	14,436
Total	15,214	15,568	17,626	18,486
Outpatient Visits				
Emergency Room	54,553	56,376	59,408	57,499
Other	376,431	402,388	454,556	527,533
Total	430,984	458,764	513,964	585,032

(1) Includes acute care, behavioral medicine, and skilled nursing unit.
(2) Does not include distinct observation and skilled nursing unit beds.
(3) Includes acute care, observation, skilled nursing unit, and behavioral medicine discharges. Excludes newborns.

UHC Sources of Revenues

UHC's gross patient charges result from health care services provided to its patient population. Third-party payors, including the federal government under the Medicare program and federal and state governments under Medicaid programs, HMOs, insurance companies, employers, PPOs under managed care programs, reimburse UHC for services rendered to their patients. Historically, UHC has enjoyed good relationships with third-party payors. In 2016, managed care/commercial payers, including Blue Cross, accounted for approximately 21% of UHC's total gross patient charges. The sources of payment for services provided by UHC and the percentage of gross patient charges from each of these sources during the fiscal years ended December 31, 2013, 2014, 2015 and 2016 are shown below:

Percentage of Gross Patient Charges by Payor

	Fiscal Year Ended December 31,			
	2013	**2014**	**2015**	**2016**
Medicare	48.7%	49.2%	49.0%	49.2%
Medicaid	12.6%	17.8%	18.4%	20.0%
P.E.I.A./Other Governmental Payors	8.6%	8.2%	8.5%	8.5%
Blue Cross	15.7%	15.7%	16.0%	15.1%
Managed Care/Commercial	7.9%	6.8%	6.5%	5.9%
Private-Pay	6.4%	2.4%	1.6%	1.3%
Total[(1)]	100%	100%	100%	100%

[(1)] Numbers may not total due to rounding. Source: UHC records.

CAMDEN-CLARK MEMORIAL HOSPITAL CORPORATION

Facilities

The City of Parkersburg, West Virginia (the "City"), established an independent Board of Trustees (the "Board of Trustees") pursuant to Section 3, Article 12, Chapter 8 of the Code of West Virginia, 1931, as amended, and Section 10.102 of the Charter of the City of Parkersburg, West Virginia to found a city-owned hospital.

The Board of Trustees leased the hospital to CCMC through an operating lease dated July 1, 1997 (the "Operating Lease"). Subject to earlier termination, as described below, the Operating Lease expires on June 30, 2047. Pursuant to the Operating Lease, the Board of Trustees leased to CCMC all the real property, improvements and fixtures that constituted the hospital as of July 1, 1997 (the "Existing Facilities"), together with all replacements thereof and betterments or improvements thereto (the Existing Facilities, as replaced or improved are referred to as the "Facilities"), and all tangible personal property, including equipment, furnishings and supplies of the hospital as of July 1, 1997, but excluding cash, cash equivalents, and investments and accounts receivable (the "Existing Assets"; the Facilities and the Existing Assets are referred to as the "Leased Property"). The cash, cash equivalents, investments, and accounts receivable were granted to CCMC. All leases, contracts and other agreements of the Board of Trustees were assigned to CCMC. As consideration for the Leased Property, CCMC assumed all liabilities of the Board of Trustees and made certain covenants under the Operating Lease. Those covenants include the following:

(a) To operate the Leased Property in a manner so as to carry out the mission and undertakings being carried out by the Board of Trustees as of July 1, 1997, and to use the Leased Property only for purposes consistent with such mission and undertakings;

(b) To maintain its tax-exempt status;

(c) To appropriately operate and maintain the Facilities;

(d) Not to lease or otherwise transfer Leased Property except (i) in connection with a merger with another tax-exempt organization that assumes the Operating Lease, (ii) for fair market value, or (iii) in an aggregate amount per fiscal year not exceeding 10% of the aggregate book value of the Leased Property;

(e) To maintain insurance on the Leased Property and have an annual consultant review the insurance coverage; and

(f) Not to create liens upon the Leased Property except as specified in the Operating Lease, which allows, among other things, (i) liens in connection with indebtedness of CCMC, provided that the indebtedness does not exceed in the aggregate 80% of the total value of the Leased Property, and (ii) liens not otherwise provided for not exceeding 10% of the book value. The Board of Trustees expressly recognized that CCMC may pledge or encumber CCMC's leasehold interest in connection with a financing for the Facilities.

CCMC agreed to indemnify the City and the Board of Trustees from any liability in connection with the Leased Property. The Operating Lease permits the Board of Trustees, upon the occurrence of an event of default, to terminate the Operating Lease and either to operate or to lease the Leased Property and, in either event, to hold CCMC liable for all rental payments and to assume all other obligations and liabilities in connection with the Leased Property, including but not limited to bonded indebtedness.

CCMC sits on 20 acres, consisting of a nearly 400,000 square foot, free-standing main hospital building with 122,000 square feet of medical office building space. CCMC is a full-service community hospital providing primary, secondary, and selective tertiary services, as well as community health and education programs, and an 11,000-member seniors program. CCMC is currently licensed for 327 acute and non-acute care beds, including 216 medical/surgical beds, 36 ICU/CCU beds, 23 obstetric beds, 8 pediatric beds, 19 psychiatric beds, and 25 skilled nursing beds. In 2016, CCMC updated and expanded its Emergency Department.

Selected Summary Financial Information for CCMC

The following selected financial data for the fiscal years ended December 31, 2013, 2014 and 2015 are derived from the report details of WVUHS's audited financial statements for the respective periods. The financial data for the fiscal year ended December 31, 2016 is derived from unaudited financial statements. The financial information includes all adjustments, consisting of normal recurring accruals, which WVUHS and CCMC considers necessary for a fair presentation of the financial position and the results of operations for these periods. Management anticipates that the unaudited financial results for the fiscal year ended December 31, 2016 will not vary materially from the audited financial results for the fiscal year ended December 31, 2016. **The data should be read in conjunction with the financial information and related notes included herein as Appendix B.**

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CCMC[1]
Condensed Statements of Operations
($ in thousands)

	Fiscal Year Ended December 31,			
	Audited			Unaudited
	2013	2014	2015	2016
Net patient service revenue	$240,211	$224,510	$235,892	$238,328
Provision for bad debts	(22,201)	(2,520)	(9,941)	(14,870)
NPSR less provision for bad debts	218,010	221,990	225,951	223,458
Other revenue	10,223	6,583	5,806	7,782
Total Revenues	228,233	228,573	231,757	231,240
Salaries and wages	87,588	82,636	78,723	75,586
Employee benefits	18,074	18,948	19,836	18,929
Supplies and purchased services	110,060	108,335	104,710	103,019
Depreciation and amortization	19,631	18,882	16,892	13,512
Interest	7,899	7,610	7,773	6,990
Total Expenses	243,252	236,411	227,934	218,036
Income (Losses) from Operations	(15,019)	(7,838)	3,823	13,204
Non-operating revenues (Losses)	(26,300)	(10,027)	(25,542)	2,158[2]
Excess (Deficiency) of revenues over expenses	$(41,319)	$ (17,865)	$(21,719)	$15,362[2]

[1] Includes CCMC, a Member of the Obligated Group.
[2] Includes a $2.4 million one-time extraordinary loss related to the advance refunding of the 2007 Series A Bonds in June 2016.

Management

The responsibility for the daily operations of CCMC is delegated by its Board of Directors to its President and Chief Executive Officer, David McClure. Biographical information for Mr. McClure is set forth on page A-8.

Medical Staff

CCMC's medical staff is currently composed of 172 physicians representing nearly every medical and surgical specialty and sub-specialty. The medical staff consists of various membership categories, including the active staff and associate staff. Active staff members are clinically active physicians and dentists on the medical staff. Eligibility for appointment to the medical staff is in accordance with CCMC's Medical Staff Bylaws. All of the 143 physicians are considered active staff, and 88% of these are board certified.

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A profile of the active staff of CCMC is set forth in the following table as of December 31, 2016:

CCMC PHYSICIANS

Specialty	Active Physicians	Associate Physicians	Total Physicians	Board Certified	Average Age
Anesthesia	10	0	10	80%	59
Cardiology	7	0	7	100%	49
Cardiothoracic	1	0	1	100%	40
Dentistry	0	1	1	0%	74
Dentistry, Pediatric	1	0	1	100%	39
Ear, Nose & Throat	2	0	2	100%	60
Emergency Medicine	26	0	26	88%	46
Family Practice	8	0	8	75%	61
Gastroenterology	1	0	1	100%	53
General Surgery	4	0	4	100%	52
Hematology/Oncology	3	0	3	33%	62
Hospitalist	22	0	22	82%	47
Internal Medicine/Pediatrics	4	0	4	100%	49
Infectious Disease	1	0	1	100%	47
Internal Medicine	2	2	4	100%	56
Nephrology	2	0	2	100%	50
Neurology	2	0	2	100%	70
Neuro-Monitoring	0	6	6	100%	45
Neurosurgery	3	0	3	100%	52
Obstetrics/Gynecology	7	1	8	100%	53
Ophthalmology	1	0	1	100%	48
Oral & Maxillofacial Surgery	1	1	2	0%	36
Orthopedics	5	5	10	80%	53
Pathology	4	0	4	100%	49
Pediatric Cardiology	0	4	4	100%	56
Pediatrics	6	0	6	67%	52
Physiatry	0	1	1	100%	40
Psychiatry	3	2	5	60%	47
Pulmonary/Critical Care	3	0	3	100%	42
Pulmonology	1	0	1	100%	64
Radiation Therapy	2	0	2	100%	56
Radiology	7	0	7	100%	53
Teleradiology	0	9	9	100%	53
Urology	3	1	4	100%	54
Vascular	1	0	1	100%	57
Total/Weighted Average	143	33	176	88%	50

Source: CCMC Records.

The department, age, number of discharges and percentage of 2016 discharges for the top ten physicians with the highest number of discharges is reflected in the table below:

Top Ten Physicians by Specialty for 2016 at CCMC

Specialty	Age	Discharges	% of Total Discharges*
Internal Medicine	33	515	4.02%
Internal Medicine	37	514	4.01%
Pediatrics	58	513	4.01%
Hospitalist	47	484	3.78%
Hospitalist	53	483	3.77%
Hospitalist	52	482	3.76%
Hospitalist	62	471	3.68%
Obstetrics/Gynecology	57	446	3.48%
Nephrology	48	409	3.19%
Obstetrics/Gynecology	53	373	2.91%
Total		4,690	36.62%

*Numbers may not total due to rounding.
Source: CCMC Records.

Utilization Statistics

The following table shows, for the years indicated, certain operating statistics for CCMC.

CCMC

	Fiscal Year Ended December 31,			
	2013	2014	2015	2016
Total Licensed Beds	598	327	327	302[1]
Total Staffed Beds[2]	306	306	278	258
Discharges [3]	19,896	16,442	11,560	15,808
Births	1,562	1,483	1,441	1,372
Patient Days [3]	76,715	65,111	55,670	56,620
Surgical Operations				
Inpatient	4,900	4,101	3,826	3,564
Outpatient	12,222	7,534	10,880	9,822
Total	17,122	11,635	14,706	13,386
Outpatient Visits				
Emergency Room	59,032	53,992	51,679	51,854
Other	258,018	263,265	252,108	284,449
Total	317,050	317,257	303,787	336,303

(1) License issued for period from July 1, 2016 to June 30, 2017 reflects a decrease in the total number of beds licensed due to the removal of 25 skilled nursing beds.
(2) Does not include distinct observation and skilled nursing unit beds.
(3) Includes acute care, observation, skilled nursing unit, and behavioral medicine discharges. Excludes newborns.

CCMC Sources of Revenues

CCMC's net patient revenues result from health care services provided to its patient population. Third-party payors, including HMO, insurance companies, employers, PPOs under managed care programs, the federal government under the Medicare program and federal and state governments under Medicaid programs, reimburse CCMC for services rendered to their patients. CCMC historically has enjoyed good

relationships with third-party payors. For the fiscal year ended December 31, 2016, managed care and commercial payers, including Blue Cross, accounted for 18% of CCMC's total gross patient charges.

CCMC Percentage of Gross Patient Charges by Payor

	Fiscal Year Ended December 31,			
	2013	**2014**	**2015**	**2016**
Medicare	53.8%	53.7%	52.5%	51.7%
Medicaid	14.4%	19.5%	20.8%	22.1%
P.E.I.A./Other Governmental Payors	6.1%	5.1%	6.0%	6.3%
Blue Cross	11.8%	11.3%	12.7%	13.0%
Managed Care/Commercial	8.0%	7.3%	6.7%	5.3%
Private-Pay	6.0%	3.1%	1.4%	1.7%
Total[(1)]	100%	100%	100%	100%

[(1)] Numbers may not total due to rounding.
Source: CCMC records.

SELECTED SUMMARY FINANCIAL INFORMATION FOR WVUHS

The following selected financial data for the fiscal years ended December 31, 2013, 2014 and 2015 are derived from the consolidating statements of operation details of WVUHS's audited consolidated financial statements for the respective periods. The financial data for the fiscal year ended December 31, 2016 is derived from unaudited financial statements. The financial information includes all adjustments, consisting of normal recurring accruals, which WVUHS considers necessary for a fair presentation of the financial position and the results of operations for these periods. Management anticipates that the unaudited financial results for the fiscal year ended December 31, 2016 will not vary materially from the audited financial results of the fiscal year ended December 31, 2016. **The data should be read in conjunction with the financial information and related notes in Appendix B of this Official Statement**.

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West Virginia University Health System
Condensed Consolidated Statements of Operations[1]
($ in thousands)

	Fiscal Year Ended December 31,			
		Audited		Unaudited
	2013	**2014**	**2015**	**2016**
Net patient service revenue	$1,474,918	$1,529,947	$1,613,402	$1,807,139
Provision for bad debts	(126,805)	(62,969)	(53,521)	(59,016)
NPSR less provision for bad debts	1,348,113	1,466,978	1,559,881	1,748,123
Other revenue	72,326	73,109	91,783	126,618
Total revenues	1,420,439	1,540,087	1,651,664	1,874,741
Salaries and wages	575,545	604,278	648,117	703,643
Employee benefits	138,893	148,957	157,098	192,357
Supplies and purchased services	559,457	607,324	646,063	773,155
Depreciation and amortization	99,230	96,310	102,367	105,879
Interest	31,484	32,616	34,445	29,203
Total expenses	1,404,609	1,489,485	1,588,090	1,804,237
Income from operations	$15,830	$50,602	$63,574	70,504
Non-operating gains (losses)	72,962	9,256	(30,683)	28,354[2]
Excess of revenues over expenses	$88,792	$59,858	$32,891	$98,858[2]

[1] Note for the fiscal year ended December 31, 2016, the total operating revenue of the Members of the Obligated Group constituted 92% of WVUHS's total operating revenue.

[2] Includes a $32.5 million one-time extraordinary loss related to the advance refunding of the 2003 Series D Bonds, 2007 Series A Bonds, 2008 Series E Bonds and 2009 Series B Bonds in June 2016.

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West Virginia University Health System, Inc.[1]
Condensed Consolidated Balance Sheet
($ in thousands)

	December 31,			
		Audited		Unaudited
	2013	2014	2015	2016
Assets:				
Current Assets				
Cash & Short Term Investments	$78,170	$103,427	$118,699	$140,385
Net Patient Receivables	171,663	178,207	191,539	221,361
Other Accounts Receivable	12,201	14,794	21,697	50,880
Other Current Assets	57,388	59,025	63,784	72,547
Total Current Assets	319,422	355,453	395,719	485,174
Property and Equipment, Net	823,741	909,730	999,493	1,137,157
Investments:				
Board Designated Funds	701,108	749,381	743,985	721,047
Bond Funds	207,456	159,953	85,075	9,099
Self-Insurance and Other	43,459	44,287	52,147	56,067
Other Non-Current Assets	80,181	87,140	99,751	95,707
Total Assets	**$2,175,367**	**$2,305,944**	**$2,376,170**	**$2,504,251**
Liabilities:				
Current Liabilities				
Long Term Debt – Current	$21,960	$24,162	$22,536	$37,267
Accounts Payable & Accrued Expenses	79,906	88,642	93,432	80,964
Accrued Wages & Fringe Benefits	67,986	75,828	84,757	91,376
Other Current Liabilities	32,945	43,758	42,896	73,476
Total Current Liabilities	202,797	232,390	243,621	283,083
Long Term Debt - Noncurrent	855,860	890,439	923,500	916,646
Other Noncurrent Liabilities	84,463	108,182	110,065	105,417
Total Liabilities	1,143,120	1,231,011	1,277,186	1,305,146
Net Assets	1,032,247	1,074,933	1,098,984	1,199,105
Total Liabilities and Net Assets	**$2,175,367**	**$2,305,944**	**$2,376,170**	**$2,504,251**

[1] Note for the fiscal year ended December 31, 2016, the total assets of the Members of the Obligated Group constituted 94% of WVUHS's total assets.

Historical and Pro Forma Maximum Annual Debt Service Coverage; Days Cash on Hand

The following chart sets forth the historical coverage of maximum annual debt service on long-term indebtedness and days cash on hand of WVUHS. The Maximum Annual Debt Service Coverage Ratio is based on income available for debt service during the fiscal years ended December 31, 2014, 2015 and 2016. The pro forma calculation sets forth the historical coverage of estimated pro forma maximum annual debt service on all outstanding long-term indebtedness of WVUHS. The financial data for fiscal year ended December 31, 2016 are derived from unaudited financial statements. Management anticipates that the unaudited financial results for the fiscal year ended December 31, 2016 will not vary materially from the audited financial results of the fiscal year ended December 31, 2016. **There can be no assurance that**

WVUHS will generate income available for debt service in future years comparable to historical performance.

	Fiscal Year Ended December 31		
	Audited		Unaudited
	2014	2015	2016
Excess of Revenues w/o FAS 159[1]	$ 97,791	$121,297	$93,146
Depreciation and Amortization	96,310	102,367	105,879
Interest	32,616	34,445	29,203
Income Available for Debt Service	$226,717	$258,109	$228,228
Maximum Annual Debt Service[2][3]	64,357	64,357	64,357
Maximum Annual Debt Service Coverage Ratio[2][3]	3.52x	4.01x	3.55x
Pro Forma Estimated Maximum Annual Debt Service[2]	67,494	67,494	67,494
Pro Forma Maximum Annual Debt Service Coverage Ratio[2]	3.36x	3.82x	3.38x
Days Cash on Hand	216.0	205.1	185.6

[1] Does not include impairment losses or unrealized losses and gains from investments or swaps. Excludes the $32.5 million one-time extraordinary loss related to the advance refunding of the 2003 Series D Bonds, 2007 Series A Bonds, 2008 Series E Bonds and 2009 Series B Bonds in 2016.

[2] MADS includes all outstanding debt including capital leases and other miscellaneous debt obligations.

[3] Prior to issuance of the 2016 Series A Bonds on June 15, 2016 (which refinanced the 2003 Series D Bonds, 2006 Series A Bonds, 2007 Series A Bonds, 2008 Series E Bonds and the 2009 Series B Bonds), Maximum Annual Debt Service for WVUHS was $66,812, which implied Maximum Annual Debt Service Coverage Ratios of 3.39x, 3.86x and 3.42x for FY 2014, FY 2015 and FY 2016, respectively. Post-issuance of the 2016 Series A Bonds, Maximum Annual Debt Service was reduced to $64,357, which is used to calculate the ratios in the table above.

UNRESTRICTED CASH AND INVESTMENTS

	Fiscal Year Ended December 31		
	Audited		Unaudited
	2014	2015	2016
Cash and Cash Equivalents	$103,427	$118,699	$140,385
Unrestricted Board Designated Funds[1]	721,090	716,020	721,047
Total Unrestricted Cash	$824,517	$834,719	$861,432

[1] Includes funds designated for funded depreciation and debt repayment; excludes funds designated for malpractice self-insurance.

INVESTMENT ALLOCATION

The individual hospitals determine their own investment allocations based on discussions with their respective boards concerning capital needs, cash flow generation, timing, and cash reserves. The Board of Directors of WVUHS provides guidance and oversight and constantly evaluates the investment allocation on a consolidated basis for risk and appropriateness.

Approximately 90% of WVUHS's investments are available for tender, redemption, or sale within seven (7) days. Only 10% of WVUHS's investments are available for tender, redemption or sale at times greater than one year.

Below is a table detailing investment allocation by class of investment for WVUHS's unrestricted funds as of December 31, 2015. Management does not anticipate 2016 numbers to vary materially.

WVUHS
Investment Allocation
For the years ending December 31, 2014 and 2015

	2014	%	2015	%
Cash and cash equivalents	$128,097	13.2	$105,288	11.7
U.S. government and agency obligations	119,824	12.3	73,005	8.1
Marketable equity securities	29,828	3.1	25,703	2.8
Marketable debt securities	53,002	5.4	55,975	6.2
Mutual funds:				
Domestic equity	105,765	10.9	78,593	8.7
Domestic fixed income	83,135	8.5	106,939	11.8
International equity	131,274	13.5	155,834	17.3
Global bonds	35,886	3.7	24,637	2.7
Total Mutual funds	356,060	36.6	366,003	40.6
Exchange traded funds, domestic equity	176,469	18.1	168,326	18.7
Alternative investments accounted for under equity method	18,221	1.9	18,817	2.1
Alternative investments accounted for under cost method	91,408	9.4	89,411	9.9
Total	$972,909	100.0	$902,528	100.0

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

General and Historical

WVUHS's statement of values emphasizes the importance of patients as the first priority, along with demonstrating quality of care and commitment to supporting clinical education and research. The Obligated Group's statement of values also focuses on being cost-effective, improving the health of the people in West Virginia and being receptive to organizational change that enhances success.

Over the years, WVUHS has experienced continual growth and has strategically invested in new facilities, programs, and services directly or through leasing arrangements, which have included the following:

1986	Ruby Memorial Hospital
1990	Physician Office Center
	Mary Babb Randolph Cancer Center
1991	Mountainview Regional Rehabilitation Center
1992	Blood and Marrow Transplant Program
1995	Ruby Day Surgery Center
1996	Formation of WVUHS
1998	Chestnut Ridge Hospital
2003	Emergency services expansion
	Gamma knife
2004	Observation bed expansion
	Cheat Lake Physician Services
2005	Berkeley Medical and Jefferson Medical acquisition
	WVUH 72-bed / 6-operating room expansion project
2006	WVUH Cancer Center Project
	Initiation of the Epic/MERLIN new information technology WVUHS, including EMR, for WVUH/UHA/WVU (ongoing)
	WVUH – acquisition of da Vinci® surgical robot

2007	University Healthcare inclusion in WVU Cancer Trials Network
2009	Berkeley Medical, Diagnostic Cardiac Catheterization Lab
	Expansion of Mary Babb Randolph Cancer Center
2010	WVUH – relocation of Cardiac Outpatient Diagnostics to free-standing Heart Institute
	University Healthcare – Jefferson Medical expanded Emergency Department (June 2010)
	Opening of new UHC hospital (October 2010)
2011	Berkeley Medical – free-standing therapeutic cardiac catheterization services (PCI and STEM) and new ICU Unit
	Acquisition of the assets of St. Joseph's Hospital in Parkersburg and inclusion of CCHS into the System
	University Healthcare go-live with Epic IT platform
2012	WVU Urgent Care Clinic at Jefferson Medical
	University Healthcare Wound Care and Hyperbaric Center
	Interventional Radiology Suite at Berkeley Medical
	Inwood Medical Center in Berkeley County
	da Vinci® surgical robot at UHC
2013	University Healthcare Cancer and Infusion Center
	Initiation of construction of a new hospital tower at WVUH
	Acquisition of the assets of Fairmont Cancer Center and replacement of its linear accelerator
2014	Acquisition of Potomac Valley
2015	Acquisition of St. Joseph's of Buckhannon
	Clinical program branding of WVU Medicine for all System facilities and physician offices, WVUSOM and UHA
	Construction of WVUH Outpatient Facility at University Town Centre in Morgantown
	Clinical Affiliation Agreement with Garrett Regional Medical Center
2016	Acquisition of Reynolds Memorial
	Clinical Affiliation Agreement with Wetzel County Hospital
	Initiation of the WVU Medicine Heart & Vascular Institute
	CCMC updated and expanded Emergency Department
2017	Opening of SouthEast Tower at WVUH
	Acquisition of Medical Office Building by UHC

Results of Operations – January 1, 2013 - December 31, 2015

Total revenue for fiscal year 2015 was $1.652 billion, an increase of $231.2 million (16.3%) from fiscal year 2013 and an increase of $111.6 million (7.2 %) from fiscal year 2014. Net patient service revenue less provision for doubtful collection, which comprised approximately 94% of total revenue in fiscal year 2015, was $1.560 billion, an increase of $211.8 million (15.7%) from fiscal year 2013 and $92.9 million (6.3%) from fiscal year 2014. The increase in revenue is attributable primarily to increases in outpatient volumes and implementation of Medicaid expansion by the State. Patient volumes for the System as represented by inpatient discharges have increased less than 1% in fiscal year 2015 compared to fiscal year 2013 and fiscal year 2014. Additionally, inpatient surgeries were also relatively unchanged (less than a 1% change) when comparing fiscal year 2015 to fiscal year 2013 and fiscal year 2014. The lack of growth related to inpatient services is more indicative of changing technology, physician practices, and standards of care than movement of market share as demonstrated by changes in outpatient volumes. Outpatient surgeries increased 15.4% in fiscal year 2015 compared to fiscal year 2013 and 10.1% compared to fiscal year 2014. Total outpatient visits increased 12.1% in fiscal year 2015 compared to fiscal year 2013 and 4.0% compared to fiscal year 2014. Other factors that positively impacted growth in total revenue included the State's decision to participate in Medicaid expansion, implementation of an internal specialty pharmacy, and consistent managed care payer agreements. With regard to Medicaid expansion, the percent of total Medicaid revenue

increased from 18% in fiscal year 2013 to 24% in fiscal year 2015. Conversely, the percent of patients without insurance has declined from 6% in fiscal year 2013 to less than 2% in fiscal year 2015. Provisions for bad debts decreased $73.3 million (-57.8%) in fiscal year 2015 over fiscal year 2013 and $9.4 million (-15.0%) over fiscal year 2014.

Total expenses were $1.588 billion in fiscal year 2015, an increase of $183.5 million (13.1%) compared to fiscal year 2013 and $98.6 million (6.6%) in fiscal year 2015 compared to fiscal year 2014. Salaries and wages in fiscal year 2015, which accounted for approximately 40.8% of total expenses, increased $72.6 million (12.6%) over fiscal year 2013 and $43.8 million (7.3%) over fiscal year 2014. Employee benefits grew $18.2 million (13.1%) in fiscal year 2015 over fiscal year 2013 and $8.1 million (5.5%) over fiscal year 2014. Cost of supplies and purchased services grew $86.6 million (15.5%) in fiscal year 2015 over fiscal year 2013 and $38.7 million (6.4%) over fiscal year 2014.

Operating cash flow margin, which is considered by management, creditors and rating agencies as a good indicator of financial performance of continued operations, was 10.3% in fiscal year 2013, 11.7% in fiscal year 2014 and 12.1% in fiscal year 2015.

Income from operations was $63.6 million for fiscal year 2015, compared to $50.6 million in fiscal year 2014 and $15.8 million in fiscal year 2013.

Recent Results of Operations — January 1, 2016 — December 31, 2016

Through the twelve-month period ended December 31, 2016, the System had total revenue of $1,875 million and total expenses of $1,804 million. Income from operations was $70.5 million through the twelve-month period ended December 31, 2016 compared to $63.6 million for the same period of the prior year. This resulted in an operating margin of 3.8% for fiscal year 2016, which was consistent with the operating margin from the same period of the prior year.

Total Operating Revenue increased 13.5% in 2016 compared to 2015. Total inpatient acute care discharges (61,217) increased 3,410 and 5.9% in 2016 compared to same period in 2015. Most key outpatient services also showed nice growth. For example, total outpatient surgical procedures (including endoscopy) increased 10.7% and emergency room visits increased 5.0% as of December 31, 2016 compared to same period in 2015. Non-direct patient revenue (other operating revenue) increased $15.8M and 14.3% in 2016 compared to 2015 due primarily to continued growth in Specialty Pharmacy volumes. Specialty Pharmacy operation was started in 2015.

Total Operating Expenses increased 13.6% in 2016 compared to 2015, which was very consistent with change in Total Operating Revenue. Key drivers of expense increase were Salaries, Wages and corresponding employee benefits (new FTE to address volume changes and the new tower opening at WVUH), Drugs and IV Solutions (increase in infusion therapy services and Specialty Pharmacy volumes), and Physician Support (significant growth in new physicians at WVUH).

Future Strategy

WVUHS has initiated a statewide branding initiative in partnership with WVU. All hospital facilities in the System and owned or affiliated clinical programs will utilize the WVU Medicine trademark, as described above under "**System Corporate Organization – WVU Medicine**." The goal of the branding initiative is to improve name recognition, establish high service expectations, and to begin setting clinical standards and measured outcomes across the System.

The System is committed to providing patients in its service area with access to modern facilities and modern technology. In connection with this commitment, WVUHS has initiated a plan to convert UHC, CCMC, Potomac Valley, and St. Joseph's of Buckhannon and all their related employed physicians to the EPIC clinical information system by the end of 2017. WVUH, Berkeley Medical and Jefferson Medical and

their employed and affiliated physicians have deployed and utilized the EPIC clinical information system since 2014. The budget for this project will not require the System to incur additional long-term debt. In addition to the projects to be financed by the 2017 A Bonds, WVUHS recently completed planned facility improvements at CCMC (a new emergency room and patient room renovations) in 2016 and has Operating Room expansion projects planned for Berkeley Medical and Jefferson Medical in 2017.

Control of the future cost of health care is always a priority of the System, and therefore, WVUHS has begun a number of initiatives to centralize operations. These initiatives include: (i) adding WVUHS to the Obligated Group (effective February 19, 2016); (ii) moving to System-wide structure for information technology and clinical engineering support and management; (iii) initiating a review of centralized investment and risk management; (iv) combining core financial functions, including procurement, accounts payable, decision support, and accounting; and (v) implementing System management of physician practices as well as centralized and recruiting, quality management, and enterprise information.

Recognizing that the delivery and reimbursement of healthcare services is certain to change, WVUHS is participating in a Medicare accountable care organization and is exploring telemedicine infrastructure and services and opportunities to participate in initiatives that reward providers for population health management.

WVUHS has developed a dominant market position in north central West Virginia and its flagship hospital, WVUH, is recognized as the leading academic medical center in the State. WVUHS will continue to explore opportunities that will expand its market footprint and that will add value to the System and improve the health of West Virginians.

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APPENDIX B

Consolidated Financial Statements and Consolidating Supplementary Information of
West Virginia United Health System, Inc. and Controlled Entities
as of and for the years ended December 31, 2015 and 2014

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West Virginia United Health System, Inc. and Controlled Entities

Consolidated Financial Statements and
Consolidating Supplementary Information

December 31, 2015 and 2014

BAKER TILLY

Candor. Insight. Results.

West Virginia United Health System, Inc. and Controlled Entities

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December 31, 2015 and 2014

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Independent Auditors' Report

Board of Directors
West Virginia United Health System, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of West Virginia United Health System, Inc. and controlled entities, which comprise the consolidated balance sheet as of December 31, 2015 and 2014, 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 financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of West Virginia United Health System, Inc. and controlled entities as of December 31, 2015 and 2014, and the results of their operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating supplementary information is presented for purposes of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Pittsburgh, Pennsylvania
April 11, 2016

West Virginia United Health System, Inc. and Controlled Entities

Consolidated Balance Sheet
December 31, 2015 and 2014
(In Thousands)

Assets	2015	2014
Current Assets		
Cash and cash equivalents	$ 118,699	$ 103,427
Current portion of assets whose use is limited	21,321	19,288
Accounts receivable:		
Patients, net of estimated allowance for doubtful accounts of $54,445 in 2015 and $102,139 in 2014	191,539	178,207
Other	21,697	14,794
Inventories of supplies	29,877	26,949
Prepaid expenses and other current assets	12,586	12,788
Total current assets	395,719	355,453
Assets Whose Use is Limited		
Board-designated funds:		
Funded depreciation	525,357	529,462
Debt repayment	190,663	191,628
Malpractice self-insurance	27,965	28,291
Under trust indenture, held by trustee	85,075	159,953
Malpractice self-insurance, held by trustee	27,799	27,389
Foundation investments	24,348	16,898
Noncurrent portion of assets whose use is limited	881,207	953,621
Property and Equipment, Net	999,493	909,730
Restricted Assets Held by Third-Parties	13,699	13,650
Deferred Financing Costs, Net	11,372	11,364
Other Assets, Net	74,680	62,126
Total assets	$ 2,376,170	$ 2,305,944

Liabilities and Net Assets	2015	2014
Current Liabilities		
Line of credit	$ 10,465	$ 10,448
Current maturities of long-term debt	22,536	24,162
Accounts payable and accrued expenses	93,432	88,642
Estimated third-party payor settlements	14,496	14,294
Salaries and benefits payable	84,757	75,828
Accrued interest payable	5,681	4,263
Current portion of malpractice costs	12,130	14,130
Deferred revenue	124	623
Total current liabilities	243,621	232,390
Long-Term Debt	923,500	890,439
Malpractice Costs	42,471	44,228
Derivative Financial Instruments	50,296	51,484
Pension Liability	13,975	8,782
Other Liabilities	3,323	3,688
Total liabilities	1,277,186	1,231,011
Net Assets		
Unrestricted	1,081,229	1,057,276
Temporarily restricted	12,024	11,408
Permanently restricted	5,731	6,249
Total net assets	1,098,984	1,074,933
Total liabilities and net assets	$ 2,376,170	$ 2,305,944

See notes to consolidated financial statements

West Virginia United Health System, Inc. and Controlled Entities

Consolidated Statement of Operations
Years Ended December 31, 2015 and 2014
(In Thousands)

	2015	2014
Unrestricted Revenues		
Patient service revenues (net of contractual allowances and discounts)	$ 1,613,402	$ 1,529,947
Provision for bad debts	(53,521)	(62,969)
Net patient service revenues	1,559,881	1,466,978
Other revenues	91,783	73,109
Total unrestricted revenues	1,651,664	1,540,087
Expenses		
Supplies and purchased services	646,063	607,324
Salaries and wages	648,117	604,278
Employee benefits	157,098	148,957
Depreciation and amortization	102,367	96,310
Interest	34,445	32,616
Total expenses	1,588,090	1,489,485
Operating income	63,574	50,602
Other Income (Loss)		
Investment (loss) income	(3,930)	32,508
Change in fair value of derivative financial instruments	948	(15,747)
Asset impairment losses	(25,545)	(7,334)
Other, net	(2,156)	(171)
Revenues in excess of expenses	32,891	59,858
Pension Liability Adjustment	1,852	(9,016)
Transfers to the School of Medicine and Strategic Initiatives	(11,373)	(9,885)
Other	583	165
Increase in unrestricted net assets	$ 23,953	$ 41,122

See notes to consolidated financial statements

West Virginia United Health System, Inc. and Controlled Entities

Consolidated Statement of Changes in Net Assets
Years Ended December 31, 2015 and 2014
(In Thousands)

	2015	2014
Unrestricted Net Assets		
Revenues in excess of expenses	$ 32,891	$ 59,858
Pension liability adjustment	1,852	(9,016)
Transfers to the School of Medicine and Strategic Initiatives	(11,373)	(9,885)
Other	583	165
Increase in unrestricted net assets	23,953	41,122
Temporarily Restricted Net Assets		
Increase (decrease) in temporarily restricted assets held by West Virginia University Foundation	561	(322)
Contributions and grants	627	3,207
Change in value of split-interest agreements	363	(13)
Net assets released from restrictions	(935)	(1,292)
Increase in temporarily restricted net assets	616	1,580
Permanently Restricted Net Assets		
Valuation loss	(397)	(36)
(Decrease) increase in permanently restricted assets held by West Virginia University Foundation	(121)	20
Decrease in permanently restricted net assets	(518)	(16)
Change in net assets	24,051	42,686
Net Assets, Beginning of Year	1,074,933	1,032,247
Net Assets, End of Year	$ 1,098,984	$ 1,074,933

See notes to consolidated financial statements

West Virginia United Health System, Inc. and Controlled Entities

Consolidated Statement of Cash Flows
Years Ended December 31, 2015 and 2014
(In Thousands)

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	$ 24,051	$ 42,686
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for doubtful collections	53,521	62,969
Depreciation and amortization	102,367	96,310
Change in fair value of derivative financial instruments	(1,188)	15,507
Net realized and unrealized losses (gains) on investments	19,772	(8,656)
Asset impairment loss	25,545	7,334
Pension liability adjustment	(1,852)	9,016
Other operating activities	2,214	669
Changes in assets and liabilities:		
Patient accounts receivable	(66,853)	(69,513)
Other receivables	(6,903)	(2,593)
Inventories of supplies, prepaid expenses and other current assets	(2,726)	(1,210)
Accounts payable and accrued expenses	15,539	8,736
Estimated third-party payor settlements	202	7,508
Salaries and benefits payable	8,929	7,842
Malpractice costs	(3,757)	4,604
Other liabilities	7,599	(2,992)
Net cash provided by operating activities	176,460	178,217
Cash Flows from Investing Activities		
Purchases of property and equipment	(218,577)	(187,685)
Sales of investments	50,966	6,624
Increase in other assets	(12,554)	(7,857)
Proceeds from the sale of property and equipment	119	401
Net cash used in investing activities	(180,046)	(188,517)
Cash Flows from Financing Activities		
Proceeds from the issuance of long-term debt	43,186	67,002
Repayment of long-term debt	(23,525)	(32,199)
Net proceeds from line of credit	17	889
Payment of financing costs	(820)	(135)
Net cash provided by financing activities	18,858	35,557
Increase in cash and cash equivalents	15,272	25,257
Cash and Cash Equivalents, Beginning	103,427	78,170
Cash and Cash Equivalents, Ending	$ 118,699	$ 103,427
Supplemental Disclosure of Cash Flow Information		
Interest paid, net of amounts capitalized	$ 33,027	$ 32,757
Supplemental Disclosure of Noncash Investing and Financing Activities		
Long-term debt refinanced	$ 60,320	$ -
Note issued in connection with acquisition (Note 9)	$ 10,749	$ -
Capital lease for purchase of property and equipment	$ 710	$ 1,808

See notes to consolidated financial statements

1. Organizational Structure and Nature of Operations

West Virginia United Health System, Inc. ("WVUHS") is a not-for-profit corporation formed to serve as part of an integrated health science and healthcare delivery system. WVUHS serves as the parent corporation to an affiliated group of healthcare providing entities which includes West Virginia University Hospitals, Inc. and controlled entities, United Hospital Center, Inc. and controlled entities, Camden-Clark Health Services, Inc. and controlled entities, Allied Health Services, Inc., United Physicians Care, Inc., and West Virginia United Insurance Services, Inc.

West Virginia University (the "University") commenced operations of a tertiary care teaching hospital in 1960 as a component of the Medical Center of the University. In 1984, the West Virginia legislature adopted legislation which authorized separation of the hospital operations from the University and establishment of a separate corporate entity. At that time, West Virginia University Hospitals, Inc. ("WVUH") was incorporated as a not-for-profit corporation to operate one or more hospitals in order to provide patient care, including specialized services not widely available in West Virginia, and to facilitate clinical education and research. WVUH currently operates Ruby Memorial Hospital, which is located in Morgantown, West Virginia. Ruby Memorial Hospital serves as a major statewide and regional healthcare referral center and provides the principal clinical education and research for the University.

On January 1, 2005, WVUH became the sole member of West Virginia University Hospitals - East, Inc. d/b/a University Healthcare ("University Healthcare"), a not-for-profit corporation formed to serve as part of an integrated health science and healthcare delivery system. University Healthcare serves as the parent corporation to an affiliated group of healthcare providing entities which includes City Hospital, Inc. d/b/a Berkeley Medical Center ("BMC"), The Charles Town General Hospital d/b/a Jefferson Medical Center ("JMC"), City Hospital Foundation, Inc. ("CHF") and Jefferson Health Care Foundation, Inc. ("JHF"). On January 1, 2014, CHF and JHF were merged and renamed University Healthcare Foundation, Inc.

BMC is a not-for-profit acute care hospital located in Martinsburg, West Virginia. BMC provides inpatient, outpatient, and emergency care services for residents of the eastern panhandle of West Virginia and the surrounding communities.

JMC is a not-for-profit acute care critical access hospital located in Ranson, West Virginia. JMC provides inpatient, outpatient, and emergency care services to the residents of the eastern panhandle of West Virginia and the surrounding communities. JMC was designated as a critical access hospital by the Centers for Medicare and Medicaid Services effective December 15, 2005.

University Healthcare Foundation, Inc. is a not-for-profit corporation formed for the purpose of performing fund raising and other activities that benefit University Healthcare and its controlled entities.

On February 28, 2014, WVUH became the sole member of Potomac Valley Hospital of W. Va., Inc. ("PVH"), a for-profit acute care critical access hospital located in Keyser, West Virginia. Immediately following the purchase, PVH was converted to a not-for-profit corporation.

United Hospital Center, Inc. (“UHC”) is a not-for-profit acute care hospital located in Bridgeport, West Virginia. UHC provides inpatient, outpatient, psychiatric, and skilled nursing services for residents of its primary service area, which includes Harrison County, West Virginia and north central West Virginia. UHC is a major referral center in north central West Virginia. UHC is the sole member of United Health Foundation, Inc. (“UHF”) and United Summit Center, Inc. (“USC”).

UHF is a not-for-profit corporation formed for the purpose of performing support activities, including fundraising, that primarily benefit UHC.

USC is a not-for-profit corporation formed for the purpose of providing community mental health and related services to residents of Harrison, Braxton, Doddridge, Lewis, Gilmer, Preston, and Marion counties in West Virginia.

On October 1, 2015, UHC became the sole member of St. Joseph's Hospital of Buckhannon, Inc. ("SJH"), a not-for-profit acute care critical access hospital located in Buckhannon, West Virginia. This acquisition will allow SJH and UHC to operate in an integrated fashion, promoting health in their respective communities through more efficient operations, quality enhancement and more cost effective use of resources, as well as enhanced access to care. SJH is the sole member of St. Joseph's Foundation of Buckhannon, Inc. ("SJF"). SJH was designated as a critical access hospital by the Centers for Medicare and Medicaid Services effective April 1, 2014.

On March 1, 2011, WVUHS became the sole member of Camden Clark Health Services, Inc. (“CCHS”), a not-for-profit corporation formed to serve as part of an integrated health science and healthcare delivery system. CCHS serves as the parent corporation to an affiliated group of healthcare providing entities which includes Camden Clark Medical Center (“CCMC”), Camden Clark Foundation (“CCF”) and Camden Clark Physician Corporation (“CCPC”). Family Fitness Center, LLC (“FFC”) was merged into CCMC during 2014.

CCMC is a not-for-profit acute care hospital located in Parkersburg, West Virginia. CCMC provides inpatient, outpatient, and emergency services for the residents of Wood County and the surrounding communities.

CCF is a not-for-profit corporation formed for the purpose of performing fundraising and other activities that benefit CCMC.

CCPC is a not-for-profit corporation that operates physician practices in Wood County.

Allied Health Services, Inc. (“AHS”) is a for-profit corporation engaged in the business of providing laboratory, laundry services and contracted specialty pharmacy services.

United Physicians Care, Inc. (“UPC”) is a not-for-profit corporation that operates family practice clinics in north central West Virginia.

West Virginia United Insurance Services, Inc. (“WVUIS”), formerly HPN Services, Inc., is a for-profit corporation formed for the purposes of providing services to Health Partners Network, Inc., a physician-hospital organization, negotiating managed care contracts for WVUHS affiliates, and providing other property-casualty-accident and health insurance services for WVUHS affiliates.

2. Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of WVUHS and its controlled entities, (collectively, the "System"). All significant intercompany transactions and balances have been eliminated in consolidation.

Subsequent Events

The System evaluated subsequent events for recognition or disclosure through April 11, 2016, the date the consolidated financial statements were available to be issued.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments purchased with a maturity of three months or less, excluding assets whose use is limited. The carrying amount of cash and cash equivalents approximates fair value.

The System maintains cash and cash equivalent accounts which may at times exceed federally insured limits. The System has not experienced any losses from maintaining these accounts in excess of federally insured limits. Management believes it is not subject to significant risks associated with these accounts.

Assets Whose Use is Limited

Assets whose use is limited include assets set aside by the Board of Directors (the "Board") for future capital improvements, assets held for debt repayment, and assets held for malpractice self-insurance programs, over which the Board retains control and may, at its discretion, subsequently use for other purposes; assets held by trustees under debt agreements; assets held by trustees in connection with other malpractice self-insurance programs; and assets held by the foundations.

Patient Accounts Receivable

Patient accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. In evaluating the collectability of patient accounts receivable, the System analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts.

For receivables associated with services provided to patients who have third-party coverage the System analyzes contractual amounts due and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients, which includes both patients without insurance and insured patients with deductible and copayment balances, the System records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the billed rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Inventories

Inventories are recorded at the lower of cost or market. Cost is determined on a first-in, first-out basis.

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value. Investments in hedge funds, private equity funds, and other limited partnerships representing less than 3% ownership are recorded at cost. Investments representing greater than 3% ownership are accounted for under the equity method. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in revenues in excess of expenses unless the income or loss is restricted by donor or law.

The System's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the consolidated balance sheet are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying consolidated financial statements could change materially in the near term.

WVUH has an agreement with the West Virginia University Foundation, Inc. ("WVU Foundation"), an affiliate of the University, to manage its board-designated funds. Some of WVUH's and WVU Foundation's investments are jointly managed in commingled funds. The investment income and realized and unrealized gains and losses are allocated to WVUH based upon its relative ownership of each fund.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis. Such lives, in the opinion of management, are adequate to allocate asset costs over their productive lives. Maintenance, repairs, and minor improvements are expensed as incurred. Equipment under capital leases is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. Depreciation expense, including amortization of equipment under capital leases, was $101,555,000 in 2015 and $95,621,000 in 2014.

Interest costs incurred on borrowed funds, net of income earned, during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets. Interest costs capitalized were $9,958,000 in 2015 and $8,171,000 in 2014.

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

Impairment of Property and Equipment

Property and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets and reported in the non-operating section of the consolidated statement of operations.

In October 2015, CCMC entered into a purchase and sale agreement to sell the property and equipment related to the St. Joseph’s of Parkersburg campus for $500,000. The sale closed on February 1, 2016. Based on the pending sale, CCMC reduced the carrying value of the property and equipment related to the St. Joseph’s of Parkersburg campus to the purchase price, which resulted in impairment losses of $25,545,000 in 2015.

Impairment losses of $7,334,000 related to the St. Joseph’s of Parkersburg campus were recognized in 2014. These impairment losses reflected the amounts by which the carrying values of these assets exceeded their estimated fair values determined by their estimated future discounted cash flows at that time.

Restricted Assets Held by Third Parties

WVU Foundation holds cash and securities which are available for WVUH's purposes, subject to donor restrictions. Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose, primarily for capital expenditures. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. WVU Foundation releases assets from restriction and transfers the amounts to WVUH as amounts are expended according to the donor's intended purposes. Amounts released from restriction are recorded as revenues or an increase in unrestricted net assets restricted for purchases of property and equipment.

JMC is a beneficiary of several perpetual income trusts held by third parties. JMC has an irrevocable right to receive its portion, designated by the trust agreements, of the income from the trusts’ assets, which are held in perpetuity. JMC has valued its portion of the trusts based on the pro-rata share of the fair value of the assets held in each trust, which represents a proxy for the present value of future cash flows. Income received from the trusts, the use of which has not been restricted by the donors, is included in investment income in the accompanying consolidated statement of operations. Valuation gains and losses are classified as increases or decreases in permanently restricted net assets.

Deferred Financing Costs

Costs incurred in connection with the issuance of long-term debt have been deferred and are being amortized over the term of the debt using the straight-line method, which approximates the effective interest method. Amortization of deferred financing costs was $812,000 in 2015 and $689,000 in 2014.

Other Investments

Other assets include the System's investment in several entities in which the System has a financial interest. Where the System has the ability to influence management, or has a twenty percent but not more than fifty percent interest in the entity, the investment is recorded using the equity method and adjusted for the System's proportionate share of the entity's undistributed earnings or losses. All other investments in such entities are recorded at cost.

Goodwill

Goodwill represents the excess of the amount paid to acquire certain businesses over the fair value of the net assets purchased. In 2015, UHC acquired SJH and recognized $10,356,000 in goodwill related to the acquisition. In 2014, WVUH acquired PVH and recognized $4,878,000 in goodwill related to the acquisition. Goodwill of $35,109,000 at December 31, 2015 and $24,753,000 at December 31, 2014 is included in other assets in the consolidated balance sheet.

The System evaluates goodwill on an annual basis or more frequently if management believes indicators of impairment exist. The System first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If management concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, management conducts a two-step quantitative goodwill impairment test. The Company's evaluation of goodwill resulted in no impairment losses in 2015 and 2014.

Estimated Malpractice Costs

The provision for estimated medical malpractice claims includes estimates of the ultimate gross costs for both reported claims and claims incurred but not reported. Anticipated insurance recoveries, if any, associated with reported claims are recorded separately in the consolidated balance sheet at net realizable value.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the System in perpetuity.

Revenues in Excess of Expenses

The consolidated statement of operations includes the determination of revenues in excess of expenses. Changes in unrestricted net assets which are excluded from the determination of revenues in excess of expenses, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and changes in net unrealized loss on derivative financial instruments designated as cash flow hedges prior to December 31, 2007.

Net Patient Service Revenues

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments.

Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted, as necessary, in future periods as tentative and final settlements are received. It is reasonably possible that the estimates used could change in the near term.

For uninsured patients, the System recognizes revenues on the basis of its standard rates, discounted in accordance with the System's policy. On the basis of historical experience, a significant portion of the System's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the System records a significant provision of bad debts related to uninsured patients in the period the services are provided. Patient service revenues, net of contractual allowances and discounts (but before the provision for bad debts), recognized in 2015 and 2014 from these major payor sources, are as follows (in thousands):

	2015			
	Third-Party Government Payors	Third-Party Commercial Payors	Self-Pay	Total
Patient service revenues (net of contractual allowances and discounts)	$ 912,029	$ 675,640	$ 25,733	$ 1,613,402

	2014			
	Third-Party Government Payors	Third-Party Commercial Payors	Self-Pay	Total
Patient service revenues (net of contractual allowances and discounts)	$ 874,033	$ 620,904	$ 35,010	$ 1,529,947

Capitation Payments

The System has agreements with various health maintenance organizations to provide medical services to subscribing participants. Under these agreements, the System receives monthly capitation payments based on the number of participants, regardless of services actually performed.

Charity Care

The System provides care to patients who meet certain criteria under its patient financial assistance policy without charge or at amounts less than its established rates. Because the System does not pursue collections of amounts determined to qualify as charity care, they are not reported as patient service revenues. The costs associated with the charity care services provided are estimated by applying a cost-to-charge ratio to the amount of gross uncompensated charges for the patients receiving charity care. The level of charity care provided by the System was approximately $14,003,000 in 2015 and $18,880,000 in 2014.

Contributions

Unconditional promises to give cash and other assets to the System are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently 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, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of operations.

Lease Revenue

The System accounts for its real estate leasing activities as operating leases.

Advertising Costs

Advertising costs are expensed as incurred.

Federal and State Income Taxes

WVUHS, WVUH, PVH, CCHS, CCMC, CCF, CCPC, University Healthcare, BMC, JMC, University Healthcare Foundation, UHC, USC, UHF, UPC, SJH and SJF are tax-exempt organizations and not subject to federal or state income taxes in accordance with Section 501(c)(3) of the Internal Revenue Code. On such basis, they will not incur any liability for income taxes, except for possible unrelated business income. AHS and WVUIS are organizations subject to federal and/or state income taxes.

The System accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2015 and 2014. The System's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

Medicaid Provider Tax

The West Virginia Broad Based Health Care Related Tax of 1993 assesses a tax on net patient service revenues at rates ranging from 0.175% to 5.500%, depending on the type of services provided. The System incurred related taxes of $37,516,000 in 2015 and $32,408,000 in 2014.

Health Insurance Benefits

The System self-insures its employee health insurance coverages and accrues the estimated costs of incurred and reported and incurred but not reported claims, after consideration of its individual and aggregate stop-loss insurance coverages, based upon data provided by the third-party administrators of the programs and its historical claims experience.

New Accounting Pronouncements

During May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "*Revenue from Contracts with Customers.*" ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09. ASU No. 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The System may elect to apply the guidance earlier, but no earlier than fiscal years beginning after December 15, 2016. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The System does not believe that the adoption of ASU Nos. 2014-09 and 2015-14 will have a material effect on its results of operations, financial position or cash flows.

During April 2015, the FASB issued ASU No. 2015-03, "*Simplifying the Presentation of Debt Issuance Costs.*" ASU No. 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability instead of as an asset. The recognition and measurement guidance for debt issuance costs are not affected by this update. ASU No. 2015-03 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. The System does not believe that the adoption of ASU No. 2015-03 will have a material effect on its results of operations, financial position or cash flows.

Reclassifications

Certain reclassifications were made to the 2014 consolidated financial statements to conform with the 2015 presentation.

3. Net Patient Service Revenues

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. A significant portion of the System's net patient service revenues are derived from these third-party payor programs. A summary of the principal payment arrangements with major third-party payors follows:

Medicare

The majority of the System's inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Certain services are reimbursed based on allowable costs as reported in cost reports, which are subject to retroactive audit and adjustment. The System's critical access hospitals are reimbursed based on allowable costs for all services rendered to Medicare and Medicaid beneficiaries.

The System's Medicare cost reports have been settled by the Medicare fiscal intermediary through the respective years as follows:

WVUH	2012
UHC	2012
CCMC	2012
BMC	2012
JMC	2009
PVH	2010
SJH	2013

Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services are paid on a published fee schedule.

The State of West Virginia's disproportionate share plan reimburses hospitals in the state that provide Medicaid services and meet other eligibility criteria. Under the disproportionate share program, the System received $11,323,000 in 2015 and $13,289,000 in 2014, which is included in patient service revenues in the consolidated statement of operations.

The State of West Virginia increases Medicaid reimbursement to qualified hospitals for services to Medicaid-eligible patients. Supplemental payments may be received in an amount up to the difference between current reimbursement and the maximum permissible payments under Upper Payment Limit ("UPL") regulations. The first payment was made in April 2004 and periodic payments have been made subsequent to that date. The UPL payments are recorded in the period in which they are earned. The System recorded UPL payments of $35,597,000 in 2015 and $34,605,000 in 2014, which is included in patient service revenues in the consolidated statement of operations.

The laws and regulations governing the UPL program are complex and subject to interpretation. The UPL program is funded by a portion of the Medicaid Provider Tax (Note 2). There is risk that Congress may change federal policy in the future in a way that might limit or eliminate the UPL payments but maintain the Provider Tax. Furthermore, the UPL payments received are subject to review and retroactive adjustment. Management is unable to estimate the amount of any such adjustments at this time.

Other

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

Health Care Authority

The Health Care Authority ("HCA") is empowered, by provisions of the West Virginia Code, to regulate the System's gross patient revenue from nongovernment payors and to evaluate financial performance. This is accomplished by issuing rate orders based on facility operating budgets and rate schedules and through evaluating performance and compliance based on reports submitted by the System on a periodic basis. Addition and deletion of services and the execution of nongovernment discount contracts are also subject to HCA approval.

Revenues received under third-party arrangements, including Medicare, are subject to audit and retroactive adjustment. The System has included in net patient service revenues favorable adjustments of $6,218,000 in 2015 and $4,191,000 in 2014 related to its estimates of the ultimate settlement under these third-party arrangements.

4. Assets Whose Use is Limited

The composition of assets whose use is limited at December 31, 2015 and 2014 is as follows (in thousands):

	2015	2014
Cash and cash equivalents	$ 105,288	$ 128,097
U.S. government and agency obligations	73,005	119,824
Marketable equity securities	25,703	29,828
Marketable debt securities	55,975	53,002
Mutual funds:		
Domestic equity	78,593	105,765
International equity	155,834	131,274
Domestic fixed income	106,939	83,135
Global bonds	24,637	35,886
Exchange traded funds, domestic equity	168,326	176,469
Alternative investments accounted for under equity method	18,817	18,221
Alternative investments accounted for under cost method	89,411	91,408
Total assets whose use is limited	902,528	972,909
Less current portion of assets whose use is limited	21,321	19,288
Noncurrent portion of assets whose use is limited	$ 881,207	$ 953,621

Unrestricted investment income, gains, and losses are comprised of the following in 2015 and 2014 (in thousands):

	2015	2014
Investment income (loss):		
Interest and dividend income	$ 20,715	$ 28,377
Fees	(4,873)	(4,525)
Net realized gains on sales of securities	47,573	23,754
Net unrealized losses on trading securities	(63,809)	(14,852)
Write-downs of the cost basis of investments due to an other-than-temporary decline in fair value	(3,536)	(246)
Total	$ (3,930)	$ 32,508

5. Fair Value Measurements and Financial Instruments

The System measures its assets whose use is limited, restricted assets held by third-parties and derivative financial instruments on a recurring basis in accordance with accounting principles generally accepted in the United States. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the same term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

The fair value of financial instruments listed below was determined using the following valuation hierarchy at December 31, 2015 and 2014 (in thousands):

	2015				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets - recurring fair value measurements:					
Assets whose use is limited:					
Cash and cash equivalents	$ 105,288	$ 105,288	$ 105,288	$ -	$ -
U.S. government and agency obligations	73,005	73,005	-	73,005	-
Marketable equity securities	25,703	25,703	25,703	-	-
Marketable debt securities	55,975	55,975	-	55,975	-
Mutual funds:					
Domestic equity	78,593	78,593	78,593	-	-
International equity	155,834	155,834	82,197	24,742	-
Domestic fixed income	106,939	106,939	133,418	22,416	-
Global bonds	24,637	24,637	5,362	19,275	-
Exchange traded funds, domestic equity	168,326	168,326	168,326	-	-
Total assets whose use is limited	$ 794,300	$ 794,300	$ 598,887	$ 195,413	$ -
Restricted assets held by third-parties	$ 13,699	$ 13,699	$ 8,557	$ -	$ 5,142
Liabilities - recurring fair value measurements:					
Derivative financial instruments	$ 50,296	$ 50,296	$ -	$ 50,296	$ -
Assets disclosed at fair value:					
Cash and cash equivalents	$ 118,699	$ 118,699	$ 118,699	$ -	$ -
Liabilities disclosed at fair value:					
Long-term debt	$ 946,036	$ 997,306	$ -	$ 604,577	$ 392,729

	2014				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets - recurring fair value measurements:					
Assets whose use is limited:					
Cash and cash equivalents	$ 128,097	$ 128,097	$ 128,097	$ -	$ -
U.S. government and agency obligations	119,824	119,824	-	119,824	-
Marketable equity securities	29,828	29,828	29,828	-	-
Marketable debt securities	53,002	53,002	-	53,002	-
Mutual funds:					
Domestic equity	105,765	105,765	81,699	24,066	-
International equity	131,274	131,274	131,274	-	-
Domestic fixed income	83,135	83,135	61,007	22,128	-
Global bonds	35,886	35,886	10,819	25,067	-
Exchange traded funds, domestic equity	176,469	176,469	176,469	-	-
Total assets whose use is limited	$ 863,280	$ 863,280	$ 619,193	$ 244,087	$ -
Restricted assets held by third-parties	$ 13,650	$ 13,650	$ 8,111	$ -	$ 5,539
Liabilities - recurring fair value measurements:					
Derivative financial instruments	$ 51,484	$ 51,484	$ -	$ 51,484	$ -
Assets disclosed at fair value:					
Cash and cash equivalents	$ 103,427	$ 103,427	$ 103,427	$ -	$ -
Liabilities disclosed at fair value:					
Long-term debt	$ 914,601	$ 968,550	$ -	$ 659,152	$ 309,398

Beneficial interests in perpetual trusts, which are included in restricted assets held by third-parties, are measured at fair value based on the trusts' underlying investments using unobservable inputs (Level 3). The following is a reconciliation of the opening and closing balances during the period ended December 31, 2015 and 2014:

Balance at December 31, 2013	$ 5,575
Valuation loss	(36)
Balance at December 31, 2014	5,539
Valuation loss	(397)
Balance at December 31, 2015	$ 5,142

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value and for financial instruments disclosed at fair value. There have been no changes in methodologies used at December 31, 2015 and 2014.

Cash and cash equivalents: The carrying amounts approximate fair value because of the short maturity of these financial instruments.

U.S. government and agency obligations: Valued based on spreads of published interest rate curves.

Marketable equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Marketable debt securities: Valued based on spreads of published interest rate curves.

Mutual funds: Mutual funds include investments in individual mutual funds and commingled funds (fund of funds). The individual mutual funds are valued at the quoted net asset value of shares (basis for trade) held by the System at year end and are considered Level 1. The commingled funds are not traded on national exchanges or over-the counter markets. The System is provided a net asset value per share for these alternative investments that has been calculated in accordance with investment company rules, which among other requirements indicates that the underlying investments be measured at fair value, and are considered Level 2. There are no unfunded commitments or significant redemption provisions related to the System's commingled funds.

Exchange traded funds: Valued at the quoted net asset value of shares (basis for trade) held by the System at year end.

Restricted assets held by third-parties: Assets consist primarily of cash and cash equivalents and mutual funds. Beneficial interests in perpetual trusts are valued based on the fair value of the trusts' underlying assets, which represents a proxy for discounted present value of future cash flows.

Derivative financial instruments: Valued based on proprietary models of an independent third party valuation specialist. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instruments and was estimated using the zero-coupon discounting method. This method calculates the future payments required by the derivative financial instruments, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the derivative financial instruments. The value represents the estimated exit price the System would pay to terminate the agreements. The change in fair value of derivative financial instruments and change in net unrealized gains and losses on investments is included in revenues in excess of expenses.

Long-term debt: Valued based on current rates offered for similar issues with similar securities terms and maturities, or estimated using a discount rate that a market participant would demand.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the System believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

6. Property and Equipment

Property and equipment and related accumulated depreciation consist of the following at December 31, 2015 and 2014 (in thousands):

	2015	2014
Land and land improvements	$ 70,966	$ 81,948
Buildings and building improvements	769,345	679,484
Equipment (including equipment under capital lease)	857,826	798,819
Leasehold improvements	11,838	11,659
Total	1,709,975	1,571,910
Less accumulated depreciation	822,010	748,510
	887,965	823,400
Construction in progress	111,528	86,330
Property and equipment, net	$ 999,493	$ 909,730

Construction in progress as of December 31, 2015 consists primarily of major renovation and expansion projects. Purchase commitments related to these and other miscellaneous projects were approximately $160,500,000 at December 31, 2015.

7. Revolving Line of Credit

WVUHS maintains an unsecured revolving line of credit in the amount of $30,000,000. There were borrowings outstanding of $10,465,000 at December 31, 2015 and $10,448,000 at December 31, 2014. Borrowings under the agreement bear interest at 1.30% per annum.

8. Long-Term Debt

A summary of long-term debt at December 31, 2015 and 2014 is as follows (in thousands):

	2015	2014
West Virginia Hospital Finance Authority Bonds:		
2015 Series - UHC, SJH, PVH	$ 33,860	$ -
2013 Series - WVUH, CCMC	206,945	209,555
2012 Series - WVUH, UHC, CCMC, BMC, JMC, University Healthcare Foundation, Inc.	164,310	168,250
2011 Series - WVUH, CCMC, BMC	56,092	59,387
2009 Series - WVUH, UHC, BMC	103,405	103,405
2008 Series - WVUH	35,155	78,275
2007 Series - CCMC	21,425	22,100
2006 Series - UHC	77,130	78,610
2004 Series - CCMC	65,650	65,650
2003 Series - WVUH	50,450	55,000
Other notes payable	136,078	79,055
Capital lease obligations	2,551	2,543
Total long-term debt	953,051	921,830
Net unamortized bond discount	(7,015)	(7,229)
Current maturities of long-term debt	(22,536)	(24,162)
Long-term debt	$ 923,500	$ 890,439

The scheduled principal repayments as of December 31, 2015 are as follows (in thousands):

Years ending December 31:	
2016	$ 22,536
2017	20,360
2018	21,117
2019	21,005
2020	19,964
Thereafter	848,069
Total	$ 953,051

Obligated Group

The Obligated Group consists of WVUH, UHC, CCMC, BMC, JMC, and University Healthcare Foundation, Inc. All members of the Obligated Group are jointly and severally liable for all outstanding obligations of the Obligated Group. Payments of principal and interest are collateralized by a pledge of revenues of the Obligated Group.

The Obligated Group is required to maintain certain financial ratios, maintain adequate insurance coverage, maintain net revenue requirements, maintain average annual debt service requirements, comply with certain limitations on additional debt, and comply with annual reporting requirements.

2015 Series - Hospital Revenue Bonds

In August 2015 and October 2015, the West Virginia Hospital Finance Authority (the "Authority") issued $33,860,000 of Hospital Revenue Bonds (the "2015 Bonds") on behalf of the Obligated Group, PVH and SJH. The proceeds of the 2015 Bonds were used to refund the existing PVH debt, reimburse the costs of various capital improvements and equipment for PVH, finance the acquisition of SJH, refund the existing SJH debt, and pay for the costs of issuance.

The 2015 Bonds include variable rate bonds of $33,860,000 maturing in 2027 through 2044 with interest rates ranging from 2.03% to 3.19% at December 31, 2015.

2013 Series - Hospital Revenue Refunding and Improvement Bonds

In September 2013, the Authority issued $210,675,000 of Hospital Revenue Refunding and Improvement Bonds (the "2013 Bonds") on behalf of the Obligated Group. The proceeds of the 2013 Bonds were used to refund Series 2004A Bonds, reimburse the costs of various capital improvements and equipment for WVUH and CCMC, and pay for the costs of issuance.

The 2013 Bonds include fixed rate serial bonds of $6,945,000 maturing in 2016 through 2019 with interest rates ranging from 3.00% to 5.00%; and fixed rate term bonds of $200,000,000 maturing in 2038 and 2044 with interest rates ranging from 5.375% to 5.50%.

2012 Series - Hospital Refunding Bonds

In August 2012 and October 2012, the Authority issued $178,000,000 of Hospital Refunding Bonds (the "2012 Bonds") on behalf of the Obligated Group. The proceeds of the 2012 Bonds were used to refund Series 2008A, 2008D, 2009A, 2009B and 2011A Bonds, reimburse the costs of various capital improvements and equipment for WVUH, CCMC and BMC, and pay for the costs of issuance.

The 2012 Bonds include variable rate bonds of $164,310,000 maturing in 2030 through 2041 with interest rates ranging from 1.095% to 1.659% at December 31, 2015.

2011 Series - Hospital Revenue and Hospital Refunding Bonds

In March 2011 and June 2011, the Authority issued $144,865,000 of Hospital Revenue and Hospital Refunding Bonds (the "2011 Bonds") on behalf of the Obligated Group. The proceeds of the 2011 Bonds were used to finance the acquisition of St. Joseph's Memorial Hospital, refund Series 1998 Bonds, reimburse the costs of various capital improvements and equipment for WVUH, CCMC and BMC, and pay for the costs of issuance.

In November 2014, the Obligated Group prepaid $16,345,000 of the 2011 Bonds using the unspent proceeds of the original issuance due to unanticipated changes in the WVUH capital projects intended to be funded by the original proceeds. Simultaneously, the Obligated Group entered into a $10,372,000 taxable term loan.

The 2011 Bonds include fixed rate bonds of $24,359,000 maturing in 2022 and 2026 with interest rates ranging from 3.12% to 3.54%; and fixed rate bonds of $31,733,000 maturing in 2021 and 2041 with fixed rates ranging from 4.00% to 4.95% through 2016, followed by variable rates through maturity dates.

2009 Series - Hospital Revenue Refunding and Improvement Bonds

In February 2009 and December 2009, the Authority issued $171,380,000 of tax-exempt Hospital Revenue Refunding and Improvement Bonds (the "2009 Bonds") on behalf of the Obligated Group. The proceeds of the 2009 Bonds were used to refund Series 2003C and 2008C Bonds, reimburse the costs of various capital improvements and equipment for WVUH, BMC and JMC, and pay for the costs of issuance.

The 2009 Bonds include fixed rate serial bonds of $103,405,000 maturing in 2039 with interest rates ranging from 4.00% to 5.50%.

2008 Series - Hospital Refunding Revenue Bonds

In August 2008 and September 2008, the Authority issued $216,180,000 of tax-exempt Hospital Refunding Revenue Bonds (the "2008 Bonds") on behalf of the Obligated Group. The proceeds of the 2008 Bonds were used to refund Series 2006B, 2006C, and 2006D auction rate certificates, refund Series 2005 Bonds, fund a debt service reserve fund for Series 2008E Bonds, and pay for the costs of issuance.

The 2008 Bonds include fixed rate serial bonds of $35,155,000 maturing in 2035 with interest rates ranging from 5.375% to 5.625%.

2007 Series - Hospital Auction Rate Certificates Improvement Revenue Bonds

In September 2007, the Authority issued $24,600,000 of Hospital Auction Rate Certificates Improvement Revenue Bonds (the "2007 Bonds") on behalf of CCMC. The proceeds of the 2007 Bonds were used to refund a bank loan, finance the costs of acquisition of certain equipment including capitalized interest thereon, fund a debt service reserve fund, and pay for the costs of issuance.

In October 2009, a supplemental master trust indenture amended and restated the 2007 Bonds. This amendment and restatement converted the terms and provisions of the auction rate certificates to fixed rate bonds.

In conjunction with the affiliation with WVUHS on March 1, 2011, the 2007 Bonds were amended to include CCMC within the Obligated Group. The 2007 Bonds include fixed rate bonds of $21,425,000 maturing in 2034 with interest rates ranging from 3.75% to 5.875%. The 2007 Bonds are insured by Assured Guaranty.

2006 Series - Hospital Revenue Bonds

In June 2006, the Authority issued $231,635,000 of tax-exempt Hospital Revenue Bonds (the "2006 Bonds") on behalf of the Obligated Group. The proceeds of the 2006 Bonds were used to finance the acquisition, construction, and equipping of a new hospital facility for UHC, pay interest on the 2006 Bonds for a specified period of time, and pay for the costs of issuance.

The 2006 Bonds include serial bonds of $8,525,000 maturing in 2016 through 2020 with interest rates ranging from 4.00% to 5.00%; and term bonds of $68,605,000 maturing in 2022 through 2041 with interest rates ranging from 4.50% to 5.25%. The 2006 Bonds are insured by Ambac Assurance Corporation.

2004 Series - Hospital Revenue Refunding and Improvement Bonds

In June 2004, the Authority issued $96,250,000 of Hospital Revenue Refunding and Improvement Bonds (the "2004 Bonds") on behalf of CCMC. The proceeds of the 2004 Bonds were used to refund all of the Wood County Building Commission Revenue Bonds, finance the costs of acquisition of certain equipment including capitalized interest thereon, fund a debt service reserve fund, and pay for the costs of issuance.

In conjunction with the affiliation with WVUHS on March 1, 2011, the 2004 bonds were amended to include CCMC within the Obligated Group. The 2004 Bonds include auction rate certificates of $51,550,000 and $14,100,000 maturing in 2034 with interest payable based upon 35-day auction periods. The 2004 Bonds are insured by AGM (formerly known as Financial Security Assurance Inc.).

2003 Series - Hospital Revenue Refunding and Improvement Bonds

In August 2003, the Authority issued $139,730,000 of tax-exempt Hospital Revenue Refunding and Improvement Bonds (the "2003 Bonds") on behalf of the Obligated Group. The proceeds of the 2003 Bonds were used to finance and reimburse the costs of various capital improvements and equipment for WVUH, redeem Series 1993 and Series 2002 Bonds, establish a debt service reserve fund, and pay for the costs of issuance.

The 2003 Bonds include auction rate certificates of $4,700,000 maturing in 2016 with interest payable based upon 35-day auction periods; and fixed rate bonds of $45,750,000 maturing in 2033 with interest rates ranging from 5.375% to 5.50%. The 2003 Bonds are insured by AGM (formerly known as Financial Security Assurance Inc.).

The interest rates for the 2004 and 2003 Bonds are subject to auction rate certificates with 35-day auction periods. Interest rates as determined by these auctions are subject to various risks including changes in the credit markets, re-marketing mechanisms, and the potential for failed auctions. The default interest rate for the 2004 and 2003 Bonds is based upon a formulaic maximum rate which approximates 3.82% to 5.45%.

Other Notes Payable and Capital Lease Obligations

In conjunction with the acquisition of SJH in October 2015, SJH entered into a $10,749,000 promissory note with Pallottine Health Services, Inc. to pay off existing amounts owed by SJH. Principal payments are due monthly and the loan matures in October 2020. The loan bears no interest.

In March 2015, the System obtained a $43,360,000 taxable term loan to retire the 2008B Bonds. Principal payments are due in varying installments on June 1 each year, with a final lump sum payment due on March 31, 2025. Interest is payable monthly at a variable rate equal to one-month LIBOR plus 0.92% (1.16% at December 31, 2015).

In November 2014, the System obtained a $10,372,000 taxable term loan to finance various WVUH capital improvements. Interest only payments are due monthly through December 2018. Monthly interest and principal payments are due thereafter and the loan matures in June 2021. The loan bears interest at a fixed interest rate of 4.63% per annum.

In August 2014, WVUH purchased a parcel of land and office building for a purchase price of $21,547,000. WVUH paid $3,715,500 in cash at closing and financed the remaining purchase price with a 20 year promissory note. Principal and interest payments are due monthly and the note bears interest at a fixed rate of 6.50% per annum.

In September 2013, the System obtained a $50,000,000 draw-down term loan (the "2013 Term Loan") from BB&T to finance and reimburse the costs of various capital improvements and equipment for WVUH and pay for the costs related to the loan. Interest only payments are due monthly with the outstanding principal due September 2028. The loan bears interest at a variable rate equal to one-month LIBOR plus 1.15% (1.38% at December 31, 2015). WVUH has drawn down $40,992,000 as of December 31, 2015.

Other notes payable and capital leases consist of bank loan agreements and capital leases that are secured by equipment and property with various expiration dates and require monthly principal and interest payments.

9. Derivative Financial Instruments

The System's primary objective for holding derivative financial instruments is to manage interest rate risk. The derivative financial instruments are recorded at fair value, which is the amount that the System would pay to terminate the respective agreements, based upon information supplied by an independent third party valuation specialist.

The System follows accounting guidance on derivative financial instruments that is based on whether the derivative instrument meets the criteria for designation as cash flow or fair value hedges. The criteria for designating a derivative as a hedge include the assessment of the instrument's effectiveness in risk reduction, matching of the derivative instrument to its underlying transaction, and the assessment of the probability that the underlying transaction will occur. All of the System's derivative financial instruments are interest rate swap agreements without hedge accounting designation. The System does not utilize interest rate swap agreements or other financial instruments for trading or other speculative purposes.

Prior to January 1, 2008, certain swap agreements had been designated as cash flow hedges of variable-rate debt with no hedge ineffectiveness; therefore, changes in the fair value of the swap agreements were recorded as changes in unrestricted net assets. Under the cash flow hedge accounting methodology, the gains or losses recorded as changes in unrestricted net assets were to be reclassified into revenues in excess of expenses upon the sale or termination of the swap agreement. Subsequent authoritative guidance related to the accounting for cash flow hedges that are not based on a benchmark interest rate stipulated that interest rates, which are reset through an auction (remarketing) process, do not qualify as a benchmark rate and therefore the swap agreement that previously qualified for hedge accounting no longer qualified. At that time, the System began amortizing the accumulated changes in fair value of the swap agreements to income over the remaining term of the agreements.

In 2003, the System entered into two interest rate swap agreements (the "2003 Agreements") in connection with the 2003 Bonds. The first agreement has a notional value of $4,700,000 and terminates on June 1, 2016. The second agreement, which has transferred to the 2012 Bonds, has a notional value of $44,650,000 and terminates on June 1, 2033. The 2003 Agreements require the System to pay a fixed rate while receiving variable interest rates based upon 70% of LIBOR. The fair value of the 2003 Agreements was $10,565,000 at December 31, 2015 and $11,092,000 at December 31, 2014.

In 2004, CCHS entered into an interest rate swap agreement (the "2004 Agreement") in connection with the 2004 Bonds. In conjunction with the affiliation with WVUHS on March 1, 2011, the swap agreement was amended to include the Obligated Group. The 2004 Agreement has a notional value of $51,550,000 and terminates on February 15, 2034. The 2004 Agreement requires the System to pay a fixed rate while receiving a variable interest rate based upon 67% of LIBOR. The fair value of the 2004 Agreement was $12,931,000 at December 31, 2015 and $13,115,000 at December 31, 2014.

In 2005, the System entered into an interest rate swap agreement (the "2005 Agreement") in connection with the 2005 Bonds. The 2005 Agreement, which has transferred to the 2012 Bonds, has a notional value of $15,975,000 and terminates on June 1, 2030. The 2005 Agreement requires the System to pay a fixed rate while receiving a variable interest rate of 70% of LIBOR. The fair value of the 2005 Agreement was $2,409,000 at December 31, 2015 and $2,530,000 at December 31, 2014.

In 2006, the System entered into two interest rate swap agreements (the "2006 Agreements") in connection with the 2006 Bonds. The first agreement, which has transferred to 2012 Bonds, has a notional value of $29,450,000 and terminates on June 1, 2041. The second agreement has a notional value of $42,200,000 and terminates on June 1, 2041. The 2006 Agreements require the System to pay a fixed rate while receiving variable interest rates based upon 70% of LIBOR. The fair value of the 2006 Agreements was $19,800,000 at December 31, 2015 and $20,000,000 at December 31, 2014.

In 2007, CCHS entered into an interest rate swap agreement (the "2007 Agreement") in connection with the 2007 Bonds. In conjunction with the affiliation with WVUHS on March 1, 2011, the swap agreement was amended to include the Obligated Group. The 2007 Agreement has a notional value of $21,125,000 and terminates on February 15, 2034. The 2007 Agreement requires the System to pay a fixed rate while receiving a variable interest rate based upon 67% of LIBOR. The fair value of the 2007 Agreement was $4,591,000 at December 31, 2015 and $4,747,000 at December 31, 2014.

The System recognizes gains and losses from changes in fair values of interest rate swap agreements as non-operating revenue or expense within revenues in excess of expenses in the consolidated statement of operations. The net cash paid or received under the swap agreements is recognized as an adjustment to interest expense. No termination payments would be required if the swap agreements are held to maturity.

Entering into interest rate swap agreements involves, to varying degrees, elements of credit, default, prepayment, market and documentation risk. Such risks involve the possibility that there will be no liquid market for these agreements, the counterparty to these agreements may default on its obligation to perform and there may be unfavorable changes in interest rates. The notional amounts of the swap agreements are used to measure the interest to be paid or received and do not represent the amount of exposure to credit loss. Exposure to credit loss is limited to the receivable amount, if any, which may be generated as a result of the swap agreements. Management believes that losses related to credit risk are remote.

10. Pension Plans

WVUH and University Healthcare provide various defined contribution plans which cover substantially all full-time employees. Employees are eligible to contribute, and WVUH and University Healthcare will match a percentage of their base compensation up to a limit depending on the employee's years of service. Both employee and employer contributions are 100% vested upon entry into the plan for WVUH. Employee contributions are 100% vested upon entry into the plan and employer contributions are vested over a five year period for the University Healthcare plan.

Approximately 1% of WVUH's employees continue to be paid by the State of West Virginia. Those employees also participate in a defined contribution pension plan for state employees. WVUH reimburses the state for all costs of these employees, including salaries and wages, pension expense, and other related fringe benefits.

UHC and UPC provide defined contribution pension plans covering substantially all employees. Contributions to the plan are based on a variable percentage, ranging from 2.75% to 9.75% of the participating employees' compensation. Current policy is to fund the amount accrued for pension costs.

UHC and UPC provide Tax Sheltered Annuity Thrift Plans (the “TSA Plans”), which are deferred compensation plans under Section 403(b) of the Internal Revenue Code. All full-time employees are eligible to participate in the TSA Plans. All employee elective deferrals made on behalf of such participants shall be invested in a tax deferred annuity contract or custodial account at the employee's direction and vest immediately. UHC and UPC do not contribute to the TSA Plans.

CCMC provides a defined contribution plan covering substantially all employees. Employees are eligible to contribute, and CCMC makes matching contributions to the plan based on a variable percentage, ranging from 2% to 6% of the participating employees’ compensation. Employee contributions are 100% vested upon entry into the plan and employer contributions are vested over a three year period.

The System’s expense related to these plans was $15,584,000 in 2015 and $14,585,000 in 2014.

CCMC maintains a noncontributory defined benefit pension plan that covers substantially all of its employees who were employed on or before June 30, 2012, at which time the plan was frozen to new entrants. Accrued benefits were also frozen as of that date.

SJH maintains a noncontributory defined benefit pension plan that covers substantially all of its employees who were employed on or before December 31, 2013, at which time the plan was frozen to new entrants. Accrued benefits were also frozen as of that date. This plan was part of the SJH acquisition (Note 2).

The following table sets forth the change in benefit obligation, the fair value of plan assets, and the amounts recognized in the consolidated balance sheet at December 31, 2015 and 2014 (in thousands):

	2015	2014
Change in projected benefit obligation:		
Projected benefit obligation, beginning of year	$ 46,732	$ 37,211
Interest cost	1,758	1,810
Actuarial (gain) loss	(4,275)	10,996
Benefits paid	(806)	(727)
Settlement	(3,352)	(2,558)
Projected benefit obligation related to acquisition (Note 2)	14,132	-
Projected benefit obligation, end of year	$ 54,189	$ 46,732
Change in plan assets:		
Fair value of plan assets, beginning of year	$ 37,950	$ 34,585
Actual return on plan assets (net of expense)	(1,335)	3,410
Employer contributions	3,240	3,240
Benefits paid	(806)	(727)
Settlement	(3,352)	(2,558)
Fair value of plan assets related to acquisition (Note 2)	4,517	-
Fair value of plan assets, end of year	40,214	37,950
Funded status at end of year	$ (13,975)	$ (8,782)
Accumulated benefit obligation	$ 54,189	$ 46,732

The following table sets forth the components of net periodic pension costs in 2015 and 2014 (in thousands):

	2015	2014
Interest cost	$ 1,758	$ 1,810
Expected return on plan assets	(2,740)	(2,507)
Amortization of actuarial loss	323	157
Settlement charge	1,329	960
Net periodic pension cost	$ 670	$ 420

A net actuarial loss of $15,688,000 at December 31, 2015 and $17,540,000 at December 31, 2014, represents the unrecognized component of net periodic pension cost included in unrestricted net assets.

Estimated amortization of the net loss of $293,000 is expected to be recognized in net periodic pension cost in the next fiscal year.

The following assumptions were used to determine benefit obligations at December 31, 2015 and 2014:

	2015	2014
Discount rate	4.22 %	3.82 %
Rate of compensation increase	- %	- %

The weighted-average assumptions used in the measurement of net periodic benefit cost for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
Discount rate	3.82 %	4.81 %
Rate of compensation increase	- %	- %
Expected long-term return on plan assets	7.00 %	7.00 %

The basis for determining the overall expected long-term rate of return on assets has been based on the assumption that future real returns will approximate historic long-term rates of return experienced for each asset class in the investment policy statement. Based on this analysis, it was determined that the long-term rate of return should be consistently applied.

When determining an appropriate risk tolerance, the System examines the financial ability to accept risk within the investment program and the willingness to accept return volatility. Based on these factors, a range of investment percentages has been established, by asset type, to which the mix of assets should be generally maintained. When necessary, the portfolio will be rebalanced within the target allocations.

Actual allocation and targeted percentages as of December 31, 2015 and 2014 are as follows:

	Actual Percentage		Targeted Percentage	
	2015	2014	2015	2014
Cash and cash equivalents	1 %	- %	- %	- %
Equity securities	55	61	52	52
Fixed income securities	44	39	48	48

The following table summarizes the plan's assets measured at fair value on a recurring basis at December 31, 2015 and 2014 (in thousands):

	December 31, 2015		
	Level 1	Level 2	Assets at Fair Value
Cash and cash equivalents	$ 305	$ -	$ 305
U.S. government and agency obligations	-	736	736
Marketable equity securities	2,271	-	2,271
Marketable debt securities	-	664	664
Mutual funds, fixed income	20,932	-	20,932
Mutual funds, equity:			
Domestic funds	9,359	-	9,359
International funds	5,360	-	5,360
Exchange traded funds, domestic equity	587	-	587
Total	$ 38,814	$ 1,400	$ 40,214

	December 31, 2014		
	Level 1	Level 2	Assets at Fair Value
Cash and cash equivalents	$ 65	$ -	$ 65
Mutual funds, fixed income	23,058	-	23,058
Mutual funds, equity:			
Domestic funds	9,712	-	9,712
International funds	5,115	-	5,115
Total	$ 37,950	$ -	$ 37,950

There were no Level 3 investments at December 31, 2015 and 2014.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2015 and 2014.

Cash and cash equivalents: The carrying amounts approximate fair value because of the short maturity of these financial instruments.

U.S. government and agency obligations: Valued based on spreads of published interest rate curves.

Marketable equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Marketable debt securities: Valued based on spreads of published interest rate curves.

Mutual funds: Valued at the quoted net asset value of shares (basis for trade) held by the System at year end.

Exchange traded funds: Valued at the quoted net asset value of shares (basis for trade) held by the System at year end.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the System believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The System expects to contribute approximately $3,240,000 to the defined benefit plans in 2016.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years ending December 31:	
2016	$ 1,523,000
2017	1,593,000
2018	1,953,000
2019	2,016,000
2020	1,990,000
2021 - 2025	13,549,000

11. Net Assets

Temporarily and permanently restricted net assets consist of funds restricted for the following purposes at December 31, 2015 and 2014 (in thousands):

	2015	2014
Temporarily restricted:		
Pediatric care	$ 5,223	$ 5,002
Purchases of property and equipment	2,512	1,916
Various healthcare related activities	1,686	1,465
Other	2,603	3,025
Total	$ 12,024	$ 11,408
Permanently restricted:		
Endowment funds - income expendable to support various healthcare services and purchase equipment	$ 589	$ 710
Perpetual income trusts - income expendable to support charity care and other healthcare services	5,142	5,539
Total	$ 5,731	$ 6,249

The System released temporarily restricted net assets of $222,000 in 2015 and $376,000 in 2014 for the purchase of property and equipment and $713,000 in 2015 and $916,000 in 2014 for operations since the donors' restrictions to purchase certain property and equipment and to provide certain services had been met.

12. Medical Malpractice Claims Coverage

The System entities maintain various self-insurance programs for medical malpractice insurance and general liability insurance. These programs require the System entities to deposit funds either into trust funds or other investment accounts, based upon actuarial calculations, sufficient to cover estimated claims.

The System entities operate self-insurance programs and these programs cover WVUH, UHC and its subsidiaries, UPC, University Healthcare, PVH and CCMC. Medical malpractice and general liability claims are managed by WVUHS and the System entities legal staff. WVUHS and the Systems entities legal staff utilize specialized experts and outside attorneys where such expertise is considered needed.

The self-insurance programs are funded on an occurrence basis and include coverage for both hospital, with the exception of CCMC, and employed physician general and professional liability. In certain cases, specific prior acts periods are included where operating units had claims-made coverage for all or some portion of their exposures at earlier points.

WVUHS maintains a master excess coverage on a claims-made basis with a prior acts date of August 1, 2007 that provides limits of eighty percent of $20 million of limit per claim on a shared limit basis, with an attachment point of $15 million any one claim and $30 million in the annual aggregate. This coverage applies to WVUH, UHC and its subsidiaries, UPC, University Healthcare and PVH only. The WVUHS master excess policy is with a mutual insurance company and includes a shared savings account. The shared savings account is used to buffer results volatility and is returnable in whole or part to an insured several years after they leave the mutual insurance company.

The self-insurance program for CCMC is also funded on an occurrence basis. CCMC maintains a separate excess coverage on a claims-made basis with a limit of $10 million and an attachment of $1 million for general liability and $5 million for professional liability with prior acts coverage for certain periods of time at varying policy limits and at attachment points that generally increase over time. CCPC maintains separate professional liability coverage for its employed physicians on a claims-made basis with individual limits of liability of $1 million per claim and $3 million annual aggregate.

Additionally, SJH maintains primary and excess coverages with Community Hospital Alternative for Risk Transfer (“CHART”) under a claims-made policy. CHART was formed as a reciprocal risk retention group to provide liability insurance, reinsurance, and risk management services for its subscribers.

The System’s estimated future payments of its asserted and unasserted general and medical malpractice claims liabilities under their self-insurance programs were $54,601,000 at December 31, 2015 and $58,358,000 at December 31, 2014. These estimates are based upon actuarially determined estimates of the ultimate costs for known reported claims and claims incurred but not reported under the self-insurance programs. The discount rate used in determining the liabilities was 3.5% at December 31, 2015 and 2014.

The System believes it has adequate self-insurance and insurance coverages and accruals for all asserted claims and it has no knowledge of unasserted claims which would exceed its self-insurance and insurance coverages and accruals.

13. Workers' Compensation Claims Coverage

The System maintains insurance policies with a stated per occurrence deductible and a stated deductible aggregate for workers' compensation claims. The policies provide statutory workers' compensation limits of liability. The System was required to establish loss funds and provide letters of credit to secure the deductible obligations. The letters of credit total $5,485,000 at December 31, 2015, and are automatically renewed by the bank every July 1st unless notified 90 days prior to the renewal date.

14. Related-Party Transactions

WVUH has an agreement with the University to provide a minimum of $4,000,000 per year in educational expenses for the University's interns and residents and a clinical teaching subsidy of not less than $6,000,000 per year. WVUH also pays the University for other expenses such as state employee salaries, certain utilities, and rents. Total payments made to the University, including $20,678,000 in 2015 and 2014 related to WVUH's contribution of UPL payments, were $55,995,000 in 2015 and $53,832,000 in 2014, and the associated expenses are included in supplies and purchased services in the consolidated statement of operations.

During 2010, WVUH entered into a Joint Operating Agreement ("JOA") with West Virginia University Medical Corporation d/b/a University Health Associates ("UHA") and the University in order to further integrate their mission and purpose, management, clinical activities, and economic and financial activities. WVUH and UHA will function as a single strategic and economic unit while retaining their separate corporate identities. The JOA, as amended, requires an equalization of the operating margin. This resulted in payments from WVUH to UHA of $49,552,000 in 2015 and $39,976,000 in 2014, and the associated expenses are included in supplies and purchased services in the consolidated statement of operations. The total amount payable to UHA was $4,033,000 at December 31, 2015 and $3,889,000 at December 31, 2014.

Additionally, the JOA, as amended, requires a transfer of 50% of the excess operating margin of WVUH and UHA between 3.0% and 3.5% and 100% of the excess operating margin greater than 3.5%, capped at $2,500,000, to the University's School of Medicine. Any excess margin over $2,500,000 is distributed as follows: 1) 10% to the University's School of Medicine; 2) 30% to UHA to support physician incentive compensation; and 3) 60% to support WVUH and UHA strategic initiatives. The contribution from WVUH to the University's School of Medicine was $9,657,000 in 2015 and $8,547,000 in 2014, and is included in transfers to the school of medicine and strategic initiatives in the consolidated statement of changes in net assets. Actual payments totaled $8,547,000 in 2015 and $1,968,000 in 2014, with a total amount payable to the University's School of Medicine of $9,657,000 at December 31, 2015 and $8,547,000 at December 31, 2014.

WVUH performs certain information technology and other services on behalf of UHA. Payments for these services were $5,170,000 in 2015 and $5,269,000 in 2014. The total amount receivable from UHA related to these services was $551,000 at December 31, 2015 and $542,000 at December 31, 2014.

UHA provides various medical director services and other medical service support to WVUH. Payments for these services were $5,815,000 in 2015 and $3,638,000 in 2014, and the associated expenses are included in supplies and purchased services in the consolidated statement of operations.

Effective January 1, 2013, University Healthcare entered into a Mission Support Agreement ("MSA") with University Healthcare Physicians (“UHP”). The MSA ensures UHP operating losses are funded by University Healthcare on a monthly basis. Break even operations are calculated on a monthly basis for UHP and any losses are recorded by BMC and JMC as mission support. Total mission support was $12,195,000 in 2015 and $9,834,000 in 2014, and is included in supplies and purchased services in the consolidated statement of operations.

WVUH, Charleston Area Medical Center, and Cabell Huntington Hospital are members of HealthNet, Inc. (“HNET”), an aeromedical transport service company. Each member's ownership percentage is 33 1/3%. HNET is a West Virginia nonprofit corporation, which the Internal Revenue Service has determined is recognized as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

HNET’s members are required to support HNET to the extent that expenses exceed revenues. HNET had net income of $842,000 in 2015 and $156,000 in 2014. Any excess is distributed to the members during the following fiscal year. WVUH did not receive distributions in 2015 or 2014. WVUH made payments to HNET of $705,000 in 2015 and $502,000 in 2014 due to certain start up costs and cash shortfalls. Amounts due from HNET were $3,069,000 at December 31, 2015 and $3,327,000 at December 31, 2014, and are included in other assets in the consolidated balance sheet.

15. Operating Leases

The System leases certain equipment and office buildings under the terms of non-cancellable operating leases. The following is a schedule of future minimum lease payments under operating leases as of December 31, 2015, that have initial or remaining lease terms in excess of one year (in thousands):

Years ending December 31:	
2016	$ 8,740
2017	8,475
2018	7,456
2019	6,891
2020	6,571
Thereafter	3,836
Total	$ 41,969

Rental expense for all operating leases was $14,169,000 in 2015 and $11,839,000 in 2014.

16. Concentrations of Credit Risk

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements, primarily with Medicare, Medicaid, and various commercial insurance companies. The System maintains allowances for potential credit losses and such losses have historically been within management's expectations. The mix of receivables at December 31, 2015 and 2014 from patients and third-party payors is as follows:

	2015	2014
Medicare	28 %	28 %
Medicaid	12	15
Blue Cross	25	23
Commercial/HMO/Other	32	30
Patients	3	4
Total	100 %	100 %

17. Commitments and Contingencies

Commitments

On April 1, 1988, WVUH and UHA, which owns and operates a Physician Office Center adjacent to WVUH's facilities, entered into an Operating Credit Agreement. To finance the Physician Office Center, the Authority issued $23,500,000 of tax-exempt Hospital Revenue Bonds. The Operating Credit Agreement requires WVUH "to loan or otherwise make funds available to UHA to the extent that the revenues of UHA are not sufficient to pay the operating expenses thereof during the period following completion of the Physician Office Center until the payment of the bonds in full". The remaining debt of $8,815,000 was refinanced on June 30, 2011 with WVUH entering into a Guaranty Agreement as the Obligated Group Agent. To date, WVUH has not been required to advance any funds on behalf of UHA relating to the Operating Credit Agreement. The outstanding balance of the Hospital Revenue Bonds at December 31, 2015 was $3,145,000.

WVUH has commitments for the additional purchase of ownership in limited partnerships of $80,329,000 at December 31, 2015, over the next ten years.

CCMC has license agreements through 2020 for a new healthcare information system. The expected cost of the information system is $26,410,000. At December 31, 2015, $20,004,000 has been paid and CCMC is committed for an additional $6,406,000.

Healthcare Industry

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Management is not aware of any material incidents of noncompliance that have not been provided for in the accompanying consolidated financial statements; however, the possible future financial effects of this matter on the System, if any, are not presently determinable.

Asbestos

Certain facilities owned by the System, which were constructed prior to the passage of the Clean Air Act, contain encapsulated asbestos material. Current law requires that this asbestos be removed in an environmentally safe fashion prior to the demolition and renovation of these buildings. At this time, the System has plans to dispose of a facility which contains this asbestos material; however management does not believe the fair value of the liability for such asbestos removal would have a material effect on the consolidated financial statements, and as such, has not been recognized in the accompanying consolidated financial statements. The fair value of the liability for such asbestos removal related to the other facilities (those which the System does not have plans to dispose or renovate) cannot be reasonably estimated at this time. Once these plans are finalized and information becomes available to estimate such a liability, it will be recognized at that time.

Disproportionate Share Hospital State Plan

The State of West Virginia Disproportionate Share Hospital State Plan was amended to provide for a settlement process among participating hospitals. The state has not completed a settlement process for the years subsequent to 1996. The Bureau for Medical Services of the State of West Virginia Department of Health and Human Resources has contracted with a third-party vendor to assist with the audit settlement process for the Disproportionate Share Hospital (“DSH”) State Plan. The laws and regulations governing the DSH settlement process are complex, involving statistical data from all participating hospitals, and subject to interpretation. Accordingly, the System is not able to estimate the possible loss or gain that could arise upon completion of the DSH settlement process. The results of the resolution of the settlement process could materially impact the System's future results of operations or cash flows in a particular period.

Meaningful Use

The Health Information Technology for Economic and Clinic Health (“HITECH”) portion of the American Recovery and Reinvestment Act of 2009 included incentive payments under the Medicare and Medicaid programs for certain healthcare providers to use certified electronic health records (“EHR”) technology in ways that can positively impact patient care. In order to be eligible for EHR incentive funding, eligible hospitals and professionals must use a certified EHR, report quality measures, and demonstrate meaningful use as defined by HITECH.

The System is entitled to receive Medicare and Medicaid incentive payments for the adoption of certified EHR technology as the individual hospitals have satisfied the statutory and regulatory requirements. Income from incentive payments is subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, the System's compliance with the meaningful use criteria is subject to audit by the federal government.

18. Functional Expenses

The System provides general health care and related services to individuals within its geographic region. Expenses related to providing these services in 2015 and 2014 are as follows (in thousands):

	2015	2014
Healthcare and other related services	$ 1,263,385	$ 1,187,026
General and administrative	323,488	301,161
Fundraising	1,217	1,298
Total	$ 1,588,090	$ 1,489,485

19. Subsequent Events

Effective February 19, 2016, management obtained the necessary consents and approvals and completed the legal process to admit WVUHS into the Obligated Group.

In February 2016, the System entered into a letter of intent with Reynolds Memorial Hospital ("RMH"), whereby WVUHS would become the sole member of RMH. RMH is a 90 bed acute care hospital located in Glen Dale, West Virginia. RMH has annual operating revenue of approximately $35,000,000 and total assets of approximately $25,000,000. The proposed transaction will require the approval of a Certificate of Need from the West Virginia Health Care Authority before closing.

West Virginia United Health System, Inc. and Controlled Entities

Consolidating Schedule of Balance Sheet Information
December 31, 2015
(In Thousands)

	West Virginia University Hospital	United Hospital Center	Camden Clark Medical Center	Berkeley Medical Center	Jefferson Medical Center	University Healthcare Foundation	Eliminations	Total Obligated Group	Non-Obligated Group	Eliminations	Total Consolidated
Assets											
Current Assets											
Cash and cash equivalents	$ 16,435	$ 38,656	$ 7,141	$ 16,285	$ 15,710	$ 1,198	$ -	$ 95,425	$ 23,274	$ -	$ 118,699
Current portion of assets whose use is limited	6,167	9,052	4,647	1,200	255	-	-	21,321	-	-	21,321
Accounts receivable:											
Patients, net	94,452	34,453	26,284	15,219	4,931	-	-	175,339	16,200	-	191,539
Other	11,921	1,000	889	4,166	963	26	-	18,965	2,732	-	21,697
Affiliates	12,012	3,218	1,596	1,895	408	-	(7,270)	11,859	18,675	(30,534)	-
Inventories of supplies	16,220	3,695	5,190	2,294	553	-	-	27,952	1,925	-	29,877
Prepaid expenses and other current assets	3,680	4,966	6,028	1,002	16	119	-	15,811	(3,225)	-	12,586
Total current assets	160,887	95,040	51,775	42,061	22,836	1,343	(7,270)	366,672	59,581	(30,534)	395,719
Assets Whose Use is Limited											
Board-designated funds:											
Funded depreciation	285,118	165,062	33,027	14,294	10,179	12,648	-	520,328	5,029	-	525,357
Debt repayment	189,808	-	-	-	-	-	-	189,808	855	-	190,663
Malpractice self-insurance	27,965	-	-	-	-	-	-	27,965	-	-	27,965
Under trust indenture, held by trustee	46,261	11,597	27,138	61	16	2	-	85,075	-	-	85,075
Malpractice self-insurance, held by trustee	-	13,049	8,291	4,055	1,475	-	-	26,870	929	-	27,799
Foundation investments	14,428	-	-	-	-	-	-	14,428	9,920	-	24,348
Noncurrent portion of assets whose use is limited	563,580	189,708	68,456	18,410	11,670	12,650	-	864,474	16,733	-	881,207
Property and Equipment, Net	435,016	292,898	131,596	56,595	15,553	18,886	-	950,544	48,949	-	999,493
Restricted Assets Held by Third-Parties	8,497	-	-	102	5,482	59	(441)	13,699	-	-	13,699
Deferred Financing Costs, Net	4,561	2,121	3,844	230	31	8	-	10,795	577	-	11,372
Due from Affiliates	8,723	-	-	-	-	-	-	8,723	431	(9,154)	-
Other Assets, Net	29,636	3,773	11,225	3,989	354	1,124	-	50,101	25,257	(678)	74,680
Total assets	$ 1,210,900	$ 583,540	$ 266,896	$ 121,387	$ 55,926	$ 34,070	$ (7,711)	$ 2,265,008	$ 151,528	$ (40,366)	$ 2,376,170

West Virginia United Health System, Inc. and Controlled Entities

Consolidating Schedule of Balance Sheet Information
December 31, 2015
(In Thousands)

	West Virginia University Hospital	United Hospital Center	Camden Clark Medical Center	Berkeley Medical Center	Jefferson Medical Center	University Healthcare Foundation	Eliminations	Total Obligated Group	Non-Obligated Group	Eliminations	Total Consolidated
Liabilities and Net Assets											
Current Liabilities											
Line of credit	$ -	$ -	$ 9,550	$ -	$ -	$ -	$ -	$ 9,550	$ 915	$ -	$ 10,465
Current maturities of long-term debt	7,708	6,201	4,225	2,026	726	298	-	21,184	1,352	-	22,536
Accounts payable and accrued expenses	56,564	7,989	9,514	7,780	2,638	103	-	84,588	8,844	-	93,432
Due to affiliates	7,830	4,882	8,117	3,430	1,353	332	(7,270)	18,674	11,860	(30,534)	-
Estimated third-party payor settlements	9,681	1,801	(1,647)	285	2,275	-	-	12,395	2,101	-	14,496
Salaries and benefits payable	40,203	14,021	8,857	9,473	2,252	-	-	74,806	9,951	-	84,757
Accrued interest payable	1,337	575	735	1,981	803	217	-	5,648	33	-	5,681
Current portion of malpractice costs	5,459	3,459	1,600	1,200	255	-	-	11,973	157	-	12,130
Deferred revenue	(3)	106	-	-	13	-	-	116	8	-	124
Total current liabilities	128,779	39,034	40,951	26,175	10,315	950	(7,270)	238,934	35,221	(30,534)	243,621
Long-Term Debt	384,764	222,006	208,368	48,561	10,100	8,714	-	882,513	40,987	-	923,500
Malpractice Costs	20,943	7,067	7,873	4,073	865	-	-	40,821	1,650	-	42,471
Derivative Financial Instruments	10,566	19,800	17,522	2,110	298	-	-	50,296	-	-	50,296
Due to Affiliates	431	-	-	-	-	-	-	431	8,723	(9,154)	-
Pension Liability	-	-	4,360	-	-	-	-	4,360	9,615	-	13,975
Other Liabilities	1,356	166	808	-	-	74	-	2,404	919	-	3,323
Total liabilities	546,839	288,073	279,882	80,919	21,578	9,738	(7,270)	1,219,759	97,115	(39,688)	1,277,186
Net Assets (Deficit)											
Unrestricted	655,565	295,467	(12,986)	40,366	28,867	23,891	-	1,031,170	50,737	(678)	1,081,229
Temporarily restricted	8,019	-	-	102	339	441	(441)	8,460	3,564	-	12,024
Permanently restricted	477	-	-	-	5,142	-	-	5,619	112	-	5,731
Total net assets	664,061	295,467	(12,986)	40,468	34,348	24,332	(441)	1,045,249	54,413	(678)	1,098,984
Total liabilities and net assets	$ 1,210,900	$ 583,540	$ 266,896	$ 121,387	$ 55,926	$ 34,070	$ (7,711)	$ 2,265,008	$ 151,528	$ (40,366)	$ 2,376,170

West Virginia United Health System, Inc. and Controlled Entities

Consolidating Schedule of Operations
Year Ended December 31, 2015
(In Thousands)

	West Virginia University Hospital	United Hospital Center	Camden Clark Medical Center	Berkeley Medical Center	Jefferson Medical Center	University Healthcare Foundation	Eliminations	Total Obligated Group	Non-Obligated Group	Eliminations	Total Consolidated
Unrestricted Revenues											
Patient service revenues (net of contracutal allowances and discounts)	$ 764,323	$ 293,901	$ 235,892	$ 178,093	$ 53,601	$ -	$ (812)	$ 1,524,998	$ 88,941	$ (537)	$ 1,613,402
Provision for bad debts	(10,212)	(18,094)	(9,941)	(7,571)	(3,412)	-	-	(49,230)	(4,291)	-	(53,521)
Net patient service revenues	754,111	275,807	225,951	170,522	50,189	-	(812)	1,475,768	84,650	(537)	1,559,881
Other revenues	62,479	9,082	5,806	5,282	1,276	2,256	(980)	85,201	50,030	(43,448)	91,783
Total unrestricted revenues	816,590	284,889	231,757	175,804	51,465	2,256	(1,792)	1,560,969	134,680	(43,985)	1,651,664
Expenses											
Supplies and purchased services	346,275	96,536	104,710	72,545	17,611	959	(1,792)	636,844	40,508	(31,289)	646,063
Salaries and wages	294,298	108,530	78,723	69,450	21,296	388	-	572,685	82,934	(7,502)	648,117
Employee benefits	65,997	31,788	19,836	18,396	4,665	116	-	140,798	18,871	(2,571)	157,098
Depreciation and amortization	45,269	24,378	16,892	9,270	2,821	824	-	99,454	5,300	(2,387)	102,367
Interest	12,037	9,913	7,773	3,363	552	362	-	34,000	980	(535)	34,445
Total expenses	763,876	271,145	227,934	173,024	46,945	2,649	(1,792)	1,483,781	148,593	(44,284)	1,588,090
Operating income (loss)	52,714	13,744	3,823	2,780	4,520	(393)	-	77,188	(13,913)	299	63,574
Other Income (Loss)											
Investment income (loss)	(2,398)	(1,258)	(351)	(91)	(156)	(211)	-	(4,465)	834	(299)	(3,930)
Change in fair value of derivative financial instruments	295	200	340	99	14	-	-	948	-	-	948
Asset impairment losses	-	-	(25,545)	-	-	-	-	(25,545)	-	-	(25,545)
Other, net	(1,798)	215	14	(285)	(41)	(202)	-	(2,097)	(59)	-	(2,156)
Revenues in excess of (less than) expenses	48,813	12,901	(21,719)	2,503	4,337	(806)	-	46,029	(13,138)	-	32,891
Pension Liability Adjustment	-	-	1,852	-	-	-	-	1,852	-	-	1,852
Transfers to the School of Medicine and Strategic Initiatives	(11,373)	-	-	-	-	-	-	(11,373)	-	-	(11,373)
Other	982	-	(630)	146	85	-	-	583	-	-	583
Transfers from (to) Affiliates	(2,205)	(11,817)	(32,316)	(130)	(40)	-	-	(46,508)	46,508	-	-
Increase (decrease) in unrestricted net assets	$ 36,217	$ 1,084	$ (52,813)	$ 2,519	$ 4,382	$ (806)	$ -	$ (9,417)	$ 33,370	$ -	$ 23,953

West Virginia United Health System, Inc. and Controlled Entities

Consolidating Schedule of Changes in Net Assets
Year Ended December 31, 2015
(In Thousands)

	West Virginia University Hospital	United Hospital Center	Camden Clark Medical Center	Berkeley Medical Center	Jefferson Medical Center	University Healthcare Foundation	Eliminations	Total Obligated Group	Non-Obligated Group	Eliminations	Total Consolidated
Unrestricted Net Assets											
Revenues in excess of (less than) expenses	$ 48,813	$ 12,901	$ (21,719)	$ 2,503	$ 4,337	$ (806)	$ -	$ 46,029	$ (13,138)	$ -	$ 32,891
Pension liability adjustment	-	-	1,852	-	-	-	-	1,852	-	-	1,852
Transfers to the School of Medicine and strategic initiatives	(11,373)	-	-	-	-	-	-	(11,373)	-	-	(11,373)
Other	982	-	(630)	146	85	-	-	583	-	-	583
Transfers from (to) affiliates	(2,205)	(11,817)	(32,316)	(130)	(40)	-	-	(46,508)	46,508	-	-
Increase (decrease) in unrestricted net assets	36,217	1,084	(52,813)	2,519	4,382	(806)	-	(9,417)	33,370	-	23,953
Temporarily Restricted Net Assets											
Increase in temporarily restricted assets held by WVU Foundation	561	-	-	-	-	-	-	561	-	-	561
Contributions and grants	-	-	-	-	-	60	-	60	567	-	627
Change in value of split-interest agreements	-	-	-	-	-	(7)	-	(7)	370	-	363
Decrease in temporarily restricted assets held by affiliated foundation	-	-	-	(128)	(32)	-	160	-	-	-	-
Net assets released from restrictions	-	-	-	-	-	(218)	-	(218)	(717)	-	(935)
Increase (decrease) in temporarily restricted net assets	561	-	-	(128)	(32)	(165)	160	396	220	-	616
Permanently Restricted Net Assets											
Valuation loss	-	-	-	-	(397)	-	-	(397)	-	-	(397)
Decrease in permanently restricted assets held by WVU Foundation	(121)	-	-	-	-	-	-	(121)	-	-	(121)
Decrease in permanently restricted net assets	(121)	-	-	-	(397)	-	-	(518)	-	-	(518)
Change in net assets	36,657	1,084	(52,813)	2,391	3,953	(971)	160	(9,539)	33,590	-	24,051
Net Assets, Beginning	627,404	294,383	39,827	38,077	30,395	25,303	(601)	1,054,788	20,823	(678)	1,074,933
Net Assets, Ending	$ 664,061	$ 295,467	$ (12,986)	$ 40,468	$ 34,348	$ 24,332	$ (441)	$ 1,045,249	$ 54,413	$ (678)	$ 1,098,984

West Virginia United Health System, Inc. and Controlled Entities

Consolidating Schedule of Balance Sheet Information
December 31, 2014
(In Thousands)

	West Virginia University Hospital	United Hospital Center	Camden Clark Medical Center	Berkeley Medical Center	Jefferson Medical Center	University Healthcare Foundation	Eliminations	Total Obligated Group	Non-Obligated Group	Eliminations	Total Consolidated
Assets											
Current Assets											
Cash and cash equivalents	$ 14,751	$ 36,950	$ 6,103	$ 19,203	$ 12,030	$ 936	$ -	$ 89,973	$ 13,454	$ -	$ 103,427
Current portion of assets whose use is limited	6,358	8,008	2,767	1,762	393	-	-	19,288	-	-	19,288
Accounts receivable:											
Patients, net	86,040	36,874	24,750	17,127	5,082	-	-	169,873	8,334	-	178,207
Other	7,974	1,097	789	1,929	403	33	-	12,225	2,569	-	14,794
Affiliates	9,272	1,756	18,808	1,284	668	-	(6,080)	25,708	4,435	(30,143)	-
Inventories of supplies	14,281	3,710	5,880	1,894	439	-	-	26,204	745	-	26,949
Prepaid expenses and other current assets	1,589	3,564	5,224	721	15	79	-	11,192	1,596	-	12,788
Total current assets	140,265	91,959	64,321	43,920	19,030	1,048	(6,080)	354,463	31,133	(30,143)	355,453
Assets Whose Use is Limited											
Board-designated funds:											
Funded depreciation	286,251	151,365	48,398	14,570	10,360	14,188	-	525,132	4,330	-	529,462
Debt repayment	191,628	-	-	-	-	-	-	191,628	-	-	191,628
Malpractice self-insurance	28,291	-	-	-	-	-	-	28,291	-	-	28,291
Under trust indenture, held by trustee	113,664	11,647	34,586	41	13	2	-	159,953	-	-	159,953
Malpractice self-insurance, held by trustee	-	14,242	8,890	1,871	1,353	-	-	26,356	1,033	-	27,389
Foundation investments	6,998	-	-	-	-	-	-	6,998	9,900	-	16,898
Noncurrent portion of assets whose use is limited	626,832	177,254	91,874	16,482	11,726	14,190	-	938,358	15,263	-	953,621
Property and Equipment, Net	326,249	303,611	157,437	53,620	16,399	18,646	-	875,962	33,768	-	909,730
Restricted Assets Held by Third-Parties	8,057	-	-	230	5,911	53	(601)	13,650	-	-	13,650
Deferred Financing Costs, Net	4,806	1,968	4,202	243	32	9	-	11,260	104	-	11,364
Due from Affiliates	7,793	-	-	-	-	-	-	7,793	-	(7,793)	-
Other Assets, Net	27,153	3,397	12,012	3,923	328	1,447	-	48,260	14,544	(678)	62,126
Total assets	$ 1,141,155	$ 578,189	$ 329,846	$ 118,418	$ 53,426	$ 35,393	$ (6,681)	$ 2,249,746	$ 94,812	$ (38,614)	$ 2,305,944

West Virginia United Health System, Inc. and Controlled Entities

Consolidating Schedule of Balance Sheet Information
December 31, 2014
(In Thousands)

	West Virginia University Hospital	United Hospital Center	Camden Clark Medical Center	Berkeley Medical Center	Jefferson Medical Center	University Healthcare Foundation	Eliminations	Total Obligated Group	Non-Obligated Group	Eliminations	Total Consolidated
Liabilities and Net Assets											
Current Liabilities											
Line of credit	$ -	$ -	$ 9,533	$ -	$ -	$ -	$ -	$ 9,533	$ 915	$ -	$ 10,448
Current maturities of long-term debt	7,300	7,800	4,235	1,889	861	288	-	22,373	1,789	-	24,162
Accounts payable and accrued expenses	46,137	8,750	14,385	8,920	2,570	4	-	80,766	7,943	(67)	88,642
Due to affiliates	2,159	779	3,777	2,483	971	540	(6,080)	4,629	25,447	(30,076)	-
Estimated third-party payor settlements	10,110	1,386	(434)	4	3,294	-	-	14,360	(66)	-	14,294
Salaries and benefits payable	37,322	12,936	8,213	8,454	2,402	-	-	69,327	6,501	-	75,828
Accrued interest payable	1,483	604	(65)	1,365	651	173	-	4,211	52	-	4,263
Current portion of malpractice costs	7,202	3,216	1,400	1,762	393	-	-	13,973	157	-	14,130
Deferred revenue	471	142	-	-	9	-	-	622	1	-	623
Total current liabilities	112,184	35,613	41,044	24,877	11,151	1,005	(6,080)	219,794	42,739	(30,143)	232,390
Long-Term Debt	366,351	220,424	212,464	49,907	10,823	9,009	-	868,978	21,461	-	890,439
Malpractice Costs	22,681	7,514	8,666	3,340	744	-	-	42,945	1,283	-	44,228
Derivative Financial Instruments	11,092	20,000	17,862	2,217	313	-	-	51,484	-	-	51,484
Due to Affiliates	-	-	-	-	-	-	-	-	7,793	(7,793)	-
Pension Liability	-	-	8,782	-	-	-	-	8,782	-	-	8,782
Other Liabilities	1,443	255	1,201	-	-	76	-	2,975	713	-	3,688
Total liabilities	513,751	283,806	290,019	80,341	23,031	10,090	(6,080)	1,194,958	73,989	(37,936)	1,231,011
Net Assets											
Unrestricted	619,348	294,383	39,827	37,847	24,485	24,697	-	1,040,587	17,367	(678)	1,057,276
Temporarily restricted	7,458	-	-	230	371	606	(601)	8,064	3,344	-	11,408
Permanently restricted	598	-	-	-	5,539	-	-	6,137	112	-	6,249
Total net assets	627,404	294,383	39,827	38,077	30,395	25,303	(601)	1,054,788	20,823	(678)	1,074,933
Total liabilities and net assets	$ 1,141,155	$ 578,189	$ 329,846	$ 118,418	$ 53,426	$ 35,393	$ (6,681)	$ 2,249,746	$ 94,812	$ (38,614)	$ 2,305,944

West Virginia United Health System, Inc. and Controlled Entities

Consolidating Schedule of Operations
Year Ended December 31, 2014
(In Thousands)

	West Virginia University Hospital	United Hospital Center	Camden Clark Medical Center	Berkeley Medical Center	Jefferson Medical Center	University Healthcare Foundation	Eliminations	Total Obligated Group	Non-Obligated Group	Eliminations	Total Consolidated
Unrestricted Revenues											
Patient service revenues (net of contracutal allowances and discounts)	$ 743,977	$ 280,286	$ 224,510	$ 165,302	$ 51,138	$ -	$ (552)	$ 1,464,661	$ 65,516	$ (230)	$ 1,529,947
Provision for bad debts	(22,456)	(21,305)	(2,520)	(9,333)	(4,093)	-	-	(59,707)	(3,262)	-	(62,969)
Net patient service revenues	721,521	258,981	221,990	155,969	47,045	-	(552)	1,404,954	62,254	(230)	1,466,978
Other revenues	42,714	9,636	6,583	5,506	1,598	1,746	(813)	66,970	40,813	(34,674)	73,109
Total unrestricted revenues	764,235	268,617	228,573	161,475	48,643	1,746	(1,365)	1,471,924	103,067	(34,904)	1,540,087
Expenses											
Supplies and purchased services	321,819	87,061	108,335	63,689	17,959	799	(1,365)	598,297	32,404	(23,377)	607,324
Salaries and wages	279,461	100,478	82,636	63,561	21,113	412	-	547,661	63,612	(6,995)	604,278
Employee benefits	65,240	32,211	18,948	15,649	4,534	114	-	136,696	14,283	(2,022)	148,957
Depreciation and amortization	38,947	23,236	18,882	9,025	2,866	745	-	93,701	4,845	(2,236)	96,310
Interest	10,100	10,236	7,610	3,418	586	217	-	32,167	1,041	(592)	32,616
Total expenses	715,567	253,222	236,411	155,342	47,058	2,287	(1,365)	1,408,522	116,185	(35,222)	1,489,485
Operating income (loss)	48,668	15,395	(7,838)	6,133	1,585	(541)	-	63,402	(13,118)	318	50,602
Other Income (Loss)											
Investment income	18,254	8,798	2,787	836	506	592	-	31,773	1,053	(318)	32,508
Change in fair value of derivative financial instruments	(2,979)	(6,525)	(5,489)	(661)	(93)	-	-	(15,747)	-	-	(15,747)
Asset impairment losses	-	-	(7,334)	-	-	-	-	(7,334)	-	-	(7,334)
Other, net	(88)	193	9	(272)	(63)	-	-	(221)	50	-	(171)
Revenues in excess of (less than) expenses	63,855	17,861	(17,865)	6,036	1,935	51	-	71,873	(12,015)	-	59,858
Pension Liability Adjustment	-	-	(9,016)	-	-	-	-	(9,016)	-	-	(9,016)
Transfers to the School of Medicine and Strategic Initiatives	(9,885)	-	-	-	-	-	-	(9,885)	-	-	(9,885)
Other	302	-	(522)	250	135	-	-	165	-	-	165
Transfers from (to) Affiliates	(5,462)	(1,822)	1,515	(6)	(2)	518	-	(5,259)	5,179	80	-
Increase (decrease) in unrestricted net assets	$ 48,810	$ 16,039	$ (25,888)	$ 6,280	$ 2,068	$ 569	$ -	$ 47,878	$ (6,836)	$ 80	$ 41,122

West Virginia United Health System, Inc. and Controlled Entities

Consolidating Schedule of Changes in Net Assets
Year Ended December 31, 2014
(In Thousands)

	West Virginia University Hospital	United Hospital Center	Camden Clark Medical Center	Berkeley Medical Center	Jefferson Medical Center	University Healthcare Foundation	Eliminations	Total Obligated Group	Non-Obligated Group	Eliminations	Total Consolidated
Unrestricted Net Assets											
Revenues in excess of (less than) expenses	$ 63,855	$ 17,861	$ (17,865)	$ 6,036	$ 1,935	$ 51	$ -	$ 71,873	$ (12,015)	$ -	$ 59,858
Pension liability adjustment	-	-	(9,016)	-	-	-	-	(9,016)	-	-	(9,016)
Transfers to the School of Medicine and strategic initiatives	(9,885)	-	-	-	-	-	-	(9,885)	-	-	(9,885)
Other	302	-	(522)	250	135	-	-	165	-	-	165
Transfers from (to) affiliates	(5,462)	(1,822)	1,515	(6)	(2)	518	-	(5,259)	5,179	80	-
Increase (decrease) in unrestricted net assets	48,810	16,039	(25,888)	6,280	2,068	569	-	47,878	(6,836)	80	41,122
Temporarily Restricted Net Assets											
Decrease in temporarily restricted assets held by WVU Foundation	(322)	-	-	-	-	-	-	(322)	-	-	(322)
Contributions and grants	-	-	-	-	-	253	-	253	2,954	-	3,207
Change in value of split-interest agreements	-	-	-	-	-	(8)	-	(8)	(5)	-	(13)
Decrease in temporarily restricted assets held by affiliated foundation	-	-	-	(138)	(75)	-	213	-	-	-	-
Net assets released from restrictions	-	-	-	-	-	(14)	(446)	(460)	(1,278)	446	(1,292)
Increase (decrease) in temporarily restricted net assets	(322)	-	-	(138)	(75)	231	(233)	(537)	1,671	446	1,580
Permanently Restricted Net Assets											
Valuation loss	-	-	-	-	(36)	-	-	(36)	-	-	(36)
Increase in permanently restricted assets held by WVU Foundation	20	-	-	-	-	-	-	20	-	-	20
Increase (decrease) in permanently restricted net assets	20	-	-	-	(36)	-	-	(16)	-	-	(16)
Change in net assets	48,508	16,039	(25,888)	6,142	1,957	800	(233)	47,325	(5,165)	526	42,686
Net Assets, Beginning	578,896	278,344	65,715	31,935	28,438	24,503	(368)	1,007,463	25,988	(1,204)	1,032,247
Net Assets, Ending	$ 627,404	$ 294,383	$ 39,827	$ 38,077	$ 30,395	$ 25,303	$ (601)	$ 1,054,788	$ 20,823	$ (678)	$ 1,074,933

APPENDIX C

Definitions of Certain Terms and
Summary of Certain Provisions of the Principal Documents

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DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS

Certain material features of the Master Indenture, the Bond Indenture and the Loan Agreement are discussed below in connection with the issuance of the 2017 A Bonds (as used in this Appendix, the "Bonds"). This summary does not purport to be final, complete or definitive, and is qualified by reference to the Master Indenture, the Supplemental Indenture 2017-2, the Bond Indenture and the Loan Agreement in their entirety for the final, complete and actual terms, provisions and covenants thereof.

DEFINITIONS OF CERTAIN TERMS

As used in this Official Statement, the following terms, unless the context requires otherwise, will have the meaning as set forth below. Any capitalized terms not defined below will have the same meaning as set forth in the Master Indenture, the Bond Indenture and the Loan Agreement, copies of which can be obtained by contacting The Bank of New York Mellon, as Bond Trustee.

Accelerable Instrument

"Accelerable Instrument" means any Obligation or any mortgage, indenture, loan agreement or other instrument under which there has been issued or incurred, or by which there is secured, any Indebtedness evidenced by an Obligation, which Obligation or instrument provides that, upon the occurrence of an event of default under such Obligation or instrument, the holder thereof may request that the Master Trustee declare such Obligation or Indebtedness due and payable prior to the date on which it would otherwise become due and payable.

Act

"Act" means the West Virginia Hospital Finance Authority Act, Article 29A of Chapter 16 of the Code of West Virginia, 1931, as heretofore and hereafter amended or supplemented.

Additional Payments

"Additional Payments" means the payments so designated and required to be made by the Obligated Group pursuant to the provisions of the Loan Agreement summarized under the heading "THE LOAN AGREEMENT – Additional Payments."

Adjusted Contributions

"Adjusted Contributions" means, for any fiscal year of a Person, the lesser of: (a) the Unrestricted Contributions actually received by such Person for such fiscal year or (b) the sum total of Unrestricted Contributions actually received by such Person during such fiscal year and during the preceding four fiscal years of such Person divided by five, provided that in making the computation under (b), the amount of Unrestricted Contributions for the fiscal year (of such five fiscal years) in which the amount of Unrestricted Contributions is largest shall, if it exceeds 150% of the amount of Unrestricted Contributions for the fiscal year (or such five fiscal years) in which the amount of Unrestricted Contributions is second largest, be reduced to an amount equal to 150% of the amount of Unrestricted Contributions for said fiscal year in which the amount of Unrestricted Contributions is second largest.

Affiliate

"Affiliate" means a corporation, limited liability company, partnership, joint venture, association, business trust or similar entity (a) which controls, is controlled by or is under common control with, directly or indirectly, a Member; or (b) a majority of the members of the Directing Body of which are members of the Directing Body of a Member. For the purposes of this definition, control means with respect to: (a) a corporation having stock, the ownership, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the Directing Body of such corporation; (b) a nonprofit corporation not having stock, having the power to elect or appoint, directly or indirectly, a majority of the members of the Directing Body of such corporation; or (c) any other entity, the power to direct the management of such entity through the ownership of a majority of its voting securities or the right to designate or elect a majority of the members of its Directing Body, by contract or otherwise. For the purposes of this definition, "Directing Body" means with respect to: (a) a corporation having stock, such corporation's board of directors and the owners, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporation's directors (both of which groups shall be considered a Directing Body); (b) a non-profit corporation not having stock, such corporation's members if the members have complete discretion to elect the corporation's Directing Body, or the corporation's Directing Body if the corporation's members do not have such discretion; and (c) any other entity, its governing board or body. For the purposes of this definition, all references to directors and members shall be deemed to include all entities performing the function of directors or members however denominated.

Authority

"Authority" means the West Virginia Hospital Finance Authority, a body corporate and governmental instrumentality of the State of West Virginia, and its successors and assigns.

Balloon Indebtedness

"Balloon Indebtedness" means Long-Term Indebtedness, 25% or more of the original principal of which matures during any consecutive twelve-month period, if such maturing principal amount is not required to be amortized below such percentage by mandatory redemption or prepayment prior to such twelve-month period. Balloon Indebtedness does not include Indebtedness which otherwise would be classified hereunder as Put Indebtedness.

Bond Indenture

"Bond Indenture" means the Bond Indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Bond Indenture.

Bond Trustee

"Bond Trustee" means The Bank of New York Mellon or any successor, as Bond Trustee under the Bond Indenture.

Bonds

"Bonds" means $185,320,000 West Virginia Hospital Finance Authority Hospital Revenue Improvement Bonds (West Virginia University Health System Obligated Group) 2017 Series A, authorized and issued, and at any time Outstanding pursuant to the Bond Indenture.

Book Value

"Book Value" when used with respect to Property of a Member, means the value of such Property net of accumulated depreciation and amortization, as reflected in the most recent audited financial statements of such Member which have been prepared in accordance with generally accepted accounting principles, and, when used with respect to Property of all Members, means the aggregate of the values of such Property, net of accumulated depreciation and amortization, as reflected in the most recent audited combined financial statements of the Obligated Group prepared in accordance with generally accepted accounting principles, provided that such aggregate shall be calculated in such a manner that no portion of the value of any Property of any Member is included more than once.

Business Day

"Business Day" means a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the State of West Virginia or a state in which the Bond Trustee is located are authorized by law to close and on which such entity is in fact closed, or a day on which the New York Stock Exchange is closed.

Capitalized Interest

"Capitalized Interest" means amounts irrevocably deposited in escrow to pay interest on Funded Indebtedness or Related Bonds and interest earned on amounts irrevocably deposited in escrow to the extent such interest earned is required to be applied to pay interest on Funded Indebtedness or Related Bonds.

Certificate, Statement, Request, Requisition and Order of the Authority or the Obligated Group

"Certificate," "Statement," "Request," "Requisition" and "Order" of the Authority or the Obligated Group Agent, means, respectively, a written certificate, statement, request, requisition or order signed in the name of the Authority by the Chairman, Vice Chairman or such other person as may be designated and authorized to sign for the Authority and designated by the Chairman or Vice Chairman in writing to the Bond Trustee, or in the name of the Obligated Group Agent by an Authorized Representative of the Obligated Group Agent.

Code

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

Commitment Indebtedness

"Commitment Indebtedness" means the obligation of any Member to repay amounts disbursed pursuant to a commitment from a financial institution to pay, refinance or purchase when due, when tendered or when required to be purchased or to make a loan for any such purpose (a) other Indebtedness of such Member, or (b) Indebtedness of a Person who is not a Member, which Indebtedness is guaranteed by a Guaranty of such Member or secured by or payable from amounts paid on Indebtedness of such

Member, in either case which Indebtedness or Guaranty of such Member was incurred in accordance with the provisions of Section 415 of the Master Indenture, and the obligation of any Member to pay interest payable on amounts disbursed for such purposes, plus any fees, costs or expenses payable to such financial institution for, under or in connection with such commitment, in the event of disbursement pursuant to such commitment or in connection with enforcement thereof, including, without limitation, any penalties payable in the event of such enforcement.

Completion Funded Indebtedness

"Completion Funded Indebtedness" means any Funded Indebtedness for borrowed money: (a) incurred for the purpose of financing the completion of the acquisition, construction, remodeling, renovation or equipping of Facilities with respect to which Funded Indebtedness for borrowed money has been incurred in accordance with the provisions of the Master Indenture; and (b) with a principal amount not in excess of the amount required to provide a completed and equipped Facility of substantially the same type and scope contemplated at the time such prior Funded Indebtedness was originally incurred, to provide for Capitalized Interest during the period of construction, to provide any reserve fund relating to such Completion Funded Indebtedness and to pay the costs and expenses of issuing such Completion Funded Indebtedness.

Construction Index

"Construction Index" means the most recent issue of the "Dodge Construction Index for U.S. and Canadian Cities" with reference to the city in which subject property is located (or, if such Index is not available for such city, with reference to the city located closest geographically to the city in which the subject property is located); or, if such Index is no longer published or used by the federal government in measuring costs under Medicare or Medicaid programs, such other index which is certified to be comparable and appropriate by the Obligated Group Agent in an Officer's Certificate delivered to the Master Trustee and which other index is acceptable to the Master Trustee.

Consultant

"Consultant" means a professional consulting or banking firm selected by the Obligated Group Agent and acceptable to the Master Trustee, having the skill and experience necessary to render the particular report required and having a favorable and nationally recognized reputation for such skill and experience, which firm shall have no interest, direct or indirect, in any Member and shall have no partner, member, director, officer or employee who is a partner, member, director, officer or employee of any Member, it being understood that an arm's-length contract between such firm and any Member for the performance of consulting or banking services shall not in and of itself be regarded as creating an interest in or an employee relationship with such entity.

Continuing Disclosure Agreement

"Continuing Disclosure Agreement" means any continuing disclosure agreement between the Obligated Group Agent and Digital Assurance Certification, L.L.C., with respect to the Bonds, as amended or supplemented that is required by, and complies with, the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission.

Contributions

"Contributions" means the aggregate amount of all contributions, grants, gifts, bequests and devises actually received in cash or marketable securities by any Person in the applicable fiscal year of

such Person and any such contributions, grants, gifts, bequests and devises originally received in a form other than cash or marketable securities by any Person which are converted in such fiscal year to cash or marketable securities.

Costs of Issuance

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Authority or the Obligated Group and related to the authorization, issuance, sale and delivery of the Bonds, including, but not limited to, costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Bond Trustee and its counsel, legal fees and charges, fees and disbursements of consultants and professionals, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

Costs of Issuance Fund

"Costs of Issuance Fund" means the trust fund by that name established pursuant to the Bond Indenture, from which the Costs of Issuance of the Bonds are to be paid.

Cross-over Date

"Cross-over Date" means, with respect to Cross-over Refunding Indebtedness, the date on which the principal portion of the Cross-over Refunded Indebtedness is paid or redeemed, or on which it is anticipated that such principal portion will be paid or redeemed, from the proceeds of such Cross-over Refunding Indebtedness.

Cross-over Refunded Indebtedness

"Cross-over Refunded Indebtedness" means Indebtedness of a Person refunded by Cross-over Refunding Indebtedness.

Cross-over Refunding Indebtedness

"Cross-over Refunding Indebtedness" means Indebtedness of a Person issued for the purpose of refunding other Indebtedness of such Person if the proceeds of such Cross-over Refunding Indebtedness are irrevocably deposited in escrow to secure the payment on the applicable Cross-over Date of the Cross-over Refunded Indebtedness and earnings on such escrow deposit are required to be applied to pay interest or principal on either or both of such Cross-over Refunding Indebtedness or such Cross-over Refunded Indebtedness until the Cross-over Date.

Current Value

"Current Value" means (a) with respect to Property, Plant and Equipment: (i) the aggregate fair market value of such Property, Plant and Equipment as reflected in the most recent written report of an appraiser selected by the Obligated Group Agent and acceptable to the Master Trustee and, in the case of real property, who is a member of the American Institute of Real Estate Appraisers, delivered to the Master Trustee (which report shall be dated not more than three years prior to the date as of which Current Value is to be calculated), increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such report to the date as of which Current Value is to be calculated; plus (ii) the Book Value of any Property, Plant and Equipment acquired since the last such report, increased or decreased by a percentage equal to the aggregate

percentage increase or decrease in the Construction Index from the date of such acquisition to the date as of which Current Value is to be calculated; minus (iii) the greater of the Book Value or the fair market value (as reflected in such most recent appraiser's report) of any Property, Plant and Equipment disposed of since the last such report, increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such report to the date as of which Current Value is to be calculated, and (b) with respect to any other Property, the fair market value of such Property, which fair market value shall be evidenced in a manner satisfactory to the Master Trustee.

Debt Service Requirements

"Debt Service Requirements" means, with respect to the period of time for which calculated, the aggregate of the payments required to be made during such period in respect of principal (whether at maturity, as a result of mandatory sinking fund redemption, mandatory prepayment or otherwise) and interest on Outstanding Funded Indebtedness of each Person or a group of Persons with respect to which calculated; provided that: (a) the amount of such payments for a future period shall be calculated in accordance with the assumptions contained in Sections 415 and 416 of the Master Indenture; (b) interest shall be excluded from the determination of the Debt Service Requirements to the extent that Capitalized Interest is available to pay such interest; (c) principal of Indebtedness shall be excluded from the determination of Debt Service Requirements to the extent that amounts are on deposit in an irrevocable escrow and such amounts (including, where appropriate, the earnings or other increment to accrue thereon) are required to be applied to pay such principal and such amounts so required to be applied are sufficient to pay such principal; and (d) with respect to any Funded Indebtedness for which the number of actual payments of principal in any fiscal year is greater than those in the immediately preceding and/or succeeding fiscal years solely by reason of the fact that such principal payments are scheduled to occur other than on a specified date or dates or by reasons of this clause (d), the last principal payment in such fiscal year for which the number of payments is higher shall be deemed to be required to be made in the next preceding or succeeding fiscal year, as appropriate and as designated by the Obligated Group Agent.

Encumbered

"Encumbered" means, with respect to Property, subject to a Lien described in subsections (b), (d) (other than a Lien securing Non-Recourse Indebtedness), (f) (including only leases whereunder any Member is lessor entered into in accordance with the disposition of Property provisions of the Master Indenture which were not in existence on August 1, 2003), (n)(ii), (t)(ii) and (x) of the definition of Permitted Encumbrances, and all other Liens not described in the definition of Permitted Encumbrances; provided that any amounts on deposit in a construction fund created in connection with the issuance of an Obligation which are held as security for the payment of such Obligation or any Indebtedness incurred to purchase such Obligation or the proceeds of which are advanced or otherwise made available in connection with the issuance of such Obligation, shall not be deemed to be Encumbered if the amounts are to be applied to construct or otherwise acquire Property which is not subject to a Lien.

Event of Default

"Event of Default" means with respect to the Master Indenture, any of the events under the heading "THE MASTER INDENTURE – Events of Default and Remedies" and, with respect to the Bond Indenture, any of the events under the heading "THE BOND INDENTURE – Events of Default and Remedies."

Expenses

"Expenses" means, for any period, the aggregate of all expenses calculated under generally accepted accounting principles, including, without limitation, any taxes, incurred by the Person or group of Persons involved during such period, minus (a) interest on Funded Indebtedness, (b) depreciation and amortization, (c) extraordinary expenses (including, without limitation, losses on the sale of assets other than in the ordinary course of business and losses on the extinguishment of debt), (d) any expenses resulting from a forgiveness of or the establishment of reserves against Indebtedness of an Affiliate which does not constitute an extraordinary expense, (e) losses resulting from any reappraisal, revaluation or impairment of assets (including, without limitation, intangibles), (f) any unrealized loss resulting from changes in the value of investment securities or Interest Rate Agreements; and (g) if such calculation is being made with respect to the Obligated Group, excluding any such expenses attributable to transactions between any Member and any other Member.

Facilities

"Facilities" means all land, leasehold interests and buildings and all fixtures and equipment (as defined in the Uniform Commercial Code or equivalent statute in effect in the state where such fixtures or equipment are located) of a Person.

Favorable Opinion of Bond Counsel

"Favorable Opinion of Bond Counsel" means, with respect to any action the occurrence of which requires such an opinion, an unqualified opinion of Bond Counsel, to the effect that such action is permitted under the Bond Indenture and will not, in and of itself, result in the inclusion of interest on the Bonds in gross income for federal income tax purposes (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Bonds).

Funded Indebtedness

"Funded Indebtedness" means, with respect to any Person, (a) all Indebtedness of such Person for money borrowed or credit extended which is not Short-Term; (b) all Indebtedness of such Person incurred or assumed in connection with the acquisition or construction of Property which is not Short-Term; (c) all Short-Term Indebtedness incurred by the Person which is of the type described in Section 415(E) of the Master Indenture; (d) the Person's Guaranties of Indebtedness which are not Short-Term; and (e) Capitalized Rentals under Capitalized Leases entered into by the Person; provided, however, that Indebtedness that could be described by more than one of the foregoing categories shall not in any case be considered more than once for the purpose of any calculation made pursuant to the Master Indenture.

Funded Indebtedness Ratio

"Funded Indebtedness Ratio" means the ratio consisting of (a) a numerator equal to the amount determined by dividing the Obligated Group's total Funded Indebtedness by the sum of (i) such Funded Indebtedness and (ii) the Obligated Group's total unrestricted net assets (as reflected in or derived from the most recent audited combined financial statements of the Obligated Group prepared in accordance with generally accepted accounting principles) and (b) a denominator of one.

Governing Body

"Governing Body" means, with respect to a Member, 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.

Guaranty

"Guaranty" means all obligations of a Person guaranteeing, or in effect guaranteeing, any Indebtedness, dividend or other obligation of any Primary Obligor in any manner, whether directly or indirectly, including but not limited to obligations incurred through an agreement, contingent or otherwise, by such Person: (a) to purchase such Indebtedness or obligation or any Property constituting security therefor; (b) to advance or supply funds: (i) for the purchase or payment of such Indebtedness or obligation, or (ii) to maintain working capital or other balance sheet condition; (c) to purchase securities or other Property or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of the Primary Obligor to make payment of the Indebtedness or obligation; or (d) otherwise to assure the owner of such Indebtedness or obligation against loss in respect thereof.

Historical Debt Service Coverage Ratio

"Historical Debt Service Coverage Ratio" means, for any period of time, the ratio consisting of a numerator equal to the amount determined by dividing Income Available for Debt Service for that period by the Debt Service Requirements for such period and a denominator of one; provided, however, that in calculating the Debt Service Requirements for any completed period, the principal amount of any Indebtedness included in such calculation which is paid during such period shall be excluded to the extent such principal amount is paid from the proceeds of other Indebtedness incurred in accordance with the provisions of the Master Indenture or from amounts deposited to provide for such payment pursuant to an amortization schedule established and maintained in accordance with the provisions of Section 415(G)(ii) of the Master Indenture, which amounts were deposited in fiscal years prior to the fiscal year in which such principal became due.

Historical Maximum Annual Debt Service Coverage Ratio

"Historical Maximum Annual Debt Service Coverage Ratio" means, for any period of time, the ratio consisting of a numerator equal to the amount determined by dividing Income Available for Debt Service for that period by the Historical Maximum Annual Debt Service Requirements on the Indebtedness of the Person or Persons involved during any completed period and a denominator of one; provided, however, that in calculating the Debt Service Requirements for any completed period, the principal amount of any Indebtedness included in such calculation which is paid during such period shall be excluded to the extent such principal amount is paid from the proceeds of other Indebtedness incurred in compliance with the provisions of the Master Indenture or from amounts deposited to provide for such payment pursuant to an amortization schedule established and maintained in accordance with Section 415(G)(ii)(a)of the Master Indenture, which amounts were deposited in fiscal years prior to the fiscal year in which such principal became due.

Historical Maximum Annual Debt Service Requirements

"Historical Maximum Annual Debt Service Requirements" means the largest total Debt Service Requirements for the fiscal year with respect to which a Historical Maximum Annual Debt Service Coverage Ratio is being calculated or any subsequent fiscal year on the Indebtedness of the Person or Persons involved which was simultaneously Outstanding during the fiscal year with respect to which a Historical Maximum Annual Debt Service Coverage Ratio is being calculated.

Historical Pro Forma Debt Service Coverage Ratio

"Historical Pro Forma Debt Service Coverage Ratio" means, for any period of time, the ratio consisting of a numerator equal to the amount determined by dividing Income Available for Debt Service

for that period by the Maximum Annual Debt Service Requirement for the Funded Indebtedness then Outstanding (other than any Funded Indebtedness being refunded with the Funded Indebtedness then proposed to be issued) and the Funded Indebtedness then proposed to be issued and a denominator of one.

Holder or Bondholder or Owner

"Holder" or "Bondholder," or "Owner" when used with respect to a Bond, means the Person in whose name such Bond is registered.

Hospital Facilities

"Hospital Facilities" means all buildings, land and equipment used in the operations of the Obligated Group Members, other than University Healthcare Foundation, Inc. and West Virginia United Health System, Inc. d/b/a West Virginia University Health System.

Income Available for Debt Service

"Income Available for Debt Service" means, for any period, the excess of Revenues over Expenses of the Person or group of Persons involved.

Indebtedness

"Indebtedness" means, for any Person, (a) all guaranties by such Person, (b) all liabilities (exclusive of reserves such as those established for deferred taxes or litigation) recorded or required to be recorded as such on the audited financial statements of such Person in accordance with generally accepted accounting principles, and (c) all obligations for the payment of money incurred or assumed by such Person (i) due and payable in all events or (ii) if incurred or assumed primarily to assure the payment of money borrowed or credit extended, due and payable upon the occurrence of a condition precedent or upon the performance of work, possession of property as lessee, rendering of services by other or otherwise, and shall include, without limitation, non-recourse indebtedness; provided that Indebtedness shall not include (a) indebtedness of any other Member or the joint and several liability of any Member of Indebtedness issued by another Member, (b) any obligation of a Member under any interest rate agreement, or any obligation to reimburse a bond insurer, financial institution or other Person which has guaranteed or otherwise assured the performance of a Member's obligations under an Interest Rate Agreement, and (c) any obligation to repay moneys deposited by patients or others with a Member as security for or as prepayment of the cost of patient care or any rights of residents of life care, elderly housing or similar facilities to endowment or similar funds deposited by or on behalf of such residents.

Independent Counsel

"Independent Counsel" means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include independent legal counsel for any Related Issuer, any Member, the Master Trustee or any Related Bond Trustee.

Interest Fund

"Interest Fund" means the trust fund by that name established pursuant to the Bond Indenture.

Interest Payment Date

"Interest Payment Date" means June 1, 2017, and each June 1 and December 1 thereafter.

Interest Rate Agreement

"Interest Rate Agreement" means interest or other rate exchange agreements, interest or other rate swap transactions, basis swap transactions, forward rate transactions, commodity swaps, commodity options, bond options, interest rate options, cap transactions, floor transactions, collar transactions, investment agreements, guaranteed investment contracts, debt service deposit agreements, float agreements, hedge agreements, or similar agreements or transactions in any combination thereof, expressly identified in an Officer's Certificate of the Obligated Group Agent delivered to the Master Trustee as being entered into in order to hedge the interest payable on all or a portion of any Indebtedness, and which agreements do not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof. Obligations of a Member under an Interest Rate Agreement shall not constitute Indebtedness under the Master Indenture.

Investment Securities

"Investment Securities" means investments in any of the following:

(1) Cash;

(2) Obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States;

(3) Obligations of Government – Sponsored Agencies that are not backed by the full faith and credit of the United States Government and which are rated in one of the two highest rating categories by Moody's and S&P or any successor thereto;

(4) Certificates of deposit or time deposits of any bank (including the Bond Trustee), trust company, savings bank or savings and loan association which certificates of deposit or time deposits are fully insured by a federally sponsored deposit insurance program;

(5) United States dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(6) Commercial paper which is rated at the time of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P;

(7) Investments in a money market fund rated "AAAm," "AAAm-G," or "AAm" by S&P and if rated by Moody's of Aaa, Aa1 or Aa2 and those money market funds administered by the Bond Trustee, notwithstanding that (i) the Bond Trustee or an affiliate of the Bond Trustee receives fees from funds for services rendered, (ii) the Bond Trustee collects fees for services rendered pursuant to the Bond Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Bond Indenture may at times duplicate those provided to such funds by the Bond Trustee or an affiliate of the Bond Trustee;

(8) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of

any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(9) Municipal obligations rated in the two highest rating categories or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P;

(10) Investment agreements (including repurchase agreements) provided by an institution with a rating in one of the three highest rating categories by Moody's or S&P; and

(11) Time deposits of any bank domiciled in the United States or of a foreign bank with a branch in the United States which has combined capital, surplus and undivided profits of at least $500 million, so long as the long-term un-secured debt rating of the issuing bank is within one of the three highest rating categories (without regard to any refinement or gradation of the rating category by numerical modifier or otherwise) by S&P or Moody's.

Lien

"Lien" means any mortgage, pledge or lease of, security interest in or lien, charge, restriction or encumbrance on any Property of the Person involved in favor of, or which secures any obligation to, any Person other than any Member, and any Capitalized Lease under which any Member is lessee and the lessor is not another Member.

Loan

"Loan" means the loan made by the Authority to the Obligated Group Agent for the benefit of WVUH and UHC of the proceeds of the Bonds.

Loan Agreement

"Loan Agreement" means that certain Loan Agreement between the Authority and the Obligated Group Agent, 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.

Loan Agreement Amendment

"Loan Agreement Amendment" means an amendment described under the heading "THE BOND INDENTURE – Amendments to Loan Agreement not Requiring Consent of Bondholders."

Long-Term Indebtedness

"Long-Term Indebtedness" means Indebtedness (which also may constitute Balloon Indebtedness or Put Indebtedness) having an original stated maturity or term greater than one year or renewable at the option of the debtor for a period greater than one year from the date of original issuance.

Loan Default Event

"Loan Default Event" means any of the events of default summarized under the heading "THE LOAN AGREEMENT – Events of Default."

Loan Repayments

"Loan Repayments" means the payments so designated and required to be made by the Obligated Group pursuant to the provisions of the Loan Agreement summarized under the heading "THE LOAN AGREEMENT – Payments of Principal, Premium and Interest."

Mandatory Sinking Account

"Mandatory Sinking Account" means the account by that name established within the Principal Fund pursuant to the Bond Indenture.

Mandatory Sinking Account Payment

"Mandatory Sinking Account Payment" means the amount required by the Bond Indenture to be paid by the Bond Trustee on any single date for the retirement of Bonds.

Master Indenture

"Master Indenture" means the Amended and Restated Master Trust Indenture, dated as of August 1, 2003, as amended and supplemented, between the Obligated Group Agent and the Master Trustee, as it may from time to time be amended or supplemented in accordance with the terms thereof.

Master Trustee

"Master Trustee" means The Huntington National Bank, a national banking association, or any successor as trustee under the Master Indenture.

Maximum Annual Debt Service Requirement

"Maximum Annual Debt Service Requirement" means the largest total Debt Service Requirements for the current or any succeeding fiscal year; provided that, in applying the provisions of Section 409 of the Master Indenture, the current year shall be deemed to include the fiscal year with respect to which historical debt service coverage is being calculated and provided further that in calculating Maximum Annual Debt Service Requirement for the purposes of applying such provisions, the principal amount of any Indebtedness included in such calculation which is paid during the year with respect to which historical debt service coverage is being calculated shall be excluded to the extent such principal amount is paid from the proceeds of other Indebtedness incurred in compliance with the provisions of the Master Indenture or from amounts deposited to provide for such payment pursuant to an amortization schedule established and maintained in accordance with the provisions of Section 415(G)(ii)(a) and (b) of the Master Indenture, which amounts were deposited in fiscal years prior

to the fiscal year in which such principal was paid; provided further that principal and interest payments on Indebtedness due on the first day or first Business Day of a month shall be deemed payable during the preceding month if they are required to be fully deposited with a trustee for such Indebtedness during such preceding month.

Member

"Member" means each Person in the Obligated Group.

Net Patient Service Revenues

"Net Patient Service Revenues" means for any period, (a) in the case of any Person providing health care services, the sum of gross patient service revenues less contractual allowances and provisions for uncollectible accounts, free care and discounted care, plus (b) other operating revenues, plus (c) non-operating revenues (other than Contributions, income derived from the sale of assets not in the ordinary course of business or any gain from the extinguishment of debt or other extraordinary item or earnings which constitute Capitalized Interest or earnings on amounts which are irrevocably deposited in escrow to pay the principal of or interest on Indebtedness).

No Adverse Effect Opinion

"No Adverse Effect Opinion" means, with respect to any action the occurrence of which requires such an opinion, an opinion of Bond Counsel, addressed to the Authority and the Bond Trustee to the effect that such action, or the failure to take a certain action, (i) is authorized or permitted in the case of an action to be taken, or will not constitute a breach of or default in the case of the failure to take an action, under the instrument pursuant to which the opinion is to be delivered, taking into account any consent or waiver provided by a party entitled to give or withhold consent or to grant a waiver, and (ii) will not, in and of itself, affect adversely either (a) the validity of the Bonds, or (b) result in the inclusion of interest on the Bonds in gross income for federal income tax purposes (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Bonds).

Non-Recourse Indebtedness

"Non-Recourse Indebtedness" means any Indebtedness the liability for which is effectively limited to Property, Plant and Equipment and the income therefrom not less than 80% of the cost of which Property, Plant and Equipment shall have been financed solely with the proceeds of such Indebtedness, with no recourse, directly or indirectly, to any other Property of any Member.

Obligated Group

"Obligated Group" means West Virginia United Health System, Inc. d/b/a West Virginia University Health System, West Virginia University Hospitals, Inc., United Hospital Center, Inc., City Hospital, Inc., d/b/a Berkeley Medical Center, The Charles Town General Hospital d/b/a Jefferson Medical Center, University Healthcare Foundation, Inc., Camden-Clark Memorial Hospital Corporation d/b/a CamdenClark Medical Center and any other entities that become members of the Obligated Group and excluding any members of the Obligated Group that cease such status, as permitted by the Master Indenture.

Obligated Group Agent

"Obligated Group Agent" means West Virginia United Health System, Inc. d/b/a West Virginia University Health System, a nonprofit corporation duly organized and existing under the laws of the State of West Virginia, and any permitted successor as Obligated Group Agent.

Obligation

"Obligation" means any evidence of Indebtedness or of an interest rate agreement issued by a Member of the Obligated Group pursuant to the Master Indenture which has been authenticated and delivered by the Master Trustee in accordance with the Master Indenture.

Officer's Certificate

"Officer's Certificate" means (a) when used in the Master Indenture, a certificate signed, in the case of a certificate delivered by a corporation, by the President or any other officer authorized to sign by resolution of the Governing Body of such corporation or, in the case of a certificate delivered by any other Person, the chief executive or chief financial officer of such other Person, in either case whose authority to execute such Certificate shall be evidenced to the satisfaction of the Master Trustee; and (b) when used in the Bond Indenture, a certificate signed by an Authorized Representative of the Obligated Group Agent or other Person duly appointed to act on behalf of the Obligated Group Agent.

Opinion of Counsel

"Opinion of Counsel" means a written opinion of counsel (who may be counsel for the Obligated Group) selected by the Obligated Group Agent and acceptable to the Authority and not objected to by the Bond Trustee.

Optional Redemption Account

"Optional Redemption Account" means the account by that name within the Redemption Fund established pursuant to the Bond Indenture.

Outstanding

"Outstanding" means (a) when used in the Master Indenture, in the case of Indebtedness of a Person other than Related Bonds or Obligations, all such Indebtedness of such Person which has been issued except any such portion thereof canceled after purchase on the open market or surrendered for cancellation or because of payment at or redemption prior to maturity, any such Indebtedness in lieu of which other Indebtedness has been duly issued and any such Indebtedness which is no longer deemed outstanding under its terms and with respect to which such Person is no longer liable under the terms of such Indebtedness; and (b) when used as of any particular time with reference to Bonds (subject to the provisions of the Bond Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Bond Trustee under the Bond Indenture except: (1) Bonds theretofore cancelled by the Bond Trustee or surrendered to the Bond Trustee for cancellation; (2) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Bond Indenture; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Bond Trustee pursuant to the Bond Indenture.

Outstanding Obligations or Obligations Outstanding

"Outstanding Obligations" or "Obligations Outstanding" means all Obligations which have been duly authenticated and delivered by the Master Trustee under the Master Indenture, except:

(a) Obligations canceled after purchase in the open market or because of payment at maturity or prepayment or redemption prior to maturity;

(b) (i) Obligations, for the payment or redemption of which cash or Escrow Obligations shall have been theretofore deposited with the Master Trustee (whether upon or prior to the maturity or redemption date of any such Obligations); provided that, if such Obligations are to be prepaid or redeemed prior to the maturity thereof, notice of such prepayment or redemption shall have been given or irrevocable arrangements satisfactory to the Master Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Master Trustee shall have been filed with the Master Trustee, and (ii) Obligations securing Related Bonds for the payment or redemption of which cash or Escrow Obligations shall have been theretofore deposited with the Related Bond Trustee (whether upon or prior to the maturity or redemption date of any such Obligations); provided that, if such Obligations are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Related Bond Trustee shall have been made therefor, or waiver of notice satisfactory in form to the Related Bond Trustee shall have been filed with the Related Bond Trustee;

(c) Obligations in lieu of which other Obligations have been authenticated and delivered hereunder; and

(d) Obligations held or owned by a Member.

Notwithstanding the foregoing, any Obligation securing Related Bonds shall be deemed Outstanding if such Related Bonds are Outstanding.

Outstanding Related Bonds or Related Bonds Outstanding

"Outstanding Related Bonds" or "Related Bonds Outstanding" means all Related Bonds which have been duly authenticated and delivered by the Related Bond Trustee under the Related Bond Indenture and are deemed outstanding under the terms of such Related Bond Indenture or, if such Related Bond Indenture does not specify when Related Bonds are deemed outstanding thereunder, all such Related Bonds which have been so authenticated and delivered, except:

(a) Related Bonds canceled after purchase in the open market or because of payment at maturity or prepayment or redemption prior to maturity;

(b) Related Bonds, for the payment or redemption of which cash or Escrow Obligations of the type described in clause (i) of the definition thereof shall have been theretofore deposited with the Related Bond Trustee (whether upon or prior to the maturity or redemption date of any such Bonds) in accordance with the Related Bond Indenture; provided that if such Related Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Related Bond Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Related Bond Trustee shall have been filed with the Related Bond Trustee;

(c) Related Bonds in lieu of which other bonds have been authenticated and delivered under the Related Bond Indenture; and

(d) For the purposes of all covenants, approvals, waivers and notices required to be obtained or given under the Related Bond Indenture, Related Bonds held or owned by a Member.

Permitted Encumbrances

"Permitted Encumbrances" means the Master Indenture, any Related Loan Document, any Related Bond Indenture and, as of any particular time:

(a) Liens arising by reason of good faith deposits with a Member in connection with tenders, leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any 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; any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workmen's compensation, unemployment insurance, pensions or profit sharing plans or other social security plans or programs, or to share in the privileges or benefits required for corporations participating in such arrangements;

(b) any Lien on Property acquired subject to an existing Lien, if at the time of such acquisition, the aggregate amount remaining unpaid on the Indebtedness secured thereby (whether or not assumed by the Member) shall not exceed the fair market value or (if such Property has been purchased) the lesser of the acquisition price or the fair market value of the Property subject to such Lien as determined in good faith by the Governing Body of the Member;

(c) any Lien on the Property of any Member granted in favor of or securing Indebtedness to any other Member;

(d) any Lien on the Property of any Member permitted under the provisions of Section 418 of the Master Indenture;

(e) any Lien on Property if such Lien equally and ratably secures all of the Obligations and only the Obligations;

(f) leases which relate to Property of the Obligated Group which is of a type that is customarily the subject of such leases, such as office space for physicians and educational institutions, food service facilities, gift shops and radiology or other hospital-based specialty services, pharmacy and similar departments; leases entered into in accordance with the disposition of Property provisions of the Master Indenture; leases, licenses or similar rights to use Property to which any Member of the Obligated Group is a party existing as of August 1, 2003, and any renewals and extensions thereof; and any leases, licenses or similar rights to use Property whereunder a Member is lessee, licensee or the equivalent thereof upon fair and reasonable terms no less favorable to the lessee or licensee than would obtain in a comparable arm's-length transaction;

(g) Liens for taxes and special assessments which are not then delinquent, or if then delinquent are being contested in accordance with Section 406 of the Master Indenture and any Related Loan Documents;

(h) utility, access and other easements and rights-of-way, restrictions, encumbrances and exceptions which do not materially interfere with or materially impair the operation of the Property

affected thereby (or, if such Property is not being then operated, the operation for which it was designed or last modified);

(i) any mechanic's, laborer's, materialman's, supplier's or vendor's Lien or right in respect thereof if payment is not yet due under the contract in question or if such Lien is being contested in accordance with the provisions of the Master Indenture;

(j) such Liens, defects, irregularities of title and encroachments on adjoining property as normally exist with respect to property similar in character to the Property involved and which do not materially adversely affect the value of, or materially impair, the Property affected thereby for the purpose for which it was acquired or is held by the owner thereof, including, without limitation, statutory liens granted to banks or other financial institutions, which liens have not been specifically granted to secure Indebtedness and which do not apply to Property which has been deposited as part of a plan to secure Indebtedness;

(k) zoning laws and similar restrictions which are not violated by the Property affected thereby;

(l) statutory rights under Section 291, Title 42 of the United States Code, as a result of what are commonly known as Hill-Burton grants, and similar rights under other federal statutes or statutes of the state in which the Property involved is located;

(m) all right, title and interest of the state where the Property involved is located, municipalities and the public in and to tunnels, bridges and passageways over, under or upon a public way;

(n) Liens on or in Property given, granted, bequeathed or devised by the owner thereof existing at the time of such gift, grant, bequest or devise, provided that (i) such Liens consist solely of restrictions on the use thereof or the income therefrom, or (ii) such Liens secure Indebtedness which is not assumed by any Member and such Liens attach solely to the Property (including the income therefrom) which is the subject of such gift, grant, bequest or devise;

(o) Liens of or resulting from any judgment or award, the time for the appeal or petition for rehearing of which shall not have expired, or in respect of which any Member shall at any time in good faith be prosecuting an appeal or proceeding for a review and in respect of which a stay of execution pending such appeal or proceeding for review shall be in existence;

(p) Liens on moneys deposited by patients or others with a Member as security for or as prepayment of the cost of patient care or any rights of residents of life care, elderly housing or similar facilities to endowment or similar funds deposited by or on behalf of such residents;

(q) Liens on Property due to rights of third party payors for recoupment of excess reimbursement paid;

(r) any security interest in any rebate fund, any depreciation reserve, debt service or interest reserve, debt service fund or any similar fund established pursuant to the terms of any Supplemental Master Indenture, Related Bond Indenture or Related Loan Document in favor of the Master Trustee, a Related Bond Trustee, a Related Issuer, a Related Bond Insurer or the holder of the Indebtedness issued pursuant to such Supplemental Master Indenture, Related Bond Indenture or Related Loan Document or the holder of any related Commitment Indebtedness;

(s) any Lien on any Related Bond or any evidence of Indebtedness of any Member acquired by or on behalf of any Member which secures Commitment Indebtedness and only Commitment Indebtedness;

(t) such Liens, covenants, conditions and restrictions, if any, which do not secure Indebtedness and which are other than those of the type referred to in the other clauses of this definition, of a Member at the effective date of the Master Indenture or existing at the time any Person becomes a Member, and which (i) in the case of Property owned by any Member of the Obligated Group on the date of execution of the Master Indenture, do not and will not, so far as can reasonably be foreseen, materially adversely affect the value of the Property currently affected thereby or materially impair the same, and (ii) in the case of any other Property, do not materially impair or materially interfere with the operation or usefulness thereof for the purpose for which such Property was acquired or is held by a Member;

(u) Liens on accounts receivable arising as a result of the sale of such accounts receivable, with or without recourse, on commercially reasonable terms, provided that the principal amount of Indebtedness secured by such Lien does not exceed the face amount of such accounts receivable by more than 15%;

(v) Liens on Property of a Person existing at the time such Person is merged into or consolidated with a Member, or at the time of a sale, lease or other disposition of the properties of a Person as an entirety or substantially as an entirety to a Member which becomes part of a Property that secures Indebtedness that is assumed by a Member as a result of any such merger, consolidation or acquisition; provided, that no such Lien may be increased, extended, renewed or modified after such date to apply to any Property of a Member not subject to such lien on such date unless such Lien as so increased, extended, renewed or modified is otherwise permitted under the Master Indenture;

(w) Liens which secure Non-Recourse Indebtedness; and

(x) Liens on any Property of a Member to secure any Indebtedness incurred for the purpose of financing all or any part of the purchase price or the cost of constructing or improving the Property subject to such Liens; provided, that such Liens shall not apply to any Property theretofore owned by a Member, other than any theretofore unimproved real property on which the Property so constructed or improved is located.

Person

"Person" means any natural person, firm, joint venture, association, partnership, business trust, corporation, limited liability company, public body, agency or political subdivision thereof or any other similar entity.

Primary Obligor

"Primary Obligor" means the Person who is primarily obligated on an obligation which is guaranteed by another Person.

Principal Corporate Trust Office

"Principal Corporate Trust Office" means, for notice purposes and for purposes of presentation of Bonds for payment or transfer, the office of the Bond Trustee in Woodland Park, New Jersey or its successor.

Principal Fund

"Principal Fund" means the trust fund by that name established pursuant to the Bond Indenture.

Principal Payment Date

"Principal Payment Date" means, with respect to a Bond, the date on which principal of such Bond becomes due and payable, either by maturity, redemption, acceleration or otherwise.

Projected Debt Service Coverage Ratio

"Projected Debt Service Coverage Ratio" means, for any future period, the ratio consisting of a numerator equal to the amount determined by dividing the projected Income Available for Debt Service for that period by the Maximum Annual Debt Service Requirement for the Funded Indebtedness expected to be Outstanding during such period and a denominator of one.

Projected Rate

"Projected Rate" means the projected yield at par of an obligation as set forth in the report of a Consultant (which Consultant and report, including, without limitation, the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee and each Related Issuer). Such report shall state that in determining the Projected Rate such Consultant reviewed the yield evaluations at par of not less than three obligations selected by such Consultant, the interest on which is entitled to the exemption from federal income tax afforded by Section 103(a) of the Code or any successor thereto (or, if it is not expected that it will be reasonably possible to issue such tax-exempt obligations or if the interest on the Indebtedness for which the Projected Rate is being calculated is not entitled to such exemption, then obligations the interest on which is subject to federal income taxation) which obligations such Consultant states in its report are reasonable comparators for utilizing in developing such Projected Rate and which obligations: (a) were Outstanding on a date selected by the Consultant which date so selected occurred during the 90-day period preceding the date of the calculation utilizing the Projected Rate in question, (b) to the extent practicable, are obligations of Persons engaged in operations similar to those of the Obligated Group and having a credit rating similar to that of the Obligated Group, (c) are not entitled to the benefits of any credit enhancement, including, without limitation, any letter or line of credit or insurance policy, and (d) to the extent practicable, have a remaining term and amortization schedule substantially the same as the obligation with respect to which such Projected Rate is being developed.

Project Fund

"Project Fund" means the Project Fund established pursuant to Section 3.04 of the Bond Indenture from which the costs of the Projects are to be paid.

Projects

"Projects" means the acquisition, construction, improvement, equipping and reimbursement of costs relating to: (a) completion of the construction and equipping of the 10-story bed tower addition (the "SouthEast Tower") to WVUH's existing J.W. Ruby Memorial Hospital, (b) constructing and equipping the Heart and Vascular Institute located in the SouthEast Tower, anticipated to consist of three open heart surgery suites, three hybrid vascular surgery suites, four cardiac catheterization suites, clinic/exam rooms, and administrative offices, (c) constructing, equipping, and/or expanding existing space at J.W. Ruby Memorial Hospital, anticipated to include patient rooms, materials management, cafeteria and/or operating rooms, and (d)

acquiring, constructing and equipping UHC's new Outpatient Ambulatory Center in Weston, West Virginia.

Property

"Property" means any and all rights, titles and interests in and to any and all property, whether real or personal, tangible (including cash) or intangible, wherever situated and whether now owned or hereafter acquired.

Property, Plant and Equipment

"Property, Plant and Equipment" means all Property of each Member which is classified as property, plant and equipment under generally accepted accounting principles.

Put Date

"Put Date" means (a) any date on which an owner of Put Indebtedness may elect to have such Put Indebtedness paid, purchased or redeemed by or on behalf of the underlying obligor prior to its stated maturity date or (b) any date on which Put Indebtedness is required to be paid, purchased or redeemed from the owner by or on behalf of the underlying obligor (other than at the option of the owner) prior to its stated maturity date, other than pursuant to any mandatory sinking fund or other similar fund or other than by reason of acceleration upon the occurrence of an event of default.

Put Indebtedness

"Put Indebtedness" means Indebtedness which is (a) payable or required to be purchased or redeemed by or on behalf of the underlying obligor, at the option of the owner thereof, prior to its stated maturity date or (b) payable or required to be purchased or redeemed from the owner by or on behalf of the underlying obligor (other than at the option of the owner) prior to its stated maturity date, other than pursuant to any mandatory sinking fund or other similar fund or other than by reason of acceleration upon the occurrence of an event of default.

Rating Agency

"Rating Agency" means Fitch, Moody's or Standard & Poor's and their respective successors and assigns.

Rebate Fund

"Rebate Fund" means the fund by that name established pursuant to the Bond Indenture.

Redemption Fund

"Redemption Fund" means the fund by that name established pursuant to the Bond Indenture.

Redemption Price

"Redemption Price" means, with respect to any Bond (or portion thereof), the price to be paid upon redemption as set forth in the Bond Indenture.

Related Bond Indenture

"Related Bond Indenture" means the Bond Indenture and any indenture, bond resolution or similar instrument pursuant to which any series of Related Bonds is issued.

Related Bond Insurer

"Related Bond Insurer" means the Person issuing a municipal bond insurance or similar policy with respect to Related Bonds.

Related Bond Trustee

"Related Bond Trustee" means the Bond Trustee and any other trustee under any Related Bond Indenture and any successor trustee thereunder or, if no trustee is appointed under a Related Bond Indenture, the Related Issuer.

Related Bonds

"Related Bonds" means the revenue bonds or similar obligations issued by any state of the United States or any municipal corporation or other political subdivision formed under the laws thereof or any constituted authority, agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, the proceeds of which are loaned or made available to a Member of the Obligated Group in consideration of the issuance, authentication and delivery of and the pledge of or the guaranty of a security interest in an Obligation or Obligations.

Related Issuer

"Related Issuer" means any issuer of a series of Related Bonds.

Related Loan Document

"Related Loan Document" means the Loan Agreement and any other document or documents (including, without limitation, any lease, sublease or installment sales contract) pursuant to which any proceeds of any Related Bonds are advanced to any Member (or any Property financed or refinanced with such proceeds is leased, subleased or sold to a Member).

Requisition

"Requisition" means a document signed by an Authorized Representative directing the Bond Trustee to make the payments described therein from the Costs of Issuance Fund or the Project Fund, as the case may be.

Revenues

"Revenues" means (A) when used in the Master Indenture, for any period, (a) in the case of any Person providing health care services, the sum of (i) gross patient service revenues less contractual allowances and provisions for uncollectible accounts, free care and discounted care, plus (ii) other operating revenues, plus (iii) non-operating revenues (other than Contributions, income derived from the sale of assets not in the ordinary course of business or any gain from the extinguishment of debt or other extraordinary item or earnings which constitute Capitalized Interest or earnings on amounts which are irrevocably deposited in escrow to pay the principal of or interest on Indebtedness), plus (iv) Adjusted Contributions, all as determined in accordance with generally accepted accounting principles; and (b) in

the case of any other Person, gross revenues less sale discounts and sale returns and allowances, as determine in accordance with generally accepted accounting principles; but excluding for purposes of both clause (a) and (b) above (i) any gains on the sale or other disposition of investments or fixed or capital assets not in the ordinary course and any gains on the extinguishment of debt, (ii) earnings resulting from any reappraisal, revaluation or impairment of assets and (iii) unrealized gains resulting from changes in the valuation of investment securities and Interest Rate Agreements; provided, however, that if such calculation is being made with respect to the Obligated Group, such calculation shall be made in such a manner so as to exclude any revenues attributable to transactions between any Member and any other Member; and (B) when used in the Bond Indenture, all amounts received by the Authority or the Bond Trustee for the account of the Authority pursuant or with respect to the Loan Agreement, including, without limiting the generality of the foregoing, Loan Repayments (including both timely and delinquent payments, any late charges, and whether paid from any source), and other income and receipts, in each case derived by or for the account of the Authority or the Bond Trustee, from the Obligated Group including without limitation all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to this Bond Indenture, but not including any administrative fees or expenses or any money required to be deposited in the Rebate Fund.

Short-Term

"Short-Term," when used in connection with Indebtedness, means having an original maturity less than or equal to one year and not renewable at the option of the debtor for a term greater than one year beyond the date of original issuance.

Special Redemption Account

"Special Redemption Account" means the account by that name within the Redemption Fund established pursuant to the Bond Indenture.

Subordinated Indebtedness

"Subordinated Indebtedness" means Indebtedness which meets the requirements set forth in *Exhibit D* of the Master Indenture.

Supplemental Bond Indenture

"Supplemental Bond Indenture" means any indenture duly authorized and entered into 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.

Supplemental Indenture 2017-2

"Supplemental Indenture 2017-2" means the Supplemental Master Trust Indenture 2017-2 between the Obligated Group Agent and the Master Trustee pursuant to which the 2017-1 Note will be issued.

Supplemental Master Indenture

"Supplemental Master Indenture" mean an indenture amending or supplementing the Master Indenture in accordance with the terms thereof.

Tax Compliance Certificate

"Tax Compliance Certificate" means the Tax Compliance Certificate of the Authority and the Obligated Group Agent, dated the closing date and included in the transcript of which the Bond Indenture is a part.

Tax-Exempt Organization

"Tax-Exempt Organization" means a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code, which is exempt from federal income taxes under Section 501(a) of the Code, and which is not a "private foundation" within the meaning of Section 509(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

Unassigned Rights

"Unassigned Rights" means the rights of the Authority to indemnification, payment and reimbursement of its fees and expenses, and to receive notices and grant approvals, consents and waivers.

Unrestricted Contributions

"Unrestricted Contributions" means Contributions which are not restricted in any way that would prevent their application to the payment of debt service on Indebtedness of the Person receiving such Contribution.

2017-1 Note

"2017-1 Note" means the 2017-1 Note issued by the Obligated Group Agent in a principal amount equal to the principal amount of the Bonds pursuant to Supplemental Indenture 2017-2, which Note evidences and secures the obligations of the Obligated Group with respect to the Bonds under the Loan Agreement.

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THE MASTER INDENTURE

The following is a summary of certain provisions of the Master Indenture. Reference is made to the Master Indenture for the detailed provisions thereof.

Authorization and Issuance of Obligations

Obligations may be issued under the Master Indenture to (a) evidence Indebtedness, (b) evidence any repayment obligation under an Interest Rate Agreement, or (c) evidence a reimbursement obligation arising as a result of the issuance of a surety bond or other instrument guaranteeing or in effect guaranteeing any payments under an Interest Rate Agreement, as provided in the Master Indenture. So long as the requirements for the incurrence of Indebtedness imposed by the Master Indenture are met, the total principal amount of Obligations, the number of Obligations and the series of Obligations that may be created under the Master Indenture is not limited except as is set forth in the Supplemental Master Indenture providing for the issuance of such Obligations. No obligations may be issued unless the provisions of the Master Indenture are followed.

Covenants of the Obligated Group

Payment of Principal, Premium and Interest. Each Member unconditionally and irrevocably (subject to the right of such Member to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of the Master Indenture), jointly and severally covenants that it will promptly pay the principal of, premium, if any, and interest on every Obligation issued under the Master Indenture at the place, on the dates and in the manner provided in the Master Indenture and in said Obligations according to the true intent and meaning thereof. Notwithstanding any schedule of payments upon the Obligations set forth in the Master Indenture or in the Obligations, each Member unconditionally and irrevocably (subject to the right of such Member to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of the Master Indenture), jointly and severally agrees to make payments upon each Obligation and be liable therefor at the times and in the amounts (including principal, interest and premium, if any) equal to the amounts to be paid as interest, principal at maturity or by mandatory sinking fund redemption, or premium, if any, upon any Related Bonds from time to time Outstanding.

Insurance. Each Member shall maintain insurance (or self-insure if the Insurance Consultant or Insurance Consultants determines that such self-insurance meets the standards set forth in the Master Indenture and is prudent under the circumstance) with respect to its Property, the operation thereof and its business against such casualties, contingencies and risks (including but not limited to public liability and employee dishonesty) and in amounts not less than is customary in the case of corporations engaged in the same or similar activities and similarly situated and as is adequate to protect its Property and operations. The Obligated Group Agent shall annually review the insurance (including self-insurance) each Member maintains as to whether such insurance is customary and adequate. In addition, the Obligated Group Agent shall at least once every three fiscal years (commencing with its fiscal year beginning January 1, 2004) cause a certificate of an Insurance Consultant or Insurance Consultants to be delivered to the Master Trustee which indicates that the insurance then being maintained by the Members is customary in the case of corporations engaged in the same or similar activities and similarly situated and is adequate to protect the Obligated Group's Property and operations. The Obligated Group Agent shall cause copies of its review, or the certificates of the Insurance Consultant or Insurance Consultants, as the case may be, to be delivered promptly to the Master Trustee, to each Related Bond Trustee and to each Related Issuer.

Rates and Charges. Each Member covenants and agrees to operate all of its Facilities on a revenue producing basis and to charge such fees and rates for its Facilities and services and to exercise such skill and diligence as to provide income from its Property together with other available funds sufficient to pay promptly all payments of principal and interest on its Indebtedness, all expenses of operation, maintenance and repair of its Property and all other payments required to be made by under the Master Indenture, to the extent permitted by law. Each Member further covenants and agrees that it will from time to time as often as necessary and to the extent permitted by law, revise its rates, fees and charges in such manner as may be necessary or proper to comply with the provisions of this section.

The Members covenant and agree that they will cause the accountants certifying the report referred to in the Master Indenture to calculate the Historical Debt Service Coverage Ratio of the Obligated Group for the fiscal year covered by such report and to deliver a copy of such calculation to the Persons to whom such report is required to be delivered under such the Master Indenture.

If in any fiscal year the Historical Debt Service Coverage Ratio of the Obligated Group is less than 1.10:1, the Master Trustee shall require the Obligated Group at its expense to retain a Consultant to make recommendations with respect to the rates, fees and charges of the Members and the Obligated Group's methods of operation and other factors affecting its financial condition in order to increase the Historical Debt Service Coverage Ratio to at least 1.10:1.

A copy of the Consultant's report and recommendations, if any, shall be filed with each Member, the Master Trustee, each Related Bond Trustee and each Related Issuer. Each Member shall follow each recommendation of the Consultant applicable to it and permitted by law. This section shall not be construed to prohibit any Member from serving indigent patients to the extent required for such Member to continue its qualification as a Tax-Exempt Organization or from serving any other class or classes of patients without charge or at reduced rates so long as such service does not prevent the Obligated Group from satisfying the other requirements of this section.

The foregoing provisions notwithstanding, if in any fiscal year the Historical Debt Service Coverage Ratio is less than 1.10:1, the Master Trustee shall not require the Obligated Group to retain a Consultant to make such recommendations if: (a) there is filed with the Master Trustee (who shall provide a copy to each Related Bond Trustee and Related Issuer) a written report addressed to them of a Consultant (which Consultant and report, including, without limitation, the scope, form, substance and other aspects of such report, are acceptable to the Master Trustee) which contains an opinion of such Consultant that applicable laws or regulations have prevented the Obligated Group from generating Income Available for Debt Service during such fiscal year in an amount sufficient to equal or exceed 110% of its Debt Service Requirement and such report is accompanied by a concurring opinion of Independent Counsel (which Counsel and opinion, including, without limitation, the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) as to any conclusions of law supporting the opinion of such Consultant; (b) the report of such Consultant indicates that the rates charged by the Obligated Group are such that, in the opinion of the Consultant, the Obligated Group has generated the maximum amount of Revenues reasonably practicable given such laws or regulations; and (c) the Historical Debt Service Coverage Ratio of the Obligated Group for such fiscal year was no less than 1.00:1. The Obligated Group shall not be required to cause the Consultant's report referred to in the preceding sentence to be prepared more frequently than once every two fiscal years if at the end of the first of such two fiscal years the Obligated Group provides to the Master Trustee (who shall provide a copy to each Related Bond Trustee and Related Issuer) an opinion of Independent Counsel (which Counsel and opinion, including, without limitation, the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) to the effect that the applicable laws and regulations underlying the Consultant's report delivered in respect of the previous fiscal year have not changed in any material way.

Financial Statements. The Members covenant that they will keep or cause to be kept proper books of records and accounts in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the Obligated Group in accordance with generally accepted principles of accounting consistently applied (a) except to the extent required by the final paragraph of the definitions section of the Master Indenture and (b) except as may be disclosed in the notes to the audited financial statements referred to in subparagraph (A) below. To the extent that generally accepted accounting principles would require consolidation of certain financial information of entities which are not Members of the Obligated Group with financial information of one or more Members, consolidated financial statements prepared in accordance with generally accepted accounting principles which include information with respect to entities which are not Members of the Obligated Group may be delivered in satisfaction of the requirements of this section so long as: (i) supplemental information in sufficient detail to separately identify the information with respect to the Members of the Obligated Group is delivered to the Master Trustee with the audited financial statements; (ii) such supplemental information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements delivered to the Master Trustee and, in the opinion of the accountant, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole; and (iii) such supplemental information is used for the purposes set forth in the Master Indenture or for any agreement, document or certificate executed and delivered in connection or pursuant to the Master Indenture. The Members further covenant that they will furnish to the Master Trustee, any Related Issuers and any Related Bond Trustees:

(A) As soon as practicable after they are available, but in no event more than 150 days after the last day of each fiscal year, a financial report for such fiscal year certified by a firm of nationally recognized independent certified public accountants selected by the Obligated Group Agent and satisfactory to the Master Trustee and each Related Issuer covering the operations of the Obligated Group for such fiscal year and containing a combined and an unaudited combining balance sheet as of the end of such fiscal year and a combined and an unaudited combining statement of changes in fund balances and changes in financial position for such fiscal year and a combined and an unaudited combining statement of revenues and expenses for such fiscal year, showing in each case in comparative form the financial figures for the preceding fiscal year.

(B) As soon as practicable, but in no event more than 150 days after the last day of the fiscal year, an Officer's Certificate from the Obligated Group Agent containing a calculation of the Obligated Group's Historical Debt Service Coverage Ratio for said fiscal year and a statement as to whether or not, to the best knowledge of the signer of such certificate, there has been any default by any Member in the fulfillment of any of the terms, covenants, provisions or conditions of the Master Indenture, and, if so, specifying the default or defaults and the nature thereof.

(C) If an Event of Default shall have occurred and be continuing, (i) file with the Master Trustee, any Related Issuer or any Related Bond Trustee such additional information as such Person may reasonably request concerning any Member, including all pertinent books, documents and vouchers relating to the business, affairs and Property (other than patient, donor and personnel records) of the Members; and (ii) to the extent permitted by law, permit access during regular business hours or as reasonably requested by such Person for the purpose of inspection by such Person (who may make copies of all or any part thereof); and (iii) permit the Master Trustee, any such Related Issuer or any such Related Bond Trustee to visit and inspect, at the expense of such Person, its Property and to discuss the affairs, finances and accounts of the Obligated Group with its officers and independent accountants, all at such reasonable times and as often as the Master Trustee, such Related Issuer or such Related Bond Trustee may reasonably request.

The Obligated Group Agent also agrees to provide copies of the information referred to by such Person in subsection (A) above to each Rating Agency then maintaining a rating on any Related Bonds or any Indebtedness of any Member.

The Members also agree that, within 10 days after its receipt thereof, the Obligated Group Agent will file with the Master Trustee a copy of each Consultant's report or counsel's opinion required to be prepared under the terms of the Master Indenture.

The Obligated Group Agent shall give prompt written notice of a change of accountants by the Obligated Group to the Master Trustee and each such Related Issuer and Related Bond Trustee. The notice shall state: (i) the effective date of such change; (ii) whether there were any unresolved disagreements with the former accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which the accountants claimed would have caused them to refer to the disagreement in a report on the disputed matter, if it was not resolved to their satisfaction; and (iii) such additional information relating thereto as such Related Issuer, Related Bond Trustee or the Master Trustee may reasonably request.

Each Member agrees that, whenever requested by any Related Issuer, it shall provide and certify, or cause to be provided and certified, in form satisfactory to such Related Issuer, such information concerning such Member and the other Members, their property, their operation and finances and other matters that such Related Issuer considers necessary to enable it to complete and publish an official statement relating to its Related Bonds when any of such Related Bonds are to be offered for sale or to enable it to make any reports required by law, governmental regulations or the Related Bond Indenture in connection with any such Related Bonds.

Permitted Indebtedness. The Obligated Group will not incur any Indebtedness (whether or not incurred through the issuance of Obligations) other than:

(A) Funded Indebtedness, if prior to incurrence thereof or, if such Funded Indebtedness was incurred in accordance with another subsection of the Master Indenture and any Member wishes to have such Funded Indebtedness classified as having been issued under this subsection, prior to such classification, there is delivered to the Master Trustee:

(i) An Officer's Certificate from the Obligated Group Agent (which Officer's Certificate, including, without limitation, the scope, form, substance and other aspects thereof, is acceptable to the Master Trustee) stating that the Funded Indebtedness Ratio of the Obligated Group, after giving effect to the incurrence of such Indebtedness and to the application of the proceeds thereof, does not exceed 0.67:1; or

(ii) An Officer's Certificate from the Obligated Group Agent (which Officer's Certificate, including, without limitation, the scope, form, substance and other aspects thereof, is acceptable to the Master Trustee) stating that the Historical Pro Forma Debt Service Coverage Ratio of the Obligated Group for the most recent fiscal year preceding the date of delivery of the report for which combined financial statements reported upon by independent certified public accountants are available was not less than 1.25:1; or

(iii) (a) An Officer's Certificate from the Obligated Group Agent (which Officer's Certificate, including, without limitation, the scope, form, substance and other aspects thereof, is acceptable to the Master Trustee) stating that the Historical Debt Service Coverage Ratio of the Obligated Group for the fiscal year next preceding the incurrence of such Funded Indebtedness for which combined financial statements reported upon by independent certified public

accountants are available was not less than 1.10:1; and (b) (1) a written Consultant's report (which report, including, without limitation, the scope, form, substance and other aspects thereof, is acceptable to the Master Trustee) to the effect that the Projected Debt Service Coverage Ratio of the Obligated Group for each of the next two succeeding fiscal years or, if such Indebtedness is being incurred in connection with the financing of Facilities, the two fiscal years succeeding the projected completion date of such Facilities, is not less than 1.10:1, or (2) an Officer's Certificate from the Obligated Group Agent in a form acceptable to the Master Trustee to the effect that the Projected Debt Service Coverage Ratio of the Obligated Group for each of the next two succeeding fiscal years or, if such Indebtedness is being incurred in connection with the financing of Facilities, the two fiscal years succeeding the projected completion date of such Facilities, is not less than 1.20:1, provided that either of such reports shall include forecast balance sheets, statements of revenues and expenses and statements of cash flows for each of such two fiscal years and a statement of the relevant assumptions upon which such forecasted statements are based, which financial statements must indicate that sufficient revenues and cash flow could be generated to pay the operating expenses of the Obligated Group's proposed and existing Facilities and the debt service on the Obligated Group's other existing Indebtedness during such two fiscal years; provided that the requirements of the foregoing subsection (iii)(a) or (b), as the case may be, shall be deemed satisfied if (x) there is delivered to the Master Trustee the report of a Consultant (which report, including, without limitation, the scope, form, substance and other aspects thereof, is acceptable to the Master Trustee and which contains the information required by the proviso to subsection (iii)(b) in the case of projections) which contains an opinion of such Consultant that applicable laws or regulations have prevented or will prevent the Obligated Group from generating the amount of Income Available for Debt Service required to be generated by subsection (iii)(a) or (b), as the case may be, as a prerequisite to the issuance of Funded Indebtedness, and, if requested by the Master Trustee, such report is accompanied by a concurring opinion of Independent Counsel (which Counsel and opinion, including, without limitation, the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) as to any conclusions of law supporting the opinion of such Consultant, (y) the report of the Consultant indicates that the rates charged or to be charged by the Obligated Group are or will be such that, in the opinion of such Consultant, the Obligated Group has generated or will generate the maximum amount of Revenues reasonably practicable given such laws or regulations, and (z) the Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group and the Projected Debt Service Coverage Ratio of the Obligated Group referred to in the applicable subsection are at least 1.00:1.

(B) Completion Funded Indebtedness, without limitation.

(C) Funded Indebtedness for the purpose of refunding (whether in advance or otherwise, including, without limitation, refunding through the issuance of Cross-over Refunding Indebtedness) any Outstanding Funded Indebtedness.

(D) Short-Term Indebtedness (other than Short-Term Indebtedness incurred in accordance with subsection (E) below) in a total principal amount which at the time incurred does not, together with the principal amount of all other such Short-Term Indebtedness of the Obligated Group then Outstanding under this subsection (D) and the principal payable on all Funded Indebtedness during the next succeeding 12 months, excluding such principal to the extent that amounts are on deposit in an irrevocable escrow and such amounts (including, where appropriate, the earnings or other increments to accrue thereon) are required to be applied to pay such principal and such amounts so required to be applied are sufficient to pay such principal, exceed 25% of the Revenues of the Obligated Group for the most recent fiscal year for which combined financial statements reported upon by independent certified public accountants are available; provided, however, that for a period of 20 consecutive calendar days in

each fiscal year the total amount of such Short-Term Indebtedness of the Obligated Group Outstanding under this subsection (D) shall be not more than 5% of the Revenues of the Obligated Group during the preceding fiscal year plus such additional amount as the Obligated Group Agent certifies in an Officer's Certificate is (a) attributable to Short-Term Indebtedness incurred to offset a temporary delay in the receipt of funds due from third party payors and (b) in the minimum amount reasonably practicable taking into account such delay. For the purposes of this subsection (D), Short-Term Indebtedness shall not include overdrafts to banks to the extent there are immediately available funds of the Obligated Group sufficient to pay such overdrafts and such overdrafts are incurred and corrected in the normal course of business.

(E) Short-Term Indebtedness if:

(i) There is in effect at the time the Short-Term Indebtedness provided for by this subsection (E) is incurred a binding commitment (including, without limitation, letters or lines of credit or insurance) which may be subject only to commercially reasonable contingencies, by a financial institution generally regarded as responsible, which commitment and institution are acceptable to the Master Trustee and each Related Issuer, to provide financing sufficient to pay such Short-Term Indebtedness at its maturity; and

(ii) The conditions described in subsection (A) above are met with respect to such Short-Term Indebtedness when it is assumed that such Short-Term Indebtedness is Funded Indebtedness maturing over 30 years from the date of issuance of the Short-Term Indebtedness, bears interest on the unpaid principal balance at the Projected Rate and is payable on a level annual debt service basis over a 30-year period.

(F) Non-Recourse Indebtedness, without limitation.

(G) Balloon Indebtedness if:

(i)(a) there is in effect at the time such Balloon Indebtedness is incurred a binding commitment (including, without limitation, letters or lines of credit) which may be subject only to commercially reasonable contingencies by a financial institution generally regarded as responsible, which commitment and institution are acceptable to the Master Trustee and each Related Issuer, to provide financing sufficient to pay the principal amount of such Balloon Indebtedness coming due in each consecutive 12 month period in which 25% or more of the original principal amount of such Balloon Indebtedness comes due; and

(b) the conditions set forth in subsection (A) above are met with respect to such Balloon Indebtedness when the assumptions set forth in subsection (E)(ii) above are made with respect to the portion of such Balloon Indebtedness becoming due during each such 12 month period; or

(ii)(a) a Member establishes in an Officer's Certificate filed with the Master Trustee an amortization schedule for such Balloon Indebtedness, which amortization schedule shall provide for payments of principal and interest for each fiscal year that are not less than the amounts required to make any actual payments required to be made in such fiscal year by the terms of such Balloon Indebtedness;

(b) such Member agrees in such Officer's Certificate to deposit for each fiscal year with a bank or trust company (pursuant to an agreement between such Member and such bank or trust company, which agreement shall be satisfactory in form and substance to the Master Trustee) the amount of principal shown on such amortization schedule net of any amount of principal actually

paid on such Balloon Indebtedness during such fiscal year (other than from amounts on deposit with such bank or trust company) which deposit shall be made prior to any such required actual payment during such fiscal year if the amounts so on deposit are intended to be the source of such actual payments; and

(c) the conditions described in subsection (A) above are met with respect to such Balloon Indebtedness when it is assumed that such Balloon Indebtedness is actually payable in accordance with such amortization schedule.

(H) Put Indebtedness if the conditions set forth in subsection (A) above are met with respect to such Put Indebtedness when it is assumed that such Put Indebtedness bears interest at the Projected Rate and is payable on a level annual debt service basis over a 30-year period commencing with the next succeeding Put Date.

(I) Guaranties by any Member of the payment by another Person of a sum certain; provided that the conditions set forth in the Master Indenture are satisfied if it is assumed that the Indebtedness guaranteed is Funded Indebtedness of such Member. In making the calculation required by this subsection (I) the Obligated Group's Income Available for Debt Service shall not be deemed to include any Revenues of the Primary Obligor and the debt service payable with respect to the Indebtedness guaranteed shall be calculated in accordance with the assumptions contained in the Master Indenture.

(J) Liabilities for contributions to self-insurance or shared or pooled-risk insurance programs required or permitted to be maintained under the Master Indenture.

(K) Commitment Indebtedness, without limitation.

(L) Indebtedness consisting of accounts payable incurred in the ordinary course of business or other Indebtedness not incurred or assumed primarily to assure the repayment of money borrowed or credit extended which Indebtedness is incurred in the ordinary course of business.

(M) Indebtedness the principal amount of which at the time incurred, together with the aggregate principal amount of all other Indebtedness then Outstanding which was issued pursuant to the provisions of this subsection (M) and which has not been subsequently reclassified as having been issued under subsection (A), (E), (G) or (H), does not exceed 10% of the Revenues of the Obligated Group for the latest preceding fiscal year for which combined financial statements reported upon by independent certified public accountants are available.

(N) Indebtedness incurred in connection with a sale of accounts receivable with or without recourse on commercially reasonable terms by any Member consisting of an obligation to repurchase all or a portion of such accounts receivable upon certain conditions, provided that the principal amount of such Indebtedness permitted by the Master Indenture shall not exceed the aggregate face amount of such accounts receivable.

(O) Subordinated Indebtedness, without limitation.

Liens on Property. A Lien on Property of any Member securing Indebtedness shall be classified a Permitted Encumbrance (as provided in clause (d) of the definition of Permitted Encumbrance), and therefore be permitted if: (a) such Lien secures Non-Recourse Indebtedness; or (b)(i) after giving effect to such Lien and all other Liens classified as Permitted Encumbrances under this subsection, the Book Value or, at the option of the Obligated Group Agent, the Current Value of Property of the Obligated Group which is Encumbered is not more than 15% of the value of all of the Property of the Obligated Group

(calculated on the same basis as the value of the Encumbered Property) and (ii) the conditions described in the Master Indenture are met for allowing the incurrence of one dollar of additional Funded Indebtedness.

Merger, Consolidation, Sale or Conveyance

(A) Each Member agrees that it will not merge into, or consolidate with, one or more corporations that are not Members, or allow one or more of such non-Member corporations to merge into it, or sell or convey all or substantially all of its Property to any Person who is not a Member, unless:

(i) Any successor corporation to such Member (including, without limitation, any purchaser of all or substantially all the Property of such Member) is a corporation organized and existing under the laws of the United States of America or a state thereof and shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such successor corporation to assume, jointly and severally, the due and punctual payment of the principal of, premium, if any, and interest on all Obligations according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Master Indenture to be kept and performed by such Member;

(ii) Immediately after such merger or consolidation, or such sale or conveyance, no Member would be in default in the performance or observance of any covenant or condition of any Related Loan Document or the Master Indenture;

(iii) Immediately after such merger or consolidation, or such sale or conveyance, the condition described in the Master Indenture would be met for the creation of a Lien on Property and the condition described in the Master Indenture would be met for the incurrence of one dollar of additional Funded Indebtedness, assuming that any Indebtedness of any successor or acquiring corporation is Indebtedness of such Member and that the Revenues and Expenses of the Member for such most recent fiscal year include the Revenues and Expenses of such other corporation; and

(iv) If all amounts due or to become due on all Related Bonds have not been fully paid to the holders thereof or fully provided for, there shall be delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel (which counsel and opinion, including, without limitation, the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) to the effect that under then existing law, the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on the original date of delivery of such Related Bonds, would not adversely affect the validity of such Related Bonds or the exemption otherwise available from federal income taxation of interest payable on such Related Bonds.

(B) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for its predecessor, with the same effect as if it had been named in the Master Indenture as such Member. Any successor corporation to such Member thereupon may cause to be signed and may issue in its own name Obligations under the Master Indenture and the predecessor corporation shall be released from its obligations under the Master Indenture and under any Obligations, if such predecessor corporation shall have conveyed all Property owned by it (or all such Property shall be deemed conveyed by operation of law) to such successor corporation. All Obligations so issued by such successor corporation under the Master Indenture shall in all respects have the same legal rank and benefit under the Master Indenture as Obligations theretofore or thereafter issued in accordance with the terms of the Master Indenture as

though all of such Obligations had been issued under the Master Indenture by such prior Member without any such consolidation, merger, sale or conveyance having occurred.

(C) In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued as may be appropriate.

(D) The Master Trustee may rely upon an opinion of Independent Counsel as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of the Master Indenture and that it is proper for the Master Trustee under the provisions of the Master Indenture to join in the execution of any instrument required to be executed and delivered by the Master Indenture.

Entrance into the Obligated Group

Any Person may become a Member of the Obligated Group if:

(A) Such Person is a corporation;

(B) Such Person executes and delivers to the Master Trustee a Supplemental Master Indenture acceptable to the Master Trustee which shall be executed by the Master Trustee and each then current Member, containing (i) the agreement of such Person (A) to become a Member of the Obligated Group and thereby to become subject to compliance with all provisions of the Master Indenture and (B) unconditionally and irrevocably (subject to the right of such Person to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of the Master Indenture) to jointly and severally make payments upon each Obligation at the times and in the amounts provided in each such Obligation and (ii) representations and warranties by such Person substantially similar to those set forth in the Master Indenture (other than those contained in the Master Indenture, if such Person is not a Tax-Exempt Organization), but with such modifications as are acceptable to the Master Trustee;

(C) The Obligated Group Agent shall, by appropriate action of its Governing Body, have approved the admission of such Person to the Obligated Group and each of the Members shall have taken such action, if any, required to approve the admission of such Person to the Obligated Group;

(D) The Master Trustee shall have received (i) a certificate of the Obligated Group Agent which demonstrates that, immediately upon such Person becoming a Member of the Obligated Group (a) the Members would not, as a result of such transaction, be in default in the performance or observance of any covenant or condition to be performed or observed by them under the Master Indenture, and (b) the Obligated Group could meet the conditions described in the Master Indenture for the incurrence of one dollar of additional Funded Indebtedness, (ii) an opinion of Independent Counsel to the effect that (a) the instrument described in paragraph (B) above has been duly authorized, executed and delivered and constitutes a legal, valid and binding agreement of such Person, enforceable in accordance with its terms, subject to customary exceptions for bankruptcy, insolvency, fraudulent conveyance, and other laws generally affecting enforcement of creditors' rights and application of general principles of equity and to the exceptions set forth in the Master Indenture and (b) the addition of such Person to the Obligated Group will not adversely affect the status as a Tax-Exempt Organization of any Member which otherwise has such status, (iii) either a certificate of the Obligated Group Agent demonstrating that all amounts due or to become due on all Related Bonds have been paid to the holders thereof and provision for such payment has been made in such manner as to have resulted in the defeasance of all Related Bond Indentures, or an opinion of nationally recognized municipal bond counsel (which counsel and opinion, including, without limitation, the scope, form, substance and other aspects thereof, are acceptable to the

Master Trustee), to the effect that under then existing law the consummation of such transaction, whether or not contemplated on the date of delivery of any such Related Bond, would not adversely affect the validity of any Related Bond or any exemption from federal income taxation of interest payable on such Related Bond otherwise entitled to such exemption; provided that in making the calculation called for by subsection (D)(i)(b) above, (a) there shall be excluded from Revenues any Revenues generated by Property of such Person transferred or otherwise disposed of by such Person since the beginning of the fiscal year during which such Person's entry into the Obligated Group occurs and (b) there shall be excluded from Expenses any Expenses related to Property of such Person transferred or otherwise disposed of by such Person since the beginning of the fiscal year during which such Person's entry into the Obligated Group occurs and (iv) certified copies of the actions of the Obligated Group Agent and each of the Members described in subsection (C) above; and

(E) The Master Indenture is amended to add such Person as a Member.

Each successor, assignee, surviving, resulting or transferee corporation of a Member must agree to become, and satisfy the above-described conditions to becoming, a Member of the Obligated Group prior to any such succession, assignment or other change in such Member's corporate status.

Cessation of Status as a Member of the Obligated Group

Each Member covenants that it will not take any action, corporate or otherwise, which would cause it or any successor thereto into which it is merged or consolidated to cease to be a Member of the Obligated Group under the terms of the Master Indenture, unless:

(A) the Member proposing to withdraw from the Obligated Group is not a party to any Outstanding Obligation securing Related Loan Documents with respect to Related Bonds which remain Outstanding;

(B) prior to cessation of such status, there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel (which opinion, including, without limitation, the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) to the effect that, under then existing law, the cessation by the Member of its status as a Member will not adversely affect the validity of any Related Bond or any exemption from federal income taxation of interest payable thereon to which such Bond would otherwise be entitled;

(C) when it is assumed that such cessation results in a transfer of Property owned by the Member proposing to cease such status to a Person who is not a Member of the Obligated Group, the conditions precedent to such a transfer to an unrelated entity set forth in the Master Indenture have been complied with;

(D) prior to and immediately after such cessation, no event of default exists under the Master Indenture and no event shall have occurred which with the passage of time or the giving of notice, or both, would become such an event of default;

(E) prior to such cessation there is delivered to the Master Trustee an opinion of Independent Counsel (which Counsel and opinion, including, without limitation, the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) to the effect that the cessation by such Member of its status as a Member will not adversely affect the status as a Tax-Exempt Organization of any Member which otherwise has such status; and

(F) prior to cessation of such status, each Member of the Obligated Group consents in writing to the withdrawal by such Member.

Upon such cessation in accordance with the foregoing provisions, the Master Indenture shall be amended to delete therefrom the name of such Person.

Sale, Lease or Other Disposition of Property

Each Member agrees that it will not, in any fiscal year, sell, lease or otherwise dispose (including, without limitation, any involuntary disposition) of Property which, together with all other Property transferred by Members exceeds the greater of $5,000,000 or 5% of the total value of the Property of the Obligated Group (calculated on the basis of the Book Value of the assets shown on the assets side of the balance sheet in the combined financial statements of the Obligated Group for the fiscal year next preceding the date of such sale, lease or other disposition for which combined financial statements of the Obligated Group reported on by independent certified public accountants are available or, if the Obligated Group Agent so elects, on the basis of Current Value), except for transfers or other dispositions in the ordinary course of business and except for transfers, sales or other dispositions of Property:

(A) In return for other Property of equal or greater value and usefulness;

(B) To any Person, if prior to such sale, lease or other disposition there is delivered to the Master Trustee an Officer's Certificate of a Member stating that, in the judgment of the signer, such Property has, or within the next succeeding 24 calendar months is reasonably expected to, become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property;

(C) To another Member;

(D) Upon fair and reasonable terms no less favorable to the Member than the Member would obtain in a comparable arm's-length transaction, if following such transfer the proceeds received by the transferor are applied to acquire Property or to repay the principal of Funded Indebtedness of any Member;

(E) To any Person, if such Property consists solely of assets which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use for payment on the Obligations;

(F) To any Person, if such transfer consists solely of cash and such transfer will not exceed 10% of Net Patient Service Revenues in any fiscal year; or

(G) To any Person upon delivery to the Master Trustee of an Officer's Certificate of a Member (i) certifying that during the fiscal year immediately preceding the proposed disposition for which financial statements have been reported upon by independent certified public accountants, (a) the Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group, taking into account such disposition, would not have been less than 2.00:1 or (b) if the Historical Maximum Annual Debt Service Coverage Ratio is less than 2.00:1, the Historical Annual Maximum Debt Service Coverage Ratio would not have been reduced by more than 10% and (ii) demonstrating that, after taking into account such disposition, the conditions described in the Master Indenture are met for allowing the incurrence of one dollar of additional Funded Indebtedness.

The foregoing provisions of this section notwithstanding, each Member further agrees that it will not sell, lease, donate or otherwise dispose of Property (a) which could reasonably be expected at the time of such sale, lease, donation or disposition to result in a reduction of the Historical Maximum Annual Debt Service Coverage Ratio for the Obligated Group such that the Master Trustee could or would be obligated to require the Obligated Group to retain a Consultant pursuant to the Master Indenture, or (b) if a Consultant has been retained in the circumstances described in the Master Indenture, such action, in the opinion of such Consultant, will have an adverse effect on the Income Available for Debt Service of the Obligated Group. The parties to the Master Indenture agree that except as otherwise permitted by the Master Indenture (including, without limitation, transfers to other Members and other transfers permitted as described under this section) and except as otherwise required by law, it will not enter into any transaction, including, without limitation, the purchase, sale, exchange or transfer of Property, the rendering of any service, the making of any loan, the extension of any credit or any other transaction, with any Affiliate except pursuant to the reasonable requirements of such Member's activities and upon fair and reasonable terms no less favorable to it than would obtain in a comparable arm's-length transaction with a person not an Affiliate.

Events of Default

Each of the following events is an "event of default" under the Master Indenture:

(A) failure of the Obligated Group to pay any installment of interest or principal, or any premium, on any Obligation when the same shall become due and payable, whether at maturity, upon any date fixed for prepayment or redemption by acceleration or otherwise and the continuance of such failure for five days; or

(B) failure of any Member to comply with, observe or perform any of the covenants, conditions, agreements or provisions of the Master Indenture and to remedy such default within 30 days after written notice thereof to such Member and the Obligated Group Agent from the Master Trustee or the holders of at least 25% in aggregate principal amount of the Outstanding Obligations; provided, that if such default cannot with due diligence and dispatch be cured within 30 days but can be cured, the failure of the Member to remedy such default within such 30-day period shall not constitute a default under the Master Indenture if the Member shall immediately upon receipt of such notice commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, shall thereafter prosecute and complete the same with due diligence and dispatch; or

(C) any representation or warranty made by any Member in the Master Indenture or in any statement or certificate furnished to the Master Trustee or the purchaser of any Obligation in connection with the sale of any Obligation or furnished by any Member pursuant hereto proves untrue in any material respect as of the date of the issuance or making thereof and shall not be corrected or brought into compliance within 30 days after written notice thereof to the Obligated Group Agent by the Master Trustee or the holders of at least 25% in aggregate principal amount of the Outstanding Obligations; or

(D) default in the payment of the principal of, premium, if any, or interest on any Indebtedness for borrowed money (other than Non-Recourse Indebtedness) of any Member, including, without limitation, any Indebtedness created by any Related Loan Document, within 5 days from the date the same shall become due, or an event of default as defined in any mortgage, indenture, loan agreement or other instrument under or pursuant to which there was issued or incurred, or by which there is secured, any such Indebtedness (including any Obligation) of any Member, and which default in payment or event of default entitles the holder thereof to declare or, in the case of any Obligation, to request that the Master Trustee declare, such Indebtedness due and payable prior to the date on which it would otherwise become due and payable; provided, however, that if such Indebtedness is not evidenced by an Obligation or

issued, incurred or secured by or under a Related Loan Document, a default in payment shall not constitute an "event of default" under the Master Indenture unless the unpaid principal amount of such Indebtedness, together with the unpaid principal amount of all other Indebtedness so in default, exceeds 5% of the unrestricted net assets of the Obligated Group as shown on or derived from the then latest available audited combined financial statements of the Obligated Group; or

(E) any judgment, writ or warrant of attachment or of any similar process shall be entered or filed against any Member or against any Property of any Member and remains unvacated, unpaid, unbonded, unstayed or uncontested in good faith for a period of 30 days; provided, however, that none of the foregoing shall constitute an event of default unless the amount of such judgment, writ, warrant of attachment or similar process, together with the amount of all other such judgments, writs, warrants or similar processes so unvacated, unpaid, unbonded, unstayed or uncontested, exceeds 5% of the unrestricted net assets of the Obligated Group as shown on or derived from the then latest available audited combined financial statements of the Obligated Group; or

(F) any Member admits insolvency or bankruptcy or its inability to pay its debts as they mature, or is generally not paying its debts as such debts become due, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee, custodian or receiver for such Member, or for the major part of its Property; or

(G) a trustee, custodian or receiver is appointed for any Member or for the major part of its Property and is not discharged within 30 days after such appointment; or

(H) bankruptcy, dissolution, reorganization, arrangement, insolvency or liquidation proceedings, proceedings under Title 11 of the United States Code, as amended, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors are instituted by or against any Member (other than bankruptcy or similar proceedings instituted by any Member against third parties), and if instituted against any Member are allowed against such Member or are consented to or are not dismissed, stayed or otherwise nullified within 60 days after such institution; or

(I) payment of any installment of interest or principal, or any premium, on any Related Bond shall not be made when the same shall become due and payable under the provisions of any Related Bond Indenture.

Acceleration

If an event of default under the Master Indenture has occurred and is continuing, the Master Trustee may, and if requested by either the holders of not less than 25% in aggregate principal amount of Outstanding Obligations or the holder of any Accelerable Instrument under which Accelerable Instrument an event of default exists (which event of default permits the holder thereof to request that the Master Trustee declare such Indebtedness evidenced by an Obligation due and payable prior to the date on which it would otherwise become due and payable), shall, by notice in writing delivered to the Obligated Group Agent, declare the entire principal amount of all Obligations then Outstanding under the Master Indenture and the interest accrued thereon immediately due and payable, and the entire principal and such interest shall thereupon become immediately due and payable, subject, however, to the provisions thereof with respect to waivers of events of default.

Remedies; Rights of Obligation Holders

Upon the occurrence and continuance of any event of default, the Master Trustee may pursue any available remedy including a suit, action or proceeding at law or in equity to enforce the payment of the

principal of, premium, if any, and interest on the Obligations Outstanding under the Master Indenture and any other sums due under the Master Indenture and may collect such sums in the manner provided by law out of the Property of any Member wherever situated.

If an event of default shall have occurred, and if it shall have been requested so to do by either the holders of 25% or more in aggregate principal amount of Obligations Outstanding or the holder of an Accelerable Instrument upon whose request pursuant to the Master Indenture the Master Trustee has accelerated the Obligations and if it shall have been indemnified as provided in the Master Indenture, the Master Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this section as the Master Trustee shall deem most expedient in the interests of the holders of Obligations; provided, however, that the Master Trustee shall have the right to decline to comply with any such request if the Master Trustee shall be advised by counsel (who may be its own counsel) that the action so requested may not lawfully be taken or the Master Trustee in good faith shall determine that such action would be unjustly prejudicial to the holders of Obligations not parties to such request.

No remedy by the terms of the Master Indenture conferred upon or reserved to the Master Trustee (or to the holders of Obligations) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Master Trustee or to the holders of Obligations issued under the Master Indenture, now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or event of default shall impair any such right or power or shall be construed to be a waiver of any such default or event of default, or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or event of default under the Master Indenture, whether by the Master Trustee or by the holders of Obligations, shall extend to or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereon.

Supplements and Amendments to the Master Indenture

Subject to the limitations set forth in the Master Indenture, the Members and the Master Trustee may, without the consent of, or notice to, any of the Obligation holders, amend or supplement the Master Indenture, for any one or more of the following purposes:

(A) To cure any ambiguity or defective provision in or omission from the Master Indenture in such manner as is not inconsistent with and does not impair the security of the Master Indenture or adversely affect the holder of any Obligation;

(B) To grant to or confer upon the Master Trustee for the benefit of the Obligation holders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Obligation holders and the Master Trustee, or either of them, to add to the covenants of the Members for the benefit of he Obligation holders or to surrender any right or power conferred under the Master Indenture upon any Member;

(C) To assign and pledge under the Master Indenture any revenues, properties or collateral;

(D) To evidence the succession of another corporation to the agreements of a Member or the Master Trustee, or the successor of any thereof under the Master Indenture;

(E) To permit the qualification of the Master Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar federal statute hereafter in effect or to permit the qualification of any Obligations for sale under the securities laws of any state of the United States;

(F) To provide for the funding or advance refunding of any Obligation;

(G) To provide for the issuance of Obligations;

(H) To reflect the addition to or withdrawal of a Member from the Obligated Group;

(I) To provide for the issuance of Obligations with original issue discount, provided such issuance would not materially adversely affect the holders of Outstanding Obligations;

(J) To permit an Obligation to be secured by security which is not extended to all Obligation holders;

(K) To permit the issuance of Obligations which are not in the form of a promissory note; and

(L) To make any other change which, in the opinion of the Master Trustee, does not materially adversely affect the holders of any of the Obligations and, in the opinion of each Related Bond Trustee, does not materially adversely affect the holders of the Related Bonds with respect to which it acts as trustee, including, without limitation, any modification, amendment or supplement to the Master Indenture or any indenture supplemental hereto in such a manner as to establish or maintain exemption of interest on any Related Bonds under a Related Bond Indenture from federal income taxation under applicable provisions of the Code.

Any Supplemental Master Indenture providing for the issuance of Obligations shall set forth the date thereof, the date or dates upon which principal of, premium, if any, and interest on such Obligations shall be payable, the other terms and conditions of such Obligations, the form of such Obligations and the conditions precedent to the delivery of such Obligations which shall include, among other things:

(i) delivery to the Master Trustee of all materials required to be delivered as a condition precedent to the incurrence of the Indebtedness evidenced by such Obligations;

(ii) delivery to the Master Trustee of an opinion of Independent Counsel acceptable to the Master Trustee to the effect that all requirements and conditions to the issuance of such Obligations, if any, set forth in the Master Indenture and in the Supplemental Master Indenture have been complied with and satisfied; and

(iii) delivery to the Master Trustee of an opinion of Independent Counsel acceptable to the Master Trustee to the effect that registration of such Obligations under the Securities Act of 1933, as amended, is not required, or, if such registration is required, that the Obligated Group has complied with all applicable provisions of said Act.

If at any time the Obligated Group Agent shall request the Master Trustee to enter into any Supplemental Master Indenture pursuant to subsection (l) above, the Master Trustee shall cause notice of the proposed execution of such Supplemental Master Indenture to be given to each rating agency then maintaining a rating on any Obligations or Related Bonds, in the manner provided in the Master Indenture at least 15 days prior to the execution of such Supplemental Master Indenture, which notice shall include a copy of the proposed Supplemental Master Indenture. If at any time the Obligated Group Agent shall request the Master Trustee to enter into any Supplemental Master Indenture pursuant to which an

Obligation is issued in connection with an Interest Rate Agreement, the Master Trustee shall cause notice of the execution of such Supplemental Master Indenture to be given to each rating agency then maintaining a rating on any Obligation or Related Bonds, in the manner provided in the Master Indenture immediately succeeding the execution of such Supplemental Master Indenture, which notice shall include a copy of the Supplemental Master Indenture.

Supplemental Master Indentures Requiring Consent of Obligation Holders

In addition to Supplemental Master Indentures covered by the Master Indenture (as described above) and subject to the terms and provisions contained in this section, and not otherwise, the holders of not less than 51% in aggregate principal amount of the Obligations which are Outstanding under the Master Indenture at the time of the execution of such Supplemental Master Indenture shall have the right, from time to time, anything contained in the Master Indenture to the contrary notwithstanding, to consent to and approve the execution by the Members and the Master Trustee of such Supplemental Master Indentures as shall be deemed necessary and desirable by the Members for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Master Indenture or in any Supplemental Master Indenture; provided, however, that nothing contained in this section or in the Master Indenture shall permit, or be construed as permitting, (a) an extension of the stated maturity or reduction in the principal amount of or reduction in the rate or extension of the time of paying of interest on or reduction of any premium payable on the redemption of, any Obligation, without the consent of the holder of such Obligation, (b) a reduction in the aforesaid aggregate principal amount of Obligations the holders of which are required to consent to any such Supplemental Master Indenture or any such amending or supplementing instruments, without the consent of the holders of all the Obligations at the time Outstanding which would be affected by the action to be taken, or (c) modification of the rights, duties or immunities of the Master Trustee, without the written consent of the Master Trustee.

If at any time the Obligated Group Agent shall request the Master Trustee to enter into any such Supplemental Master Indenture for any of the purposes describe in the preceding paragraph, the Master Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Master Indenture to be mailed by first class mail postage prepaid to each holder of an Obligation. Such notice shall briefly set forth the nature of the proposed Supplemental Master Indenture and shall state that copies thereof are on file at the principal corporate trust office of the Master Trustee for inspection by all Obligation holders. The Master Trustee shall not, however, be subject to any liability to any Obligation holder by reason of its failure to mail such notice, and any such failure shall not affect the validity of such Supplemental Master Indenture when consented to and approved as provided in this section. If the holders of not less than 51% in aggregate principal amount of the Obligations which are Outstanding under the Master Indenture at the time of the execution of any such Supplemental Master Indenture shall have consented to and approved the execution thereof as provided, in this section no holder of any Obligation shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Master Trustee or the Members from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Master Indenture as in this section permitted and provided, the Master Indenture shall be and be deemed to be modified and amended in accordance therewith.

For the purpose of obtaining the foregoing consents, the determination of who is deemed the holder of an Obligation held by a Related Bond Trustee shall be made in the manner provided in the Master Indenture.

CERTAIN AMENDMENTS PURSUANT TO SUPPLEMENTAL INDENTURE 2003-1 AND SUPPLEMENTAL INDENTURE 2014-1

The following is a summary of certain amendments to the Master Indenture made pursuant to Supplemental Master Trust Indenture 2003-1 dated as of August 1, 2003, between each Member of the Obligated Group and the Master Trustee ("Supplemental Indenture 2003-1") and Supplemental Master Trust Indenture 2014-1 dated as of March 1, 2014, between each Member of the Obligated Group and the Master Trustee ("Supplemental Indenture 2014-1"). Terms used in this section and not otherwise defined herein shall have the meanings set forth in Supplemental Indenture 2003-1 and Supplemental Indenture 2014-1, respectively.

Under Supplemental Indenture 2014-1, so long as the 2003 Swap Insurance Policy (as defined in the Official Statement) is outstanding, the provisions provided for the benefit of the 2003 Swap Insurer (as defined in the Official Statement) under Supplemental Indenture 2003-1 shall remain in full force and effect.

Definitions of Certain Terms

Cushion Ratio

"Cushion Ratio" means Unrestricted Cash and Investments divided by Historical Maximum Annual Debt Service.

Day of Operating Expenses

"Day of Operating Expenses" means operating expenses minus depreciation and amortization expenses, divided by the number of days for the applicable period.

Debt Service Coverage Ratio

"Debt Service Coverage Ratio" means Historical Pro Forma Debt Service Coverage Ratio.

Gross Receipts

"Gross Receipts" means all receipts, revenues, income and other moneys received by or on behalf of any one or more Members of the Obligated Group, including, but without limiting the generality of the foregoing, revenues derived from the ownership or operation of Property, including insurance and condemnation proceeds with respect to Property or any portion thereof, and all rights to receive the same, whether in the form of accounts, Accounts Receivable, contract rights or other rights, and the proceeds of such rights, and whether now owned or held or hereafter coming into existence; provided, however, that gifts, grants, bequests, donations and contributions heretofore or hereafter made and designated or specified by the granting authority, donor or maker thereof as being for specified purposes (other than payment of debt service on Indebtedness) and the income derived therefrom to the extent required by such designation or specification shall be excluded from Gross Receipts.

Unrestricted Cash and Investments

"Unrestricted Cash and Investments" means (a) the sum of the following unrestricted and unencumbered items: cash, cash equivalents, long-term marketable securities and liquid investments less

(b) the aggregate face amount of any short-term indebtedness. Unrestricted and unencumbered cash, cash equivalents, long term marketable securities and liquid investments shall exclude the following: trustee-held funds, debt service funds, construction funds, debt service reserve funds, malpractice funds, litigation reserves, self-insurance and captive insurer funds, pension and retirement funds and the set-aside or reserve for any liability other than operating expense, and the amount realized from the sale or factoring of accounts receivable.

Covenants and Agreements

Permitted Encumbrances. Section 418(b)(i) of the Master Indenture shall be revised as follows: after giving effect to such Lien and all other Liens classified as Permitted Encumbrances under this subsection (b)(i) and those liens and encumbrances described in paragraphs (u), (w) and (x) of the definition of Permitted Encumbrances, the Book Value or, at the option of the Obligated Group Agent, the Current Value of the Property of the Obligated Group which is Encumbered is not more than 15% of the value of all of the Property of the Obligated Group (calculated on the same basis as the value of the Encumbered Property); and

Rate Covenant.

(1) Calculations of the Obligated Group's Historical Debt Service Coverage Ratio pursuant to Sections 409 and 414(A) of the Master Indenture shall be performed annually, at the end of each fiscal year, based on: (a) unaudited annual financial statements when available (but no later than 45 days after fiscal year-end; and (b) audited annual financial statements when available, but no later than 120 days after fiscal year-end.

(2) The Obligated Group's failure to maintain a Debt Service Coverage Ratio of at least 1.0 at the end of any fiscal year, shall constitute an event of default hereunder regardless of whether the Obligated Group retains the Consultant and follows its recommendations.

Liquidity Covenant.

(1) The Obligated Group Agent covenants that it will maintain Unrestricted Cash and Investments equal to at least 80 Days of Operating Expenses (the "Liquidity Covenant").

(2) If the Obligated Group Agent fails to maintain the Liquidity Covenant, it shall retain a Consultant. A copy of the Consultant's report and recommendations shall be simultaneously filed with each Member of the Obligated Group, the Master Trustee, each Related Bond Trustee, and each Related Issuer.

(3) The Obligated Group Agent and each Member of the Obligated Group shall follow each recommendation of the Consultant applicable to it, to the extent permitted by law.

(4) Failure to (a) retain a Consultant as required by this section, (b) implement the recommendations of such Consultant to the extent permitted by law, or (c) maintain Unrestricted Cash and Investments equal to at least 60 Days of Operating Expenses shall constitute an event of default under the Master Indenture.

(5) Calculations of the Liquidity Covenant shall be performed annually, at the end of each fiscal year, based on: (a) unaudited annual financial statements when available (but no later than 45 days after fiscal year-end); and (b) audited annual financial statements when available (but no later than 120 days after fiscal year-end).

Total Debt to Capitalization Ratio. The Obligated Group Agent covenants that it will not incur any Indebtedness under the Master Indenture unless there is delivered to the Master Trustee:

(1) an Officer's Certificate from the Obligated Group Agent (which Officer's Certificate, including without limitation, the scope, form, substance and other aspects thereof is acceptable to the Master Trustee) stating that the Funded Indebtedness Ratio of the Obligated Group, after giving effect to the incurrence of such Indebtedness and to the application of the proceeds thereof, does not exceed 0.67:1; and

(2) an Officer's Certificate certifying that: (a) the Members of the Obligated Group are in compliance with the provisions of the Master Indenture as of the date of incurrence of such Indebtedness, and (b) the Funded Indebtedness Ratio of the Obligated Group, taking into account all Indebtedness which will be Outstanding immediately following the incurrence of the proposed Indebtedness, for the most recent fiscal year for which audited Obligated Group financial statements are available, does not exceed 0.67:1.

Consolidation, Mergers and Conveyances. No consolidation, merger or conveyance shall be permitted under Section 413, unless the Obligated Group Agent provides the Officer's Certificate required by Section 417(g) of the Master Indenture.

Admission and Withdrawal from the Obligated Group. In addition to satisfying the requirements of Section 404 or Section 405 of the Master Indenture, as the case may be, no Member may be admitted to, or withdraw from, the Obligated Group, unless, immediately following such admission or withdrawal, the Obligated Group, meets the tests described in Section 413 of the Master Indenture, as amended by Section 308 thereof.

Insurance. Insurance shall be maintained by the Obligated Group Agent and each Member of the Obligated Group in accordance with the prevailing industry practice as to carriers, deductibles and coverage. Compliance with industry practice shall be subject to confirmation as part of a bi-annual review by an independent insurance Consultant (the "Insurance Consultant"); provided that, in the event the Obligated Group Agent or any Member of the Obligated Group is self-insured, review shall be conducted annually by the Insurance Consultant. No Member of the Obligated Group shall self-insure against casualty losses to any real or personal property owned, leased or used by it, including Property, Plant and Equipment; provided, however, reasonable deductibles approved by the Insurance Consultant shall be permitted.

Rights of Swap Insurer

Swap Insurer as Third Party Beneficiary. To the extent that Supplemental Indenture 2003-1 confers upon or gives or grants to the Swap Insurer any right, remedy or claim, the Swap Insurer, as the case may be, is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

Interested Parties. Nothing in Supplemental Indenture 2003-1, expressed or implied, is intended or shall be construed to confer upon, or give or grant, any person or entity, other than each Member of the Obligated Group, the Master Trustee, the Swap Insurer any right, remedy or claim under or by reason of Supplemental Indenture 2003-1 or any covenant, agreement, condition or stipulation contained herein, and all such covenants, agreements, conditions and stipulations shall be for the sole and exclusive benefit of the Obligated Group, the Master Trustee, and the Swap Insurer.

Subrogation Rights of Swap Insurer upon Payment under Policy or Swap Insurance Policy. Upon payment by the Swap Insurer under the Swap Insurance Policy, the Swap Insurer shall be fully subrogated to the rights of Raymond James Financial Products, Inc. (replaced UBS AG) to received Scheduled Payments (as defined in the Swap Insurance Policy) under the Master Agreement. The Obligated Group Agent shall reimburse the Swap Insurer for all amounts paid under the Swap Insurance Policy and all costs of collection thereof and enforcement of the Master Agreement at the Insurer Payment Rate (as defined in the Swap Insurance Policy).

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CERTAIN AMENDMENTS PURSUANT TO SUPPLEMENTAL INDENTURE 2006-2 AS AMENDED BY SUPPLEMENTAL INDENTURE 2011-1

The following is a summary of certain amendments to the Master Indenture made pursuant to Supplemental Master Trust Indenture 2006-2 dated as of June 1, 2006, between each Member of the Obligated Group and the Master Trustee ("Supplemental Indenture 2006-2"), as amended by Supplemental Master Trust Indenture 2011-1 dated as of February 1, 2011, between each Member of the Obligated Group and the Master Trustee ("Supplemental Indenture 2011-1"). Terms used in this section and not otherwise defined herein shall have the meanings set forth in Supplemental Indenture 2006-2 and Supplemental Indenture 2011-1, respectively.

Supplemental Indenture 2011-1 amended certain provisions of Supplemental Indenture 2006-2. Supplemental Indenture 2011-1 states that the provisions of Supplemental Indenture 2006-2 will apply only so long as the 2005 Swap is outstanding.

Definition of Certain Terms

Book Value

"Book Value" when used with respect to Property, Plant and Equipment of a Member, means the value of such Property, Plant and Equipment net of accumulated depreciation and amortization, as reflected in the most recent audited financial statements of such Member which have been prepared in accordance with generally accepted accounting principles, and, when used with respect to Property, Plant and Equipment of all Members, means the aggregate of the values of such Property, Plant and Equipment net of accumulated depreciation and amortization, as reflected in the most recent audited combined financial statements of the Obligated Group prepared in accordance with generally accepted accounting principles, provided that such aggregate shall be calculated in such a manner that no portion of the value of any Property, Plant and Equipment of any Member is included more than once.

Change in Control

"Change in Control" shall mean the occurrence of one or both of the following events:

(a) The Governing Body of any Member of the Obligated Group grants to any Person the right to appoint members of the Governing Body; or

(b) A majority of the members of the Governing Body of any Member of the Obligated Group is employed or controlled by or affiliated with any one Person.

Days of Unrestricted Cash on Hand

"Days of Unrestricted Cash on Hand" shall mean the ratio of (i) Unrestricted Cash and Investments of the Obligated Group, as shown on the financial statements for the fiscal year, to (ii) the quotient of total Expenses of the Obligated Group, as shown on such financial statements, divided by 365. Testing at the six-month interval shall use six month interim numbers (instead of "financial statements for such fiscal year") and will be divided by 182 instead of 365.

Depository Institution

"Depository Institution" shall mean any financial Institution that enters into a depository agreement with a Member of the Obligated Group and the Master Trustee.

Funded Indebtedness Ratio

"Funded Indebtedness Ratio" means the ratio consisting of (i) a numerator equal to the amount determined by dividing the Obligated Group's total Indebtedness by the Obligated Group's total Capitalization (as reflected in or derived from the most recent audited combined financial statements of the Obligated Group prepared in accordance with generally accepted accounting principles and without including any item more than once) and (ii) a denominator of one.

Income Available for Debt Service

"Income Available for Debt Service" shall mean the excess of Revenues over Expenses determined in accordance with Generally Accepted Accounting Principles, provided, however, that no determination thereof shall take into account any extraordinary gains or losses, unrealized gains or losses resulting from the periodic valuation of investments, interest rate swap agreements, or similar agreements. Income Available for Debt Service shall, however, include "other-than-temporary" impairment losses recorded pursuant to FAS 115.

Funded Indebtedness

"Funded Indebtedness" shall have the meaning set forth in the Master Indenture, but shall also include all Short-Term Indebtedness and the current portion of Long Term Indebtedness.

Historic Test Period Value

"Historic Test Period Value" when used with respect to Property, Plant and Equipment of a Member, means, at the option of the Obligated Group Agent, the value of such Property, Plant and Equipment recognized on the books of such Member as of either (i) the end of the most recent month for which a balance sheet of the Obligated Group is available, or (ii) the end of the most recent Fiscal Year of the Obligated Group for which audited combined financial statements are available.

Indebtedness

"Indebtedness" on a consolidated basis when referring to Indebtedness of the Obligated Group, shall mean (i) all obligations of the Obligated Group for borrowed money or with respect to deposits or advances of any kind; (ii) all obligations of the Obligated Group evidenced by bonds, debentures, notes or similar instruments; (iii) all obligations of the Obligated Group upon which interest charges are customarily paid; (iv) all obligations of the Obligated Group under conditional sale or other title retention agreements relating to property acquired by the Obligated Group; (v) all obligations of the Obligated Group in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (vi) all Indebtedness of others secured by (or for which the holder of the Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on Property owned or acquired by the Obligated Group, whether or not the Indebtedness secured thereby has been assumed; (vii) all Guarantees by the Obligated Group of Indebtedness of others, excluding operating lease payment guarantees; (viii) all Capitalized Leases of the Obligated Group; (ix) all obligations, contingent or otherwise of the Obligated Group as an account party in respect to letters of credit and letters of guaranty; (x) all obligations, contingent or otherwise, of the Obligated Group in

respect of bankers' acceptances; (xi) the short-term portion of Long-Term Indebtedness; and (xii) Short-Term Indebtedness. The Indebtedness of the Obligated Group shall include the Indebtedness of any other Person (including any partnership in which the Obligated Group or any Member thereof is a general partner) to the extent the Obligated Group is liable therefore as a result of the Obligated Group's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that the Obligated Group is not liable therefore. With the exception of synthetic or other equipment leases, Indebtedness shall include capital leases that are off balance sheet, synthetic or similar leases for the purpose of acquiring or financing a capital asset, and shall be valued at 8.00 times the annual lease payment.

Rights of Swap Insurer

Swap Insurer as Third Party Beneficiary. To the extent that Supplemental Indenture 2006-2 confers upon or gives or grants to the Swap Insurer any right, remedy or claim, the Swap Insurer, as the case may be, is explicitly recognized as being a third-party beneficiary thereunder and may enforce any such right, remedy or claim conferred, given or granted thereunder.

Interested Parties. Nothing in Supplemental Indenture 2006-2, expressed or implied, is intended or shall be construed to confer upon, or give or grant, any person or entity, other than each Member of the Obligated Group, the Master Trustee, and the Swap Insurer any right, remedy or claim under or by reason of Supplemental Indenture 2006-2 or any covenant, agreement, condition or stipulation contained herein, and all such covenants, agreements, conditions and stipulations shall be for the sole and exclusive benefit of the Obligated Group, the Master Trustee, and the Swap Insurer.

Subrogation Rights of Swap Insurer Upon Payment under Swap Insurance Policy. Upon payment by the Swap Insurer under the Swap Insurance Policy, the Swap Insurer shall be fully subrogated to the rights of Raymond James Financial Products, Inc. ("RFJP") to receive Scheduled Payments (as defined in the Swap Insurance Policy) under the Master Agreement. The Obligated Group shall reimburse the Swap Insurer for all amounts paid under the Swap Insurance Policy and all costs of collection thereof and enforcement of the Master Agreement at the Insurer Payment Rate (as defined in the Swap Insurance Policy). No payments by the Swap Insurer under the Swap Insurance Policy shall operate to reduce the Obligated Group's obligations under the Master Agreement, and the Swap Notes shall for all purposes remain Outstanding until such time as the Swap Insurer is paid in full for payments made by the Swap Insurer under the Swap Insurance Policy.

Certain Amendments Requiring RFJP. Notwithstanding anything contained herein or in the Master Indenture to the contrary, until such time as the Swap Notes and the Subordinated Swap Notes are paid in full, the Obligated Group will not enter into any amendment, supplement, modification or waiver of the Master Indenture or any provision thereof, without the prior written consent of RFJP if such amendment, supplement, modification or waiver would adversely affect the rights of RFJP or the holders of Obligations relating to swap transactions specifically and does not apply to all holders of Obligations generally. The Obligated Group shall provide RFJP with at least ten (10) Business Days prior written notice of any proposed amendment, supplement or modification of the Master Indenture whether or not the proposed amendment, supplement or modification will adversely affect the rights or obligations of RFJP under the Master Agreement or the Master Indenture.

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CERTAIN AMENDMENTS PURSUANT TO SUPPLEMENTAL INDENTURE 2011-2

The following is a summary of certain amendments to the Master Indenture made pursuant to Supplemental Master Trust Indenture 2011-2 dated as of March 1, 2011, between each Member of the Obligated Group and the Master Trustee ("Supplemental Master Trust Indenture 2011-2"), as amended by First Amendment to Supplemental Master Trust Indenture 2011-2 dated as of January 27, 2016 ("First Amendment to Supplemental Indenture 2011-2" and together with Supplemental Master Trust Indenture 2011-2, "Supplemental Indenture 2011-2"). Terms used in this section and not otherwise defined herein shall have the meanings set forth in Supplemental Indenture 2011-2.

So long as the 2004 Policy provided by the 2004 Bond Insurer and the 2004 Swap Insurance Policy provided by the 2004 Swap Insurer is in effect or amounts are owed to the 2004 Bond Insurer or the 2004 Swap Insurer, the provisions for the benefits of the 2004 Bond Insurer and the 2004 Swap Insurer under Supplemental Indenture 2011-2, shall remain in full force and effect.

So long as the 2007 Swap Insurance Policy provided by the 2007 Swap Insurer is in effect or amounts are owed to the 2007 Swap Insurer, the provisions for the benefit of the 2007 Swap Insurer under Supplemental Indenture 2011-2, shall remain in full force and effect.

Definition of Certain Terms

Accounts

"Accounts" shall mean, collectively, all accounts (as defined in the UCC), accounts receivable, other receivables, contracts, contractual rights, tax refunds or other obligations or indebtedness owing to any Member of the Obligated Group of any kind or description, secured or unsecured, now or hereafter existing, whether or not arising out of or in connection with the payment for goods sold or leased, for services rendered, whether or not earned by performance, and all sums of money or other proceeds due or not earned by performance, and all sums of money or other proceeds due or becoming due thereon, together with all rights now or hereafter existing under guarantees and collateral security therefore and under leases and other contracts securing, guaranteeing or otherwise relating to any of the foregoing, including without limitation (a) all rights to receive any performance or any payments in money or in kind; (b) all right, title and interest in and to the goods, services or other property that give rise to or that secure any of the foregoing, and insurance policies and proceeds thereof relating thereto; (c) all rights as an unpaid seller of goods and services including, without limitation, all rights or stoppage in transit, replevin, reclamation and resale; (d) all rights to receive any Medicare/Medicaid Receivables or any other federal programs or state and local governmental programs providing for the payment of or reimbursement for services rendered, and private insurance program (including, without limitation, Blue Cross and prepaid health organizations, including health maintenance organizations and preferred provider organizations), in each case only to the extent permitted under applicable law; (e) reversionary interest in pension and profit-sharing plans, and reversionary, beneficial and residual interest in trusts, credits with and any other claims against any Person; and (f) all ledger sheets, files, records and documents relating to any of the foregoing, including all computer records, programs, storage media and computer software used or required in connection therewith.

Bank Accounts

"Bank Accounts" shall mean all deposit accounts and shall include, without limitation, all checking, investment or deposit accounts (general or specific, time or demand, provisional or final) at any time maintained by any Member of the Obligated Group, including without limitation M/M Accounts,

and all moneys, securities, instruments, and general intangibles deposited or held therein; provided, that Contributions on deposit or deposited therein and designated or specified by the granting authority, donor or maker thereof as being for specified purposes (other than payment of debt service on Indebtedness) and the income derived therefrom to the extent required by such designation or specification shall be excluded from Bank Accounts.

Bond Insurer

"Bond Insurer" means Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance, Inc.).

CCMC Replacement Notes

"CCMC Replacement Notes" means mean the following notes executed, authenticated and delivered in accordance with the Master Indenture: (a) the 2011-2 Note dated March 1, 2011, in an original aggregate principal amount of $15,400,000; (b) the 2011-3 Note dated March 1, 2011, in an original aggregate principal amount of $57,150,000; (c) the 2011-5 Note dated March 1, 2011, in an original aggregate principal amount of $23,975,000; (d) the 2014-5 Swap Note dated March 13, 2014, in the original maximum notional principal amount of $51,500,000; and (e) the 2014-6 Swap Note dated March 13, 2014, in the original maximum notional principal amount of $21,850,000.

Collateral

"Collateral" shall mean all of CCMC's right, title and interest in, to and under that certain Operating Lease and Agreement dated as of July 1, 1997, as supplemented and amended, between the Board of Trustees of Camden-Clark Memorial Hospital, as lessor, and Grantor, as lessee, together with certain other interests in property, all as more particularly described in the Deed of Trust.

Contract Rights

"Contract Rights" shall mean all rights of any Member of the Obligated Group in and to contracts to which the Member of the Obligated Group is now or shall become a party pursuant to which the Member of the Obligated Group has the right to perform medical and/or management services and receive payment, reimbursement, insurance proceeds or any other form or manner of compensation, including without limitation, the Medicare and Medicaid reimbursement agreements to which the Member of the Obligated Group is a party and any and all other agreements and/or arrangements between the Member of the Obligated Group and a governmental or quasi-governmental entity pursuant to which the Member of the Obligated Group provides such healthcare service and receives any form of payment, and any other agreements pursuant to which the Member of the Obligated Group provides healthcare services on a reimbursed, capitated or other form of payment arrangement.

Day of Operating Expenses

"Day of Operating Expenses" means operating expenses minus depreciation and amortization expenses, divided by the number of days for the applicable period.

Debt Service Coverage Ratio

"Debt Service Coverage Ratio" means Historical Pro Forma Debt Service Coverage Ratio.

Deed of Trust

"Deed of Trust" shall mean CCMC's Leasehold Credit Line Deed of Trust and Fixture Filing and Security Agreement dated as of June 1, 2004, of record in the office of the Clerk of the County Commission of Wood County in Book 1221, at page 254, and Leasehold Credit Line Deed of Trust and Fixture Filing and Security Agreement dated as of September 1, 2007, of record in the aforesaid Clerk's office in Book 1450, at page 362, as amended and restated by that certain Amended and Restated Credit Line Deed of Trust and Fixture Filing and Security Agreement dated as of February 28, 2011, effective March 1, 2011, of record in the aforesaid Clerk's office in Book 1642, at page 14, as amended and restated by that certain Amended and Restated Credit Line Deed of Trust and Fixture Filing and Security Agreement dated as of September 30, 2013, of record in the aforesaid Clerk's Office in Book 1789, at page 545, as amended and restated by that certain Amended and Restated Leasehold Credit Line Deed of Trust and Fixture Filing and Security Agreement dated as of January 21, 2016 and effective as of January 27, 2016 and as amended, restated or otherwise modified from time to time as permitted therein.

Depository Institution

"Depository Institution" shall mean any financial Institution that enters into a depository agreement with a Member of the Obligated Group and the Master Trustee.

General Intangible

"General Intangible" shall mean the right to use all general intangibles (as such term is defined in Section 9-106 of the UCC) of the Member of the Obligated Group, including, without limitation, trademarks, copyrights, patents, contracts, licenses, and franchises, trade names, computer programs and other computer software, inventions, designs, trade secrets, goodwill, proprietary rights, customer lists, supplier contacts, sale orders, correspondence and advertising materials.

Medicare/Medicaid Receivables

"Medicare/Medicaid Receivables" shall mean all accounts and other rights to payment now or at any time hereafter owing, and all reimbursements now or hereafter due, whether directly or indirectly through an intermediary, from the Center for Medicare and Medicaid Services, the United States Department of Health and Human Services, and other governmental authority, or any other Person in connection with Medicare and Medicaid, the Civilian Health and Medical Program of the Uniform Services and the Civilian Health and Medical Program of the Veterans' Administration.

M/M Account

"M/M Account" shall mean a deposit account with a Depository Institution to which all payments with respect to Medicare/Medicaid Receivables are remitted.

Related Rights

"Related Rights" shall mean all chattel paper, documents and/or instruments relating to the Accounts, the General Intangibles, the Gross Receipts, the Contract Rights, and the Bank Accounts and all rights now or hereafter existing in and to all security agreements, leases and other contracts securing or otherwise relating to the Accounts, the Gross Receipts, the Contract Rights or the General Intangibles or any such chattel papers, documents and/or instruments.

Swap Insurer or Swap Insurers

"Swap Insurer" or "Swap Insurers" shall mean the 2004 Swap Insurer and/or the 2007 Swap Insurer, as the case may be.

UCC

"UCC" shall mean the Uniform Commercial Code in effect from time to time in the State of West Virginia.

Unrestricted Cash and Investments

"Unrestricted Cash and Investments" means (a) the sum of the following unrestricted and unencumbered items: cash, cash equivalents, long-term marketable securities and liquid investments less (b) the aggregate face amount of any short-term indebtedness. Unrestricted and unencumbered cash, cash equivalents, long term marketable securities and liquid investments shall exclude the following: trustee-held funds, debt service funds, construction funds, debt service reserve funds, malpractice funds, litigation reserves, self-insurance and captive insurer funds, pension and retirement funds and the set-aside or reserve for any liability other than operating expense, and the amount realized from the sale or factoring of accounts receivable.

2004 Swap Insurer

"2004 Swap Insurer" means Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance, Inc.).

2007 Swap Insurer

"2007 Swap Insurer" means Assured Guaranty Corp.

Covenants and Agreements with Respect to the Bond Insurers and the Swap Insurers

Deed of Trust. As security for its obligations to make payments on the CCMC Replacement Notes (excluding the 2014-5 Subordinated Swap Note and the 2014-6 Subordinated Swap Note) and the other Obligations heretofore or hereafter issued under the Master Indenture on a parity with the CCMC Replacement Notes, CCMC shall grant to the Master Trustee a deed of trust lien on the Collateral; provided, however, that (a) the Deed of Trust (as amended and restated) shall remain in effect only so long as either the 2004 Bonds or the 2007 Bonds are Outstanding and (b) if at any time the Collateral is sold, the proceeds received by seller of the Collateral are applied to repay on a pro-rata basis all outstanding Obligations secured by the Deed of Trust (as amended and restated) or CCMC shall substitute the collateral sold under the Deed of Trust (as amended and restated) with collateral of equal or greater value to the Collateral which substitute collateral shall be acceptable to the Bond Insurers in their sole discretion.

Rate Covenant.

(1) Any Consultant retained under the Master Indenture, and the scope of such Consultant's engagement, shall be reasonably acceptable to Bond Insurer.

(2) A copy of the Consultant's report and recommendations shall be delivered to the Bond Insurer simultaneously with delivery to the Members of the Obligated Group, the Master Trustee, each

Related Bond Trustee and each Related Issuer. Upon reasonable request, the Bond Insurer shall be entitled to consult with the Consultant, attend the Consultant's briefings with the Obligated Group Agent or any Member of the Obligated Group, and receive all interim reports of the Consultant.

(3) Calculations of the Obligated Group's Historical Debt Service Coverage Ratio pursuant to the Master Indenture shall be performed annually, at the end of each fiscal year, based on: (a) unaudited annual financial statements when available (but no later than 60 days after fiscal year-end; and (b) audited annual financial statements when available, but no later than 120 days after fiscal year-end.

(4) The Obligated Group's failure to maintain a Debt Service Coverage Ratio of at least 1.0 at the end of any fiscal year, shall constitute an event of default under the Master Indenture regardless of whether the Obligated Group retains the Consultant and follows its recommendations.

Liquidity Covenant.

(1) The Obligated Group covenants that it will maintain Unrestricted Cash and Investments equal to at least 80 Days of Operating Expenses (the "Liquidity Covenant").

(2) If the Obligated Group fails to maintain the Liquidity Covenant, it shall retain a Consultant. The Consultant, and the scope of the Consultant's engagement, shall be reasonably acceptable to Bond Insurer. A copy of the Consultant's report and recommendations shall be simultaneously filed with each Member of the Obligated Group, the Bond Insurer, the Master Trustee, each Related Bond Trustee, and each Related Issuer. Upon reasonable request, the Bond Insurers shall be entitled to consult with the Consultant, attend the Consultant's briefings with the Obligated Group or any Member of the Obligated Group, and receive all interim reports of the Consultant

(3) Each Member of the Obligated Group shall follow each recommendation of the Consultant applicable to it, to the extent permitted by law.

(4) Failure to (a) retain a Consultant as required by this section, (b) implement the recommendations of such Consultant to the extent permitted by law, or (c) maintain Unrestricted Cash and Investments equal to at least 60 Days of Operating Expenses shall constitute an event of default under the Master Indenture.

(5) Calculations of the Liquidity Covenant shall be performed annually, at the end of each fiscal year, based on: (a) unaudited annual financial statements when available (but no later than 60 days after fiscal year end; and (b) audited annual financial statements when available (but no later than 120 days after fiscal year-end).

Total Debt to Capitalization Ratio. The Obligated Group covenants that it will not incur any Indebtedness under the Master Indenture unless there is delivered to the Master Trustee:

(1) an Officer's Certificate from the Obligated Group Agent (which Officer's Certificate, including without limitation, the scope, form, substance and other aspects thereof is acceptable to the Master Trustee) stating that the Funded Indebtedness Ratio of the Obligated Group, after giving effect to the incurrence of such Indebtedness and to the application of the proceeds thereof, does not exceed 0.67:1; and

(2) an Officer's Certificate certifying that: (a) the Members of the Obligated Group are in compliance with the provisions of the Master Indenture as of the date of incurrence of such Indebtedness, and (b) the Funded Indebtedness Ratio of the Obligated Group, taking into account all Indebtedness

which will be Outstanding immediately following the incurrence of the proposed Indebtedness, for the most recent fiscal year for which audited Obligated Group financial statements are available, does not exceed 0.67:1.

Consolidation, Mergers and Conveyances. No consolidation, merger or conveyance shall be permitted under Section 413 of the Master Indenture, unless the Obligated Group Agent provides the Officer's Certificate required by Section 417(g) of the Master Indenture.

Admission and Withdrawal from the Obligated Group. In addition to satisfying the requirements of Section 404 or Section 405 of the Master Indenture, as the case may be, no Member may be admitted to, or withdraw from, the Obligated Group, unless, immediately following such admission or withdrawal, the Obligated Group, meets the tests described in Section 413 of the Master Indenture, as amended by Supplemental Master Indenture 2011-2.

Insurance. Insurance shall be maintained by the each Member of the Obligated Group in accordance with the prevailing industry practice as to carriers, deductibles and coverage. Compliance with industry practice shall be subject to confirmation as part of a bi-annual review by an independent insurance Consultant (the "Insurance Consultant"); provided that, in the event any Member of the Obligated Group is self-insured, review shall be conducted annually by the Insurance Consultant. No Member of the Obligated Group shall self-insure against casualty losses to any real or personal property owned, leased or used by it, including Property, Plant and Equipment; provided, however, reasonable deductibles approved by the Insurance Consultant shall be permitted.

Restrictions on Interest Rate Agreements. Members of the Obligated Group may enter into Interest Rate Agreements without the prior written consent of the Bond Insurer, if the following conditions are met: (1) the Interest Rate Agreement must be entered into as a hedge against then Outstanding Indebtedness or as a means of achieving forward refundings or assets held at the time of the execution of the Interest Rate Agreement (including swaps or reverse swaps); (2) the Interest Rate Agreement shall not contain any leverage element or multiplier component unless there is a matching hedge arrangement which effectively off-sets the exposure from any such element or component; (3) unless the obligation of the Obligated Group is insured, the net settlement, breakage, or other termination amount of uninsured Interest Rate Agreement then in effect and the Interest Rate Agreement to be executed, determined at the time of execution and delivery of the Interest Rate Agreement to be executed may not result in Unrestricted Cash and Investments being less than the Liquidity Covenant; (4) the Interest Rate Agreement provider (the "Swap Provider") counterparty, or its guarantor, must have a rating of at least "A" or "A2;" and (5) there shall be no events of default where the Swap Provider is the defaulting party or termination events wherein the Swap Provider is the affected party which result in an immediate early termination of the Interest Rate Agreement.

Events of Defaults. So long as the 2004 Policy is in effect and the 2004 Bond Insurer is not in default thereunder:

(a) The failure of the Obligated Group to pay any installment of interest or principal, or any premium, on the CCMC Replacement Notes, the Related Bonds, the 2004 Swap Documents or the 2007 Swap Documents, as applicable, when the same become due and payable, whether at maturity, upon any date fixed for prepayment or redemption, by acceleration or otherwise shall constitute an Event of Default.

(b) Any default subject to cure beyond the 30-day period prescribed by subsection 502(b) of the Master Indenture that is not cured within 91 days of the notice of default shall constitute an Event of Default.

(c) Section 502 of the Master Indenture is hereby amended and restated to conform to the Events of Default set forth above.

(d) An event of default under the Reimbursement Agreement dated as of September 13, 2007 by and among Assured Guaranty Corp. and CCMC.

(e) None of the CCMC Replacement Notes or the Related Bonds or Related Loan Document may be accelerated without the consent of or unless at the direction of the applicable Bond Insurer.

Rights of Bond Insurer and Swap Insurer

Bond Insurer and Swap Insurer as Third Party Beneficiaries. To the extent that Supplemental Indenture 2011-2 confers upon or gives or grants to any Bond Insurer or any Swap Insurer any right, remedy or claim, such Bond Insurer or such Swap Insurer, as the case may be, is hereby explicitly recognized as being a third party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

Interested Parties. Nothing in Supplemental Indenture 2011-2, expressed or implied, is intended or shall be construed to confer upon, or give or grant, any person or entity, other than each Member of the Obligated Group, the Master Trustee, the Bond Insurers and the Swap Insurers, any right, remedy or claim under or by reason of Supplemental Indenture 2011-2 or any covenant, agreement, condition or stipulation contained herein, and all such covenants, agreements, conditions and stipulations shall be for the sole and exclusive benefit of the Obligated Group, the Master Trustee, the Bond Insurers and the Swap Insurers.

Subrogation Rights of Bond Insurers and Swap Insurers Upon Payment under Policies or Swap Insurance Policies. Upon any payment by the Bond Insurer under the 2004 Policy, the Bond Insurer shall be fully subrogated to the extent of all rights and remedies of the owners of the 2004 Bonds under the 2004 Related Bond Indenture which rights and remedies shall become the rights and remedies of such Bond Insurer. No payments by the Bond Insurer under the 2004 Policy shall operate to reduce the Obligated Group's obligations under the documents governing the 2004 Bonds and the 2004 Bonds shall for all purposes remain Outstanding until such time as the Bond Insurer is paid in full for payments made by the Bond Insurer under the 2004 Policy (provided that any payments on the 2004 Bonds owned by the Bond Insurer, as a bondholder, will be credited against payments otherwise due the Bond Insurer from the Obligated Group).

Upon payment by any Swap Insurer under its Swap Insurance Policy, such Swap Insurer shall be fully subrogated to the rights of the applicable Swap Provider to receive Scheduled Payments (as defined in the applicable Swap Insurance Policy) under the 2004 Swap Agreement or the 2007 Swap Agreement, as applicable. The Obligated Group Agent shall reimburse the applicable Swap Insurer for all amounts paid under its Swap Insurance Policy and all costs of collection thereof and enforcement of the 2004 Swap Agreement or the 2007 Swap Agreement, as applicable, at the Insurer Payment Rate as set forth in the applicable Swap Documents.

Waiver or Consent to Amendment by the Bond Insurer. The Bond Insurer may, in its sole and exclusive discretion, agree to amend or waive any, covenant or agreement contained in Supplemental Indenture 2011-2 by giving written notice of such amendment or waiver to the Obligated Group. It is expressly understood and agreed that no such amendment or waiver shall be construed or deemed an amendment or a waiver of any terms or provisions of the Bond Documents or the Master Indenture or any other provision of Supplemental Indenture 2011-2. The Bond Insurer shall be deemed the Holder of the 2011-2 Note and the 2011-3 Note for the purpose of consenting to amendments to the Master Indenture.

The Bond Insurer shall also have the exclusive right to consent to amendments to Supplemental Indenture 2011-2 proposed by the Obligated Group Agent, and, should the Bond Insurers consent, the Master Trustee shall execute the Supplement containing such amendment.

Direction of Bond Trustee; Events of Default. The 2004 Bond Insurer shall be entitled to direct the 2004 Bond Trustee as Holder of the 2011-2 Note and the 2011-3 Note in all actions, notices and directives taken under Article V of the Master Indenture, including such rights as the Holder of the 2011-2 Note and the 2011-3 Note may have regarding declaring or noticing a breach to become an Event of Default. So long as the 2004 Policy is in effect and the Bond Insurer is not in default thereunder, a failure to comply with the covenants set forth in the Master Indenture as amended and supplemented hereby shall constitute an Event of Default under the Master Indenture and, consequently, under the 2004 Loan Agreement and the 2004 Bond Indenture, the same as if they were set forth in full in the Master Indenture.

The following is a summary of certain amendments to the Master Indenture made pursuant to Supplemental Indenture 2011-2, which amendments shall remain in effect so long as any Obligations are Outstanding under the Master Indenture. Reference is made to the Supplemental Indenture 2011-2 for the detailed provisions thereof.

Gross Receipts Pledge. So long as any Obligations are Outstanding under the Master Indenture, as security for its obligation to make payments on the Obligations heretofore or hereafter issued under the Master Indenture, the Obligated Group, by Supplemental Indenture 2011-2, pledges, assigns, conveys, transfers, grants and ratifies to the Master Trustee a first priority security interest in, general lien upon and the right of set-off against the following described personal property of the Members of the Obligated Group, whether now owned or existing or hereafter acquired or arising and where ever located:

(1) All of each Member's Gross Receipts, Accounts, Bank Accounts, General Intangibles, Contract Rights and all Related Rights;

(2) Except as specifically provided in the Master Indenture, all moneys and securities held from time to time by the Master Trustee under the Master Indenture, including, without limitation, moneys and securities held in the funds and accounts established under the Master Indenture; and

(3) All proceeds, cash proceeds, cash equivalents, products, replacements, additions and improvements to substitutions for, and accessions of any and all property described in subsections (1) and (2) above.

The Master Trustee is authorized and directed to establish a Gross Receipts Account, into which there shall be deposited upon the occurrence of an Event of Default under the Master Indenture, the Related Loan Agreements, the Deed of Trust (as amended and restated), the 2004 Swap Documents or the 2007 Swap Documents, any and all Gross Receipts of the Obligated Group. Upon the occurrence of an Event of Default, the Master Trustee shall take all action necessary to insure that all such Gross Receipts are deposited into the Gross Receipts Account, including, but not limited to, depositing directly all payments received and directing all debtors and payors of the Obligated Group to make all payments due to the Obligated Group Members to the Gross Receipts Account. The Gross Receipts Account and all amounts contained therein shall be subject to the lien of the Master Indenture in favor of the Holders of Obligations. Amounts on deposit in the Gross Receipts Account shall be transferred to payment of debt service on Obligations due and past due and shall otherwise be applied by the Obligated Group for its purposes until the Master Trustee gives written notice to the Obligated Group of the exercise of remedies

under the Master Indenture as a secured party and enforces its right and interest to such Account and the amounts on deposit therein. The Master Trustee is hereby authorized to take such self-help and other measures that a secured party is entitled to take under the Uniform Commercial Code. Upon a cure or waiver of the Event of Default that caused the funding of such Account, the Master Trustee shall transfer the amounts on deposit in the Gross Receipts Account to the Obligated Group Agent.

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CERTAIN AMENDMENTS PURSUANT TO SUPPLEMENTAL INDENTURE 2014-2

The following is a summary of certain amendments to the Master Indenture made pursuant to Supplemental Master Trust Indenture 2014-2 dated as of March 1, 2014, between the Obligated Group Agent and the Master Trustee ("Supplemental Indenture 2014-2"). Terms used in this section and not otherwise defined herein shall have the meanings set forth in Supplemental Indenture 2014-2.

Supplemental Indenture 2014-2 shall apply only so long as the Obligated Group's 2014-3 Swap Note dated March 13, 2014 (the "2014-3 Note") and 2014-3 Subordinated Swap Note dated March 13, 2014 (the "2014-3 Subordinated Note" and together with the 2014-3 Note, the "2014 Swap Notes") are outstanding.

Covenants and Agreements with Respect to the Swap Insurer

Consent of RJFP. Notwithstanding anything contained in Supplemental Indenture 2014-2 or in the Master Indenture to the contrary, until such time as the 2014 Swap Notes are paid in full, the Obligated Group will not enter into any amendment, supplement, modification or waiver of the Master Indenture or any provision thereof, without the prior written consent of RJFP if such amendment, supplement, modification or waiver would adversely affect the rights of RJFP or the holders of Obligations relating to swap transactions specifically and does not apply to all holders of Obligations generally. The Obligated Group shall provide RJFP with at least ten (10) Business Days prior written notice of any proposed amendment, supplement or modification of the Master Indenture whether or not the proposed amendment, supplement or modification will adversely affect the rights or obligations of RJFP under the 2006 Replacement Swap Agreement (as defined in the Official Statement) or the Master Indenture.

Permitted Encumbrances. Until such time as the 2014 Swap Notes are paid in full, Section 418(b)(i) of the Master Indenture shall be amended and restated to read as follows:

> Permitted Encumbrances. After giving effect to such Lien and all other Liens classified as Permitted Encumbrances under this subsection (b)(i), those liens and encumbrances described in paragraphs (u), (w) and (x) of the definition of Permitted Encumbrances, the Book Value or, at the option of the Obligated Group Agent, the Current Value of the Property, Plant and Equipment of the Obligated Group which is Encumbered, together with any collateral posted by the Obligated Group as security for its obligation to make early termination payments under any Interest Rate Agreement is not more than 20% of the Book Value of all of all Property, Plant and Equipment of the Obligated Group, and no more than 15% of the Book Value of all Property, Plant and Equipment of the Obligated Group excluding any collateral posted by the Obligated Group as security for its obligation to make early termination payments under any Interest Rate Agreement (in each case calculated on the same basis as the value of the Encumbered Property).

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CERTAIN AMENDMENTS PURSUANT TO SUPPLEMENTAL INDENTURE 2015-2

The following is a summary of certain amendments to the Master Indenture made pursuant to Supplemental Master Trust Indenture 2015-2 dated as of March 25, 2015, between the Obligated Group Agent and the Master Trustee ("Supplemental Indenture 2015-2"). Terms used in this section and not otherwise defined herein shall have the meanings set forth in Supplemental Indenture 2015-2.

Supplemental Indenture 2015-2 shall apply only so long as the Obligated Group's 2015-2 Swap Note dated March 25, 2015 (the "2015-2 Note") and 2015-2 Subordinated Swap Note dated March 25, 2015 (the "2015-2 Subordinated Note" and together with the 2015-2 Note, the "2015 Swap Notes") are outstanding.

Covenants and Agreements with Respect to the Swap Insurer

Consent of RJFP. Notwithstanding anything contained in Supplemental Indenture 2015-2 or in the Master Indenture to the contrary, until such time as the 2015 Swap Notes are paid in full, the Obligated Group will not enter into any amendment, supplement, modification or waiver of the Master Indenture or any provision thereof, without the prior written consent of RJFP if such amendment, supplement, modification or waiver would adversely affect the rights of RJFP or the holders of Obligations relating to swap transactions specifically and does not apply to all holders of Obligations generally. The Obligated Group shall provide RJFP with at least ten (10) Business Days prior written notice of any proposed amendment, supplement or modification of the Master Indenture whether or not the proposed amendment, supplement or modification will adversely affect the rights or obligations of RJFP under the 2006 Replacement Swap Agreement (as defined in the Official Statement) or the Master Indenture.

Permitted Encumbrances. Until such time as the 2015 Swap Notes are paid in full, Section 418(b)(i) of the Master Indenture shall be amended and restated to read as follows:

> Permitted Encumbrances. After giving effect to such Lien and all other Liens classified as Permitted Encumbrances under this subsection (b)(i), those liens and encumbrances described in paragraphs (u), (w) and (x) of the definition of Permitted Encumbrances, the Book Value or, at the option of the Obligated Group Agent, the Current Value of the Property, Plant and Equipment of the Obligated Group which is Encumbered, together with any collateral posted by the Obligated Group as security for its obligation to make early termination payments under any Interest Rate Agreement is not more than 20% of the Book Value of all of all Property, Plant and Equipment of the Obligated Group, and no more than 15% of the Book Value of all Property, Plant and Equipment of the Obligated Group excluding any collateral posted by the Obligated Group as security for its obligation to make early termination payments under any Interest Rate Agreement (in each case calculated on the same basis as the value of the Encumbered Property).

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THE BOND INDENTURE

The following is a summary of certain provisions of the Bond Indenture. Reference is made to the Bond Indenture for the detailed provisions thereof. This summary does not purport to be final, complete or definitive, and is qualified by reference to the Bond Indenture in its entirety for the final, complete and actual terms, provisions and covenants thereof.

Security and Sources of Payment

The Bonds will be issued and secured under the provisions of the Bond Indenture, and the Authority will pledge and assign to the Bond Trustee (i) the 2017-1 Note, (ii) rights under the Loan Agreement (other than Unassigned Rights) and (iii) other moneys to the extent provided in the Bond Indenture, all as security for the payments of the Bonds and the interest thereon and as security for the satisfaction of any other obligations created in connection with the Bonds.

Issuance of Bonds

At any time after the execution of the Bond Indenture, the Authority shall execute, by manual or facsimile signature, and the Bond Trustee shall authenticate and deliver the Bonds in the aggregate principal amount set forth in the Bond Indenture.

Application of Proceeds

The Bond Indenture requires the Bond Trustee to establish, maintain and hold in trust a Costs of Issuance Fund, a Project Fund, an Interest Fund, a Principal Fund, a Redemption Fund and a Rebate Fund.

Costs of Issuance Fund. The money in the Costs of Issuance Fund shall be used and withdrawn by the Bond Trustee to pay the Costs of Issuance upon Requisition of the Obligated Group Agent as provided in the Bond Indenture. On June 30, 2017, or upon the earlier Requisition of the Obligated Group Agent, amounts, if any, remaining in the Costs of Issuance Fund shall be transferred to the Interest Fund and used to pay interest on the Bonds at the next ensuing Interest Payment Date and the Costs of Issuance Fund shall thereafter be closed.

Project Fund. The money in the Project Fund shall be used and withdrawn by the Bond Trustee to pay costs of the Project upon Requisition of the Obligated Group Agent as provided in the Bond Indenture. When all of the Projects shall have been completed, there shall be delivered to the Bond Trustee a Certificate of the Obligated Group Agent stating that fact and the date of such completion and stating that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims that are subject to dispute and for which a retention in the Project Fund is to be maintained in the full amount of such claims until such dispute is resolved). Upon the receipt of such Certificate of the Obligated Group Agent, the Bond Trustee shall transfer any remaining balance in such Project Fund, less the amount of any such retention, to the Interest Fund and apply it to the payment of interest on the Bonds on the next ensuing Interest Payment Date.

Interest Fund.

(A) Money in the Interest Fund shall be held, disbursed, allocated and applied by the Bond Trustee only as provided in the Bond Indenture.

(B) The Bond Trustee shall deposit the following Revenues in the Interest Fund when and as such Revenues are received:

(i) the interest component of all Loan Repayments, including the interest component of all cash prepayments of Loan Repayments made pursuant to the provisions of the Loan Agreement summarized under the heading "THE LOAN AGREEMENT – Prepayment";

(ii) all interest, profits and other income received from the investment of money in the Interest Fund; and

(iii) any other Revenues not required to be deposited in any other fund or account established pursuant to the Bond Indenture or the Loan Agreement.

(C) All amounts in the Interest Fund shall be used and withdrawn by the Bond Trustee, on a pro rata basis, solely for the purpose of paying the interest on the Bonds as the same becomes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Bond Indenture).

Principal Fund.

(A) Within the Principal Fund, the Bond Trustee shall establish, maintain and hold in trust a separate Mandatory Sinking Account. Money in the Principal Fund shall be held, disbursed, allocated and applied by the Bond Trustee only as provided in the Bond Indenture.

(B) The Bond Trustee shall deposit the following Revenues in the Principal Fund when and as such Revenues are received:

(i) the principal component of all Loan Repayments, but excluding the principal component of all cash prepayments of Loan Repayments made pursuant to the provisions of the Loan Agreement summarized under the heading "THE LOAN AGREEMENT – Prepayment," which shall be deposited in the Redemption Fund; and

(ii) all interest, profits and other income received from the investment of money in the Principal Fund.

(C) All amounts in the Principal Fund shall be used and withdrawn by the Bond Trustee solely to redeem the Bonds, or pay the Bonds at maturity, as provided in the Bond Indenture.

(D) On each Mandatory Sinking Account Payment date, the Bond Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Bonds, in the amounts and upon the notice and in the manner provided in the Bond Indenture.

Redemption Fund.

(A) Within the Redemption Fund, the Bond Trustee shall establish, maintain and hold in trust a separate "Optional Redemption Account" and a separate "Special Redemption Account."

(B) The Bond Trustee shall deposit the following Revenues in the Optional Redemption Account when and as such Revenues are received:

(i) except as provided in subsection (C) of this section, the principal component of all cash prepayments of Loan Repayments made pursuant to section (a) of the provisions of the Loan Agreement summarized under the heading "THE LOAN AGREEMENT – Prepayment"; and

(ii) all interest, profits and other income received from the investment of money in the Optional Redemption Account.

(C) The Bond Trustee shall deposit the following Revenues in the Special Redemption Account when and as such Revenues are received:

(i) the principal component of all cash prepayments of Loan Repayments made pursuant to Section (b) of the provisions of the Loan Agreement summarized under the heading "THE LOAN AGREEMENT – Prepayment," which are specified in a Certificate of the Obligated Group Agent to have been derived from the sale of Bond-Financed Property or from insurance or condemnation proceeds received with respect to the Hospital Facilities of the Obligated Group; and

(ii) all interest, profits and other income received from the investment of money in the Special Redemption Account.

(D) All amounts deposited in the Optional Redemption Account and in the Special Redemption Account shall be used and withdrawn by the Bond Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in the Bond Indenture, at the next succeeding date of redemption for which notice has not been given and at the Redemption Prices then applicable to redemptions from the Optional Redemption Account and the Special Redemption Account, respectively; provided that in the case of the Optional Redemption Account in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Principal Fund and credited against Loan Repayments in order of their due date as set forth in a Request of the Obligated Group Agent. All Bonds redeemed from the Redemption Fund shall be allocated to applicable Mandatory Sinking Account Payments in inverse order of their payment dates unless otherwise directed by the Obligated Group Agent.

Rebate Fund.

(A) Within the Rebate Fund, the Bond Trustee shall maintain such accounts as shall be specified in writing by the Obligated Group Agent in order to comply with the Tax Compliance Certificate. Subject to the transfer provisions provided in paragraph (E) below, all money at any time deposited in the Rebate Fund shall be held by the Bond Trustee in trust, to the extent required to satisfy the Rebate Amount (as defined in the Tax Compliance Certificate), for payment to the federal government of the United States of America. The Authority, the Obligated Group Agent and the Holder of any Bonds shall have no rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this section, by the provisions of the Bond Indenture summarized under the heading "THE BOND INDENTURE – Tax Covenants" and by the Tax Compliance Certificate. The Bond Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Obligated Group Agent including the Obligated Group Agent's supplying all necessary information in the manner provided in the Tax Compliance Certificate, and shall have no liability or responsibility to enforce compliance by the Obligated Group Agent or the Authority with the terms of the Tax Compliance Certificate.

(B) Upon the Obligated Group Agent's written direction, an amount shall be deposited to the Rebate Fund by the Bond Trustee from deposits by the Obligated Group Agent, if and to the extent required, so that the balance in the Rebate Fund shall equal the Rebate Amount. Computations of the Rebate Amount shall be furnished by or on behalf of the Obligated Group Agent in accordance with the Tax Compliance Certificate.

(C) The Bond Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this section, other than from money held in the Rebate Fund or provided to it by the Obligated Group.

(D) At the written direction of the Obligated Group Agent, the Bond Trustee shall invest all amounts held in the Rebate Fund in Investment Securities, subject to the restrictions set forth in the Tax Compliance Certificate. The Bond Trustee shall not be liable for any consequences arising from such investment. Money shall not be transferred from the Rebate Fund except as provided in subsection (E) below.

(E) Upon receipt of the Obligated Group Agent's written directions, the Bond Trustee shall remit part or all of the balances in the Rebate Fund to the United States of America, as so directed. In addition, if the Obligated Group Agent so directs, the Bond Trustee will deposit money into or transfer money out of the Rebate Fund from or into such accounts or funds as directed by the Obligated Group Agent's written directions. Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Amount, or provision made therefor satisfactory to the Bond Trustee, and payment of any amount then owed to the Bond Trustee, shall be withdrawn and remitted to the Obligated Group Agent.

(F) Notwithstanding any other provision of the Bond Indenture, including in particular the provisions of the Bond Indenture relating to defeasance, the obligation to remit the Rebate Amount to the United States of America and to comply with all other requirements of this section, the provisions of the Bond Indenture summarized under the heading "THE BOND INDENTURE – Tax Covenants" and the Tax Compliance Certificate shall survive the defeasance or payment in full of the Bonds.

Investment of Money

All money in any of the funds and accounts established pursuant to the Bond Indenture shall be invested by the Bond Trustee, upon the written direction of the Obligated Group Agent given at least two (2) days prior to the investment date, solely in Investment Securities. Investment Securities shall be purchased at such prices as the Obligated Group Agent may direct. All directions of the Obligated Group Agent to invest in Investment Securities shall be made subject to the limitations set forth in the provisions of the Bond Indenture summarized under the heading "THE BOND INDENTURE – Tax Covenants," the limitations as to maturities hereinafter in this section set forth and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Obligated Group Agent. No Request of the Obligated Group Agent shall impose any duty on the Bond Trustee inconsistent with its responsibilities.

Money in all funds and accounts shall be invested in Investment Securities maturing not later than the date on which it is estimated that such money will be required for the purposes specified in the Bond Indenture. Investment Securities purchased under a repurchase agreement may be deemed to mature on the date or dates on which the Bond Trustee may deliver such Investment Securities for repurchase under such agreement.

All interest, profits and other income received from the investment of money in any fund or account established pursuant to the Bond Indenture shall be deposited when received in such fund or account.

Money held in the Redemption Fund for the redemption of Bonds shall be invested solely in Investment Securities specified in clauses (1), (2), and (3) of the definition thereof in Section 1.01 of the Bond Indenture, maturing in such amounts and at such times as are required for such redemption. If the Obligated Group Agent causes money to be deposited with the Bond Trustee as a prepayment of Loan Repayments under the Loan Agreement, until such money is paid to Holders, such money shall be invested solely in Investment Securities specified in clauses (1), (2), and (3) of the definition thereof.

Investment Securities acquired as an investment of money in any fund or account established under the Bond Indenture shall be credited to such fund or account. For the purpose of determining the amount in any such fund or account, all Investment Securities credited to such fund or account shall be valued at the lower of cost (exclusive of accrued interest after the first payment of interest following acquisition) or par value (plus, prior to the first payment of interest following acquisition, the amount of interest paid as part of the purchase price).

The Bond Trustee may commingle any of the funds or accounts established pursuant to the Bond Indenture (other than the Rebate Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Bond Trustee hereunder shall be accounted for separately as required by the Bond Indenture. The Bond Trustee may act as principal or agent in the making or disposing of any investment. The Bond Trustee may sell at the best price reasonably obtainable, or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide money to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and, subject to the provisions of the Bond Indenture, the Bond Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance with provisions of this section. Any Investment Securities that are registrable securities shall be registered in the name of the Bond Trustee.

The Bond Trustee is hereby authorized, in making or disposing of any investment permitted by this section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Bond Trustee or for any third person or dealing as principal for its own account. Although the Authority and the Obligated Group Agent each recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Authority and the Obligated Group Agent hereby agree that confirmations of permitted investments are not required to be issued by the Bond Trustee for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month.

Particular Covenants

Prohibition Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Bond Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Bond Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Act, and reserves the right to issue other obligations for such purposes.

Enforcement of Loan Agreement. The Bond Trustee shall promptly collect all amounts due from the Obligated Group Agent pursuant to the Loan Agreement, shall comply with all terms of the Loan

Agreement applicable to it, shall diligently enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Authority assigned to it under the Bond Indenture and all of the obligations of the Obligated Group Agent relating thereto.

Continuing Disclosure. Pursuant to the provisions of the Loan Agreement summarized under the heading "THE LOAN AGREEMENT – Continuing Disclosure," the Obligated Group Agent has covenanted to 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 promulgated by the Securities and Exchange Commission (as amended from time to time, the "Rule"), in form and substance satisfactory to the Participating Underwriters (as defined in the Rule). Notwithstanding any other provision of the Bond Indenture, failure of the Obligated Group Agent to enter into and comply with such Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Authority may take such actions as may be necessary or desirable, including seeking specific performance by court order, to cause the Obligated Group Agent to comply with its obligations under this section.

Tax Covenants. The Authority agrees that it shall at all times do and perform all acts and things required by law and to require the Obligated Group Agent at all times to do and perform all acts and things required by law and the Bond Indenture that 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 neither take action nor permit any other person to take any action that would result in such interest not being excluded from gross income for federal income tax purposes. Without limiting the generality of the foregoing, the Authority agrees to comply with the provisions of the Tax Compliance Certificate.

Events of Default and Remedies

Events of Default. Any one or more of the following events 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;

(B) default in the due and punctual payment of any installment of interest on any Bond when and as the same shall become due and payable;

(C) default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Bond Indenture or in the Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Bond Trustee, or to the Authority and the Bond Trustee by the Holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding;

(D) a Loan Default Event; or

(E) an "event of default" as defined in the Master Indenture summarized under the heading 'THE MASTER INDENTURE – Events of Default."

Acceleration of Maturities. During the continuance of an Event of Default described in sections (A), (B), (C) or (D) of the provisions of the Bond Indenture summarized under the heading "THE BOND INDENTURE – Events of Default," unless the principal of all the Bonds shall have already become due and payable, the Bond Trustee, upon the written direction of the Holders of greater than 51% in the aggregate principal amount of the Bonds at the time Outstanding, shall, promptly upon such occurrence, by notice in writing to the Authority and the Obligated Group Agent, declare the principal of

all the Bonds then Outstanding and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Bond Indenture or in the Bonds contained to the contrary notwithstanding.

The preceding paragraph, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the money due shall have been obtained or entered as hereinafter provided, there shall have been deposited with the Bond Trustee a sum sufficient to pay all the principal of the Bonds matured prior to such declaration and all matured installments of interest upon all the Bonds, with interest on such overdue installments of principal as provided in the Loan Agreement, and the reasonable fees and expenses of the Bond Trustee, including reasonable fees and expenses of its attorneys, any and all other defaults known to the Bond Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Bond Trustee or provision deemed by the Bond Trustee to be adequate shall have been made therefor, then, and in every such case, the Holders of at least 51% in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority and to the Bond Trustee, may, on behalf of the Holders of all the Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

When the Bond Trustee incurs expenses or renders services after the occurrence of an act of bankruptcy with respect to the Authority or the Obligated Group Agent, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Institution of Legal Proceedings by Bond Trustee. Subject to the provisions of the Bond Indenture summarized under the heading "THE BOND INDENTURE – Limitation on Bondholders' Right to Sue," if an Event of Default shall occur and be continuing, the Bond Trustee in its discretion may, and upon being indemnified to its satisfaction therefor shall proceed to protect or enforce its rights or the rights of the Holders of Bonds under the Bond Indenture and the Loan Agreement by any means permitted by law.

Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Bond Trustee under any of the provisions of the Bond Indenture (other than money required to be deposited in the Rebate Fund and subject to the requirements of the Bond Indenture relating to the use of money held for particular Bonds) 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 charges 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;

(B) 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:

(1) 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 or Redemption Price of any Bonds that shall have become due, whether at maturity or by call for redemption, 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, 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.

(2) 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 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.

(3) If the principal amounts of all Outstanding Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Bond Indenture, then, subject to the provisions of paragraph (B) of this section in the event that the principal amounts of all Outstanding Bonds shall later become due or be declared due and payable, the money shall be applied in accordance with the provisions of paragraph (A) of this section.

Whenever money is to be applied by the Bond Trustee pursuant to the provisions of this section, such money shall be applied by it at such times, and from time to time, as the Bond Trustee shall determine, having due regard for the amount of such money available for application and the likelihood of additional money becoming available for such application in the future. Whenever the Bond Trustee shall apply such money, it shall fix the date upon which such application is to be made and upon such date interest on the principal amounts to be paid on such date shall cease to accrue. The Bond Trustee shall give such notice as it may deem appropriate of the deposit with it of any such money and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Bond Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Bond Trustee to Represent Bondholders. The Bond Trustee is irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Bond Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Bond Indenture, the Loan Agreement and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right of the Bond Trustee to represent the Bondholders, the Bond Trustee in its discretion may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such

appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Bond Indenture, or in aid of the execution of any power therein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Bond Trustee or in such Holders under the Bond Indenture, the Loan Agreement, the Act or any other law; and upon instituting such proceeding, the Bond Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Bond Indenture, pending such proceedings. All rights of action under the Bond Indenture or the Bonds or otherwise may be prosecuted and enforced by the Bond Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Bond Trustee shall be brought in the name of the Bond Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Bond Indenture.

Limitation on Bondholders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Bond Indenture, the Loan Agreement or any other applicable law with respect to such Bond, unless (1) such Holder shall have given to the Bond Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Bond Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Bond Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Bond Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Bond Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Bond Indenture or the rights of any other Holders of Bonds, or to enforce any right under the Bond Indenture, the Loan Agreement or other applicable law with respect to the Bonds, except in the manner provided in the Bond Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner therein provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Bond Indenture.

Notice to Bondholders of Default. The Bond Trustee shall promptly give written notice by first class mail to the Bondholders of the occurrence of an Event of Default, if the Bond Trustee has actual knowledge of such Event of Default.

Supplemental Bond Indentures

Supplements Not Requiring Consent of Bondholders. The Authority and the Bond Trustee may from time to time, without the consent of or notice to any of the Holders, but only with the consent of the Obligated Group Agent, enter into one or more Supplemental Bond Indentures for one or more of the following purposes:

(A) To cure any ambiguity or formal defect or omission therein;

(B) To correct or supplement any provision of the Bond Indenture that may be inconsistent with any other provision, or to make any other provisions with respect to matters or questions arising thereunder that shall not adversely affect the interests of the Holders or the Obligated Group Agent;

(C) To grant or confer upon the Bond Trustee any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon it;

(D) To provide for the refunding or advance refunding of any Bonds;

(E) To make any amendment, supplement or change to or modification of the Bond Indenture to appoint a separate Bond Trustee or to remove the Bond Trustee and select and appoint any successor trustee;

(F) To change any times of day specified in the Bond Indenture for the taking of particular actions;

(G) To secure additional revenues or provide additional security or reserves for payment of the Bonds;

(H) To preserve the exclusion of the interest on the Bonds from the gross income of Holders thereof for income tax purposes;

(I) To qualify the Bond Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect; and

(J) To discontinue the book-entry only system of registration of the Bonds.

The Bond Trustee shall give notice of any such modification or amendment to each Rating Agency then rating the Bonds provided the Bond Trustee shall incur no liability for failure to do so.

Supplemental Bond Indentures Requiring Consent of Bondholders.

(A) Other than Supplemental Bond Indentures to which reference is made in the provisions of the Bond Indenture summarized under the heading "THE BOND INDENTURE – Supplements Not Requiring Consent of Bondholders" and subject to the terms and provisions and limitations contained in the provisions of the Bond Indenture summarized under the headings "THE BOND INDENTURE – Supplements Not Requiring Consent of Bondholders" through and including "-Amendments to Loan Agreement Requiring Consent of Bondholders" and not otherwise, the Obligated Group Agent (so long as no event of default has occurred and is continuing) and the Holders of not less than 51% in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in the Bond Indenture to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Bond Trustee of such Supplemental Bond Indentures as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions contained in the Bond Indenture; provided, however, nothing in this section shall permit or be construed as permitting a Supplemental Bond Indenture that would:

(i) extend the stated maturity of or time for paying interest on any Bond or reduce the principal amount of or the Redemption Price or rate of interest payable on any Bond without the consent of the Holder of such Bond;

(ii) prefer or give a priority to any Bond over any other Bond without the consent of the Holder of each Bond then Outstanding not receiving such preference or priority; or

(iii) reduce the aggregate principal amount of Bonds then Outstanding, the consent of the Holders of which is required to authorize such Supplemental Bond Indenture, without the consent of the Holders of all Bonds then Outstanding.

(B) If at any time the Authority shall request the Bond Trustee to enter into a Supplemental Bond Indenture pursuant to this section, the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Bond Indenture to be mailed by first class mail, postage prepaid, to all Holders of the Bonds then Outstanding at their addresses as they appear on the registration books. The Bond Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail, or the failure of such Bondholder to receive, the notice required by this section, and any such failure shall not affect the validity of such Supplement when consented to and approved as provided in this section. Such notice shall briefly set forth the nature of the proposed Supplemental Bond Indenture and shall state that copies thereof are on file at the Principal Corporate Trust Office of the Bond Trustee for inspection by all Bondholders.

(C) If within such period, as shall be prescribed by the Obligated Group Agent, following the mailing of such notice, the Bond Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount of Bonds specified in subsection (A) of this section for the proposed Supplemental Bond Indenture, which instrument or instruments shall refer to the proposed Supplemental Bond Indenture described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof to which reference is made in such notice as on file with the Bond Trustee, the Bond Trustee may execute the Supplemental Bond Indenture in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

(D) Any such consent shall be binding upon the Holder of the Bond giving such consent and upon any subsequent Holder of that Bond and of any Bond issued in exchange therefor (whether or not such subsequent Holder has notice thereof), unless such consent is revoked in writing by the Holder of such Bond giving such consent or by a subsequent Holder thereof by filing with the Bond Trustee, prior to the filing with the Bond Trustee of evidence of consent by Holders of the required aggregate principal amount of Bonds to the proposed Supplemental Bond Indenture, such revocation. Upon the filing by the Holders of the required aggregate principal amount of Bonds of their consents to the Supplemental Bond Indenture, the Bond Trustee shall make and file with the Authority a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(E) If the Holders of the required aggregate principal amount of the Bonds Outstanding shall have consented to and approved the execution of such Supplemental Bond Indenture as provided in the Bond Indenture, no Holder of any Bond shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Bond Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.

Effect of Supplemental Bond Indenture.

(A) In executing any Supplemental Bond Indenture permitted by the provisions of the Bond Indenture summarized under the headings "THE BOND INDENTURE – Supplements Not Requiring Consent of Bondholders" through and including "-Amendments to Loan Agreement Requiring Consent of Bondholders," the Bond Trustee shall be entitled to receive and to conclusively rely upon an Opinion of

Counsel stating that the execution of such Supplemental Bond Indenture is authorized or permitted hereby. The Bond Trustee may, but shall not be obligated to, enter into any such Supplemental Bond Indenture that adversely affects the Bond Trustee's own rights, duties or immunities.

(B) So long as no Event of Default exists under the Bond Indenture and the Obligated Group is not in default under the Loan Agreement, the Master Indenture, the Supplemental Indenture 2017-2 or the 2017-1 Note, any Supplemental Bond Indenture under the provisions of the Bond Indenture summarized under the heading "THE BOND INDENTURE – Supplements Not Requiring Consent of Bondholders" through and including "-Amendments to Loan Agreement Requiring Consent of Bondholders," that adversely affects the rights of the Obligated Group under the Loan Agreement shall not become effective unless and until the Obligated Group Agent shall have consented in writing to the execution and delivery of such Supplemental Bond Indenture. In this regard, the Bond Trustee shall cause notice of the proposed execution and delivery of any such Supplemental Bond Indenture, together with a copy of the proposed Supplemental Bond Indenture, to be delivered to the Obligated Group Agent at least ten (10) days prior to the date of its proposed execution and delivery in the case of a Supplemental Bond Indenture to which reference is made in the provisions of the Bond Indenture summarized under the heading "THE BOND INDENTURE – Supplements Not Requiring Consent of Bondholders" and not later than the date of mailing of the notice of the proposed execution and delivery in the case of a Supplemental Bond Indenture to which reference is made in the Bond Indenture summarized under the heading 'THE BOND INDENTURE – Supplemental Bond Indentures Requiring Consent of Bondholders." Failure by the Obligated Group Agent to object to such Supplemental Bond Indenture by the execution date shall constitute consent of the Obligated Group Agent to such Supplemental Bond Indenture.

(C) Upon the execution and delivery of any Supplemental Bond Indenture in accordance with the provisions of the Bond Indenture summarized under the headings "THE BOND INDENTURE – Supplements Not Requiring Consent of Bondholders" through and including "-Amendments to Loan Agreement Requiring Consent of Bondholders," the provisions of the Bond Indenture and in the Bonds relating thereto shall be modified in accordance therewith and such Supplemental Bond Indenture shall form a part thereof for all purposes, and every Holder of a Bond theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

(D) Any Bond authenticated and delivered after the execution and delivery of any Supplemental Bond Indenture in accordance with the provisions of the Bond Indenture summarized under the headings "THE BOND INDENTURE – Supplements Not Requiring Consent of Bondholders" through and including "-Amendments to Loan Agreement Requiring Consent of Bondholders" may, and if required by the Authority or the Bond Trustee shall, bear a notation in form approved by the Authority and Bond Trustee as to any matter provided for in such Supplemental Bond Indenture. If the Authority shall so determine, new bonds so modified as to conform in the Favorable Opinion of Bond Counsel to any such Supplemental Bond Indenture may be prepared and executed by the Authority and authenticated and delivered by the Bond Trustee in exchange for and upon surrender of Bonds then Outstanding.

Amendments to Loan Agreement

Amendments to Loan Agreement not Requiring Consent of Bondholders. The Authority and the Bond Trustee may, without the consent of or notice to any of the Holders, consent to and join in the execution and delivery of any amendment, change or modification of the Loan Agreement (a "Loan Agreement Amendment") as may be required (i) to cure any ambiguity or formal defect or omission therein; (ii) to preserve the exclusion of the interest on the Bonds from the gross income of Holders thereof for federal income tax purposes; or (iii) in connection with any other change therein as to which there is filed with the Bond Trustee and the Authority a No Adverse Effect Opinion. In consenting to or

joining in the execution and delivery of a Loan Agreement Amendment permitted by this section, the Bond Trustee shall be entitled to receive and to conclusively rely upon an Opinion of Counsel stating that the execution of such Loan Agreement Amendment is permitted thereby and that all conditions precedent thereto have been satisfied. The Bond Trustee may, but shall not be obligated to, enter into any such Loan Agreement Amendment that adversely affects the Bond Trustee's own rights, duties or immunities.

Amendments to Loan Agreement Requiring Consent of Bondholders.

(A) Except for amendments, changes or modifications to the Loan Agreement referred to in the provisions of the Bond Indenture summarized under the heading "THE BOND INDENTURE – Amendments to Loan Agreement Not Requiring Consent of Bondholders," the Authority and the Bond Trustee may consent to and join in the execution and delivery of any amendment, change or modification to the Loan Agreement only upon the consent of the Holders of not less than 51% in aggregate principal amount of Bonds then Outstanding given as provided in this section; provided, however, no such amendment, change or modification may affect the obligation of the Obligated Group to make payments under the 2017-1 Note or reduce the amount of or extend the time for making such payments without the consent of the Holders of all Bonds then Outstanding.

(B) If at any time the Authority and the Obligated Group Agent shall request the consent of the Bond Trustee and the Bondholders to any such amendment, change or modification to the Loan Agreement, the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed amendment, change or modification to be given in the same manner as provided in the provisions of the Bond Indenture summarized under the heading 'THE BOND INDENTURE – Supplemental Bond Indentures Requiring Consent of Bondholders," with respect to Supplemental Bond Indentures. Such notice shall briefly set forth the nature of the proposed amendment, change or modification and shall state that copies thereof are on file at the Principal Corporate Trust Office of the Bond Trustee for inspection by all Bondholders.

(C) If the consent to and approval of the execution of such amendment, change or modification is given by the Holders of not less than the aggregate principal amount of Bonds specified in subsection (a) of this section in the manner as provided by the provisions of the Bond Indenture summarized under the heading 'THE BOND INDENTURE – Supplemental Bond Indentures Requiring Consent of Bondholders," with respect to Supplemental Indentures in the Bond Indenture, but not otherwise, such amendment, change or modification may be consented to, executed and delivered upon the terms and conditions and with like binding effect upon the Holders as provided in the provisions of the Bond Indenture summarized under the headings "THE BOND INDENTURE – Supplemental Bond Indentures Requiring Consent of Bondholders" and "-Effect of Supplemental Bond Indenture" with respect to Supplemental Bond Indentures in the Bond Indenture.

(D) In consenting to or joining in the execution and delivery of a Loan Agreement Amendment permitted by this section, the Bond Trustee shall be entitled to receive and to conclusively rely upon an Opinion of Counsel stating that the execution of such Loan Agreement Amendment is permitted by the Bond Indenture and that all conditions precedent thereto have been satisfied. The Bond Trustee may, but shall not be obligated to, enter into any such Loan Agreement Amendment that adversely affects the Bond Trustee's own rights, duties or immunities.

Defeasance

Discharge of Bond Indenture. The Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Bond Indenture by the Authority:

(A) by paying or causing to be paid the principal or Redemption Price of, and interest on the 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 securities in the necessary amount as provided in the provisions of the Bond Indenture summarized under the heading "THE BOND INDENTURE – Deposit of Money or Securities with Bond Trustee" to pay or redeem all Bonds then Outstanding; or

(C) by delivering to the Bond Trustee, for cancellation by it, all Bonds Outstanding.

If the Authority shall also pay or cause to be paid all other sums payable under the Bond Indenture by the Authority or by the Obligated Group under the Loan Agreement then and in that case, upon receipt by the Bond Trustee of an Opinion of Counsel to the effect that the obligations under the Bond Indenture and the Bonds have been discharged, the Bond Indenture and the pledge of 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, and the Bonds will no longer be deemed to be outstanding under the Bond Indenture.

Discharge Of Liability On Bonds. Upon the deposit with the Bond Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in "Deposit of Money or Securities with Bond Trustee" below) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Bond Indenture or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bond shall cease, terminate, become void and be completely discharged and satisfied, except only that thereafter the Holder thereof shall be entitled to payment of the principal, or Redemption Price of, and interest on such Bond by the Authority and the Authority shall remain liable for such payment, but only out of such money or securities deposited with the Bond Trustee as aforesaid for its payment, provided further, however, that the provisions of "Escheat" below shall apply in all events.

Deposit Of Money Or Securities With Bond Trustee. Whenever in this Bond Indenture it is provided or permitted that there be deposited with or held in trust by the Bond Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities 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 (other than the Rebate Fund) 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 that are to be redeemed prior to maturity and in respect to which notice of such redemption shall have been given as provided in 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) Investment Securities described in clause (2) of the definition thereof in the Bond Indenture (not callable by the issuer thereof prior to maturity, unless such call by the issuer was anticipated in the verification report relating to the escrow of which such Investment Securities are a part) the principal of and interest on which when due (without any income from the reinvestment thereof) will provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Bonds that are to be redeemed

prior to the maturity thereof, notice of such redemption shall have been given as provided in the Bond Indenture or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice; provided, that in each case, the Bond Trustee shall have been irrevocably instructed (by the terms of the Bond Indenture or by Request of the Authority) to apply such money to the payment of such principal or Redemption Price of and interest on such Bonds.

Notwithstanding any provisions of any other section of the Bond Indenture which may be contrary to this section, all money or Investment Securities specified in clauses (1), (2) or (3) of the definition thereof in the Bond Indenture set aside and held in trust pursuant to this Section for the payment of Bonds (including any redemption premium thereon) shall be held irrevocably in trust for the Holders of such Bonds and applied to and used solely for the payment of the particular Bonds (including any redemption premium thereon) with respect to which such money and United States Government obligations have been so set aside in trust.

Escheat. Notwithstanding any provisions of the Bond Indenture, any money held by the Bond Trustee in trust for the payment of the principal or Redemption Price of, or interest on, any Bonds and remaining unclaimed for two (2) years (or, if less, one day before such money would escheat to the State of West Virginia under then applicable West Virginia law) after the due date will be repaid to the Obligated Group Agent.

When Refunding Is Not Permitted. None of the Bonds outstanding hereunder may be refunded as aforesaid nor may the Bond Indenture be discharged if under any circumstances such refunding would result in the loss of any exclusion for purposes of federal income taxation to which interest on such Bonds would otherwise be entitled. As a condition precedent to the refunding of any Bonds outstanding hereunder, the Bond Trustee shall receive a No Adverse Effect Opinion to the effect that such Bonds would not, by reason of such refunding, be made subject to additional federal income taxation and further that the conditions precedent to the defeasance of such Bonds have been satisfied.

Restructuring Of Defeasance Escrow. Notwithstanding anything to the contrary herein, upon the provision for payment of the Bonds or a portion thereof as specified in the 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 after the first optional redemption date as provided for therein) shall remain available to the Obligated Group unless, in connection with making the deposits referred to herein, the Obligated Group shall have irrevocably elected to waive any future right to call the Bonds or portions thereof for redemption prior to maturity. No such redemption or restructuring shall occur, however, unless the Obligated Group Agent shall deliver on behalf of the Authority to the Bond Trustee (a) Investment Securities described in clause (2) of the definition thereof in the Bond Indenture and/or cash sufficient to discharge such Bonds (or portion thereof) on the redemption or maturity date or dates selected, (b) an opinion of an independent certified public accountant verifying that such Investment Securities, 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.

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THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement. Reference is made to the Loan Agreement for the detailed provisions thereof. This summary does not purport to be final, complete or definitive, and is qualified by reference to the Loan Agreement in its entirety for the final, complete and actual terms, provisions and covenants thereof.

The Loan

Upon the issuance of the Bonds, the Authority will lend the proceeds thereof to the Obligated Group Agent to provide a portion of the funds required to pay costs of the Projects and pay certain costs of issuance of the Bonds. The loan will be made by depositing the proceeds of the Bonds with the Bond Trustee for application toward the foregoing purposes.

Payment Provisions

Loan of Proceeds; Payments of Principal, Premium and Interest. In consideration of the Loan to the Obligated Group Agent, the Obligated Group Agent 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 required for deposit to the funds and accounts under the Bond Indenture. Each Loan Repayment shall be made in immediately available funds. The Obligated Group Agent agrees to make payments, or cause payments to be made, at the times and in the amounts required to be paid as principal or Redemption Price of and interest on the Bonds from time to time Outstanding under the 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. Payments required by this section shall be made by the Obligated Group Agent on the second Business Day prior to each Interest Payment Date or the Principal Payment Date, as applicable.

Except as otherwise expressly provided in the Loan Agreement, all amounts payable under the Loan Agreement by the Obligated Group Agent to the Authority shall be paid to the Bond Trustee or other parties entitled thereto 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 to the Bond Trustee so long as any Bonds remain Outstanding.

The Obligated Group Agent has issued and delivered the 2017-1 Note under the Master Indenture to evidence and secure its obligations under the Loan Agreement.

Additional Payments. In addition to Loan Repayments, the Obligated Group Agent shall also pay to the Authority and the Bond Trustee, as the case may be, "Additional Payments," as follows:

(i) All taxes and assessments of any type or character charged to the Authority or to the Bond Trustee affecting the amount available to the Authority or the Bond Trustee from payments to be received under the 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) but excluding franchise taxes based upon the capital and/or income of the Bond Trustee and taxes based upon or measured by the net income of the Bond Trustee; provided, however, that the Obligated Group Agent shall have the right to protest any such taxes or assessments and to require the Authority or the Bond Trustee, at the Obligated Group Agent's expense, to protest and contest any such taxes or assessments levied upon them and that the Obligated Group Agent shall have the right to withhold payment of any

such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Authority or the Bond Trustee;

(ii) All reasonable fees, charges, expenses and indemnities of the Interested Parties as and when the same become due and payable;

(iii) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts, if any, as may be engaged by the Authority or the Bond Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Loan Agreement or the Bond Indenture;

(iv) An annual fee of the Authority as set forth in the Fee Schedule and Cost Allocations stated in the Code of State Rules §116-1, as amended only through the date of delivery of the Bonds; and

(v) All other reasonable and necessary fees and expenses attributable to the Bonds and the Loan Agreement, including without limitation all payments required pursuant to the Tax Compliance Certificate.

Such Additional Payments shall be billed to the Obligated Group Agent by each of the Interested Parties to the extent that fees and expenses are not paid from sources other than the Obligated Group Agent.

Anything hereinabove in this section to the contrary notwithstanding, the Additional Payments shall not be secured under the Master Indenture, and non-payment of any Additional Payments shall not constitute an event of default under the Loan Agreement or under any other document relating to the Bonds; provided that, in no event shall the foregoing modify, limit or restrict in any manner the ability of any of the Interested Parties to recover the Additional Payments from the Obligated Group Agent.

Credits for Payments. The Obligated Group Agent shall receive credit against its payments required under the provisions of the Loan Agreement summarized under the heading "THE LOAN AGREEMENT –Payments of Principal, Premium and Interest," in addition to any credits resulting from payment or repayment from other sources, as follows:

(i) 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;

(ii) On installments of principal in an amount equal to moneys deposited in the Principal Fund, which amounts are available to pay principal of the Bonds, to the extent such amounts have not previously been credited against such payments;

(iii) 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 provided in the Bond Indenture as summarized under the heading "THE BOND INDENTURE – Deposit of Money or Securities with Bond Trustee") in cash or Investment Securities described in clause (2) of the definition provided under the heading "DEFINITIONS OF CERTAIN TERMS – Investment Securities" are on deposit as provided in 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; and

(iv) On installments of principal and interest in an amount equal to the principal amount of Bonds acquired by the Obligated Group Agent and surrendered to the Bond Trustee for cancellation or purchased by the Bond Trustee on behalf of the Obligated Group Agent and canceled (as provided in the Bond Indenture), 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.

Prepayment

(a) The Obligated Group Agent shall have the right, so long as all amounts which have become due under the Loan Agreement have been paid, at any time or from time to time to prepay all or any part of the Loan Repayments, and the Bond Trustee shall accept such prepayments when the same are tendered. Prepayments may be made by payments of cash, deposit of Investment Securities described in clause (2) of the definition thereof in the Bond Indenture or surrender of Bonds. All such prepayments (and the additional payment of the applicable redemption premium), shall be deposited upon receipt in the Optional Redemption Account (or in such other Bond Trustee escrow account as may be specified by the Obligated Group Agent) and, at the request of and as determined by the Obligated Group Agent, credited against payments due under the Loan Agreement or used for the redemption or purchase of Bonds in the manner and subject to the terms and conditions set forth in the Bond Indenture.

(b) The Obligated Group Agent shall also have the right at any time or from time to time to prepay all or any part of the Loan Repayments from moneys derived from condemnation awards or the proceeds of hazard insurance relating to the Hospital Facilities of the Obligated Group, and the Bond Trustee shall accept such prepayments when the same are tendered. Notwithstanding any such prepayment or surrender of Bonds, as long as any Bonds remain Outstanding or any Additional Payments required to be made under the Loan Agreement remain unpaid, the Obligated Group shall not be relieved of its obligations under the Loan Agreement.

Obligations Unconditional

The obligations of the Obligated Group under the Loan Agreement are absolute and unconditional, notwithstanding any other provision of the Loan Agreement or the Bond Indenture. Until the Loan Agreement is terminated and all payments under the Loan Agreement are made, the Obligated Group Agent:

(i) will pay all amounts required under the Loan Agreement without abatement, deduction or setoff except as otherwise expressly provided in the Loan Agreement;

(ii) will not suspend or discontinue any payments due under the Loan Agreement for any reason whatsoever, including, without limitation, any right of setoff or counterclaim;

(iii) will perform and observe all its other agreements contained in the Loan Agreement; and

(iv) except as provided therein, will not terminate the Loan Agreement for any cause, including, without limiting the generality of the foregoing, damage, destruction or condemnation of the facilities financed or refinanced with the proceeds of the Bonds or any part thereof, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of West Virginia, or any political subdivision of either thereof or any failure of the Authority to perform and observe any agreement, whether express or implied, or

any duty, liability or obligation arising out of or connected with the Loan Agreement. Nothing contained in this section shall be construed to release the Authority from the performance of any of the agreements on its part contained therein, and in the event the Authority should fail to perform any such agreement on its part, the Obligated Group Agent may institute such action against the Authority as the Obligated Group Agent may deem necessary to compel performance.

The rights of the Bond Trustee or any party or parties on behalf of whom the Bond Trustee is acting shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever, whether arising out of any breach of any duty or obligation of the Authority or the Bond Trustee owing to the Obligated Group, or by reason of any other indebtedness or liability at any time owing by the Authority or the Bond Trustee to the Obligated Group.

Tax Covenant

The Obligated Group 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 or desirable in order to assure that interest paid on the Bonds will be excluded from gross income of the holders of the Bonds for federal income tax purposes and will take no action that would result in such interest not being excluded from gross income for federal income taxes. Without limiting the generality of the foregoing, the Obligated Group Agent agrees to comply with the provisions of the Tax Compliance Certificate. This covenant shall survive payment in full or defeasance of the Bonds.

Continuing Disclosure

The Obligated Group Agent covenants to comply with and carry out the continuing disclosure requirements of paragraph (b)(5) of Rule 15c2-12 (as amended from time to time, the "Rule") adopted by the Securities and Exchange Commission and execute a continuing disclosure undertaking for the benefit of the beneficial owners of the Bonds, and shall provide continuing information as required by the Rule. Notwithstanding any other provision of the Loan Agreement, failure of the Obligated Group Agent to enter into and comply with such Continuing Disclosure Agreement shall not be considered a Loan Default Event; however, the Authority may take such actions as may be necessary or desirable, including seeking specific performance by court order, to cause the Obligated Group Agent to comply with its obligations under this section.

Preservation of Exempt Status

The Obligated Group Agent agrees that: (a) it will neither perform nor fail to perform any acts, enter into any agreements, carry on or permit to be carried on any activities in its Hospital Facilities, or permit its Hospital Facilities to be used in or for, any trade or business, that adversely affects the basis for the exemption under Code Section 501(a), nor will it allow any Member of the Obligated Group to do so; (b) it will not permit to be used, directly or indirectly, the Hospital Facilities or any of its facilities or any other property in any trade or business, the conduct of which would adversely affect the basis for the exemption under Code Section 501(a), nor will it allow any Member of the Obligated Group to do so; and (c) it will neither perform nor fail to perform any acts, enter into any agreements, carry on or permit to be carried on any activities in its Hospital Facilities that would adversely affect the exclusion from gross income of interest on the Bonds, nor will it allow any Member of the Obligated Group to do so.

Projects

(a) Hospital Facilities. A portion of the proceeds of the Bonds shall be used to pay or reimburse costs of the Projects. The Obligated Group Agent may modify the lists of assets that constitute the Projects by removing assets and adding assets if all of the following conditions are met:

(i) the assets acquired constitute "hospital facilities" as defined in the Act;

(ii) the assets are within the description of assets in either of the notices of public hearing published February 1, 2017 and February 8, 2017 and are located at the addresses set forth in the notices;

(iii) 120% of the weighted average reasonably expected economic life of the assets constituting the Projects as set forth in the Tax Compliance Certificate is not reduced following the acquisition of the assets or the Obligated Group Agent delivers a No Adverse Effect Opinion to the Bond Trustee concerning any deviation; and

(iv) the Obligated Group Agent delivers an Officer's Certificate to the Bond Trustee:

(1) listing the assets,

(2) certifying that the statements in (i), (ii) and (iii) above are true with respect to the assets, and

(3) demonstrating the calculation of the test described in Section 23 of the Tax Compliance Certificate.

(b) The Projects. The Obligated Group Agent may request disbursements from the Project Fund to pay the costs of the Projects. The Obligated Group must (a) acquire and construct the Hospital Facilities constituting a portion of the Projects with all reasonable dispatch and in accordance with all applicable building, zoning, planning, environmental, certificate of need and other similar governmental regulations; (b) pay all costs of the Projects from funds made available under the Loan Agreement or otherwise; and (c) enforce the provisions of any contract, agreement, obligation, bond or other performance security with respect to the Projects.

If the money in the Project Fund is not sufficient to pay all costs of the Projects, subject to the provisions of subsection (a) above relating to modifications to the Projects, the Obligated Group must, nonetheless, complete the Projects in order to fulfill the public purposes of the Act and must pay all costs of the completion from its own funds. The Obligated Group will not be entitled to any reimbursement for the completion costs from the Authority or the Bond Trustee; nor will it be entitled to any abatement, diminution or postponement of the Loan Repayments.

(c) Completion Date. The Completion Date of the Projects must be evidenced to the Authority and the Bond Trustee by an Officer's Certificate stating:

(i) the date on which the Projects were substantially complete; and

(ii) that all costs of the Projects then due and payable have been paid.

Events of Default and Remedies

Events of Default. Each of the following events shall constitute and be referred to herein as a "Loan Default Event":

(i) Failure by the Obligated Group Agent to pay, or cause to be paid, in full any payment required under the Loan Agreement, except any Additional Payments required under the Loan Agreement, whether at maturity, upon a date fixed for prepayment, by declaration, or otherwise pursuant to the terms of the Loan Agreement;

(ii) If any material representation or warranty made by the Obligated Group Agent in the Loan Agreement or made by the Obligated Group Agent in any document, instrument or certificate furnished to the Bond Trustee or the Authority in connection with the issuance of the Bonds shall at any time prove to have been incorrect in any respect as of the time made;

(iii) If the Obligated Group shall fail to observe or perform any other covenant, condition, agreement or provision in the Loan Agreement on its part to be observed or performed, or shall breach any warranty by the Obligated Group Agent contained in the Loan Agreement, and such breach or failure continues for a period of 60 days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to the Obligated Group Agent by the Authority or the Bond Trustee; except that, if such failure or breach cannot be remedied within such sixty-day period and if the Obligated Group Agent has taken all action reasonably possible to remedy such failure or breach within such 60-day period, such failure or breach shall not become a Loan Default Event for so long as the Obligated Group Agent shall diligently proceed to remedy such failure or breach in accordance with and subject to any directions or limitations of time established by the Bond Trustee; or

(iv) Any Event of Default as defined in and under the Bond Indenture.

Remedies on Default. If a Loan Default Event shall occur, then, and in each and every such case during the continuance of such Loan Default Event, the Bond Trustee on behalf of the Authority, but subject to the limitations in the Bond Indenture, including those relating to acceleration of principal of the Bonds, 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 Obligated Group Agent under the Loan Agreement or to protect the interests securing the same, and may, without limiting the generality of the foregoing:

(i) Exercise any or all rights and remedies given by the Loan Agreement or available under the Loan Agreement or given by or available under any other instrument of any kind securing the Obligated Group Agent's performance under the Loan Agreement;

(ii) By written notice to the Obligated Group Agent declare all Loan Repayments and Additional Payments to be immediately due and payable under the Loan Agreement, whereupon the same shall become immediately due and payable; and

(iii) Take other acts or steps as may be available under the Bond Indenture, as the registered owner of the 2017-1 Note under the Master Indenture, or 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 Obligated Group Agent, subject, however, to the provisions of the Act.

Discontinuance or Abandonment of Default Proceedings. If any proceeding taken by the Bond Trustee on account of any Loan Default Event shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Bond Trustee, then and in every case the Authority, the Bond Trustee and the Obligated Group Agent shall be restored to their former position and rights under the Loan Agreement, respectively, and all rights, remedies and powers of the Authority, the Bond Trustee and the Obligated Group Agent shall continue as though no such proceeding had taken place.

Remedies Cumulative. No remedy conferred upon or reserved to the Authority or the Bond Trustee by the Loan Agreement or now or hereafter existing at law or in equity or by statute, shall be exclusive but shall be cumulative with all others. Such remedies are not mutually exclusive and no election need be made among them, but any such remedy or any combination of such remedies may be pursued at the same time or from time to time so long as all amounts realized are properly applied and credited as provided in the Loan Agreement. No delay or omission to exercise any right or power accruing upon any Loan Default Event shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient by the Authority or the Bond Trustee. In the event of any waiver of a Loan Default Event under the Loan Agreement, the parties shall be restored to their former positions and rights under the Loan Agreement, but no such waiver shall extend to any other or subsequent Loan Default Event or impair any right arising as a result thereof. In order to entitle the Bond Trustee to exercise any remedy reserved to it, it shall not be necessary to give notice other than as expressly required by the Loan Agreement.

Application of Moneys Collected. Any amounts collected pursuant to action taken under the Loan Agreement with respect to events of defaults and remedies shall be applied in accordance with the provisions of the Bond Indenture.

Attorneys' Fees and Other Expenses. If, as a result of the occurrence of a Loan Default Event or the failure of the Obligated Group Agent to pay the Additional Payments, the Authority or the Bond Trustee employs attorneys or incurs other expenses for the collection of payments due under the Loan Agreement or for the enforcement of performance or observance of any obligation or agreement on the part of the Obligated Group Agent, the Obligated Group will, on demand, reimburse the Authority or the Bond Trustee, as the case may be, for the reasonable fees of such attorneys and such other reasonable expenses so incurred.

Notice of Default. The Obligated Group Agent agrees that, as soon as is practicable, and in any event within five (5) days, the Obligated Group Agent will furnish the Bond Trustee notice of any event which is a Loan Default Event pursuant to the provisions of the Loan Agreement summarized under the heading "THE LOAN AGREEMENT – Events of Default," 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 Obligated Group Agent proposes to take with respect thereto; provided, however, that with respect to a Loan Default Event pursuant to section 6.1 of the Loan Agreement summarized under the heading "THE LOAN AGREEMENT – Events of Default," the Bond Trustee shall give the Obligated Group Agent immediate telephonic notice on the date such default occurs.

Amendments

The Loan Agreement may be amended, changed or modified only as provided in the provisions of the Bond Indenture summarized under the headings "THE BOND INDENTURE – Enforcement and Amendment of Loan Agreement," "-Amendments to Loan Agreement not Requiring Consent of Bondholders" and "-Amendments to Loan Agreement Requiring Consent of Bondholders."

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APPENDIX D

Form of Opinion of Bond Counsel

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$185,320,000
WEST VIRGINIA HOSPITAL FINANCE AUTHORITY
HOSPITAL REVENUE IMPROVEMENT BONDS
(WEST VIRGINIA UNIVERSITY HEALTH SYSTEM OBLIGATED GROUP)
2017 SERIES A

March 22, 2017

Merrill Lynch, Pierce, Fenner & Smith Incorporated,
as Underwriter
New York, New York

Wells Fargo Bank, National Association,
as Underwriter
Baltimore, Maryland

Fifth Third Bank,
as Underwriter
New York, New York

TD Bank,
as Underwriter
New York, New York

West Virginia Hospital Finance Authority
Charleston, West Virginia

West Virginia United Hospitals, Inc.,
as Obligated Group Agent
Morgantown, West Virginia

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the West Virginia Hospital Finance Authority (the "Authority") of its $185,320,000 Hospital Revenue Improvement Bonds (West Virginia University Health System Obligated Group) 2017 Series A (the "Bonds"). The Bonds are being issued pursuant to the laws of the State of West Virginia (the "State"), particularly Article 29A of Chapter 16 of the Code of West Virginia, 1931, as amended (the "Act"), and in accordance with (a) the resolution adopted by the West Virginia Hospital Finance Board of the Authority on February 15, 2017 (the "Authority Resolution"); (b)

a Bond Indenture dated as of March 1, 2017 (the "Bond Indenture"), between the Authority and The Bank of New York Mellon, as bond trustee (the "Bond Trustee"); and (c) a Loan Agreement dated as of March 1, 2017 (the "Loan Agreement"), between the Authority and West Virginia United Health System, Inc., in its capacity as obligated group agent (the "Obligated Group Agent") on behalf of the West Virginia University Health System Obligated Group (the "Obligated Group"). The obligations of the Obligated Group under the Loan Agreement are evidenced by the 2017-1 Note (the "2017-1 Note"), issued pursuant to the Amended and Restated Master Trust Indenture dated as of August 1, 2003, as supplemented and amended from time to time to the date hereof (collectively, the "Master Indenture"), including as supplemented by Supplemental Master Trust Indenture 2017-2 dated as of March 1, 2017 ("Supplemental Indenture 2017-2"), between The Huntington National Bank, as Master Trustee (the "Master Trustee"), and the Obligated Group Agent. The Bonds, the Bond Indenture, the Loan Agreement, the 2017-1 Note and Supplemental Indenture 2017-2 are sometimes referred to herein as the "Bond Documents." Capitalized terms used but not defined in this opinion shall have the meanings assigned to them under the Bond Indenture.

In our capacity as bond counsel, we have examined the transcript of proceedings (the "Transcript") relating to the Bonds, including a certified copy of the Authority Resolution, certified copies of the Resolutions adopted by each member of the Obligated Group, signed counterparts of the Bond Documents and a copy of a signed and authenticated Bond.

The Bonds recite that they have been issued pursuant to the Act to be used in the manner described in the Bond Indenture to finance the costs described therein.

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal authorization, execution and delivery thereof by, the binding effect, enforceability and validity against, any parties. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the first paragraph hereof. We have relied upon and assumed the correctness of the legal conclusions contained in the legal opinion letters of Robert O'Neil, Esquire, as counsel to the Obligated Group Agent and the Obligated Group (the "Obligated Group Counsel Opinion"), Bowles Rice LLP, as counsel to the Authority, an opinion of internal counsel to the Bond Trustee, and Peck Shaffer & Williams, a division of Dinsmore & Shohl LLP, as counsel to the Master Trustee, each dated as of the date hereof.

In addition, in rendering our opinion with respect to the treatment of interest on the Bonds under federal tax law, we specifically assumed the correctness of, and relied upon, the Obligated Group Counsel Opinion to the effect that each member of the Obligated Group is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended

(the "Code"), not a "private foundation" as defined in Section 509(a) of the Code, and is exempt from federal income tax under Section 501(a) of the Code, except for unrelated business income subject to taxation under Section 511 of the Code. We have also relied upon representations of each member of the Obligated Group regarding the use of the facilities financed with the proceeds of the Bonds in activities that are not considered unrelated trade or business activities of any member of the Obligated Group within the meaning of Section 513 of the Code. Failure of any member of the Obligated Group 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 facilities by any member of the Obligated Group in activities that are considered unrelated trade or business activities within the meaning of Section 513 of the Code, may result in interest on Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds.

Without undertaking to verify the same by independent investigation, we have relied upon the accuracy of, and assumed the correctness of, certifications and representations by representatives of the Authority and the Obligated Group with respect to factual matters relevant to both our opinion and the requirements of the Code. The Authority and the Obligated Group have covenanted to comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds, all as set forth in the proceedings and documents providing for the issuance of the Bonds (the "Covenants"). For the purposes of this opinion, we have assumed that the Authority and the Obligated Group will comply with the Covenants.

Based on this examination, we are of the opinion that under existing law:

1. The Authority is a West Virginia public body corporate and governmental instrumentality of the State vested with the rights and powers conferred upon it by the Act and has the power and authority to issue the Bonds.

2. The Bonds constitute valid and binding special obligations of the Authority, enforceable against the Authority in accordance with their terms and the terms of the Bond Indenture, subject to laws relating to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, the availability of equitable remedies and to the exercise of judicial discretion.

3. The Bond Indenture and the Loan Agreement are valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms, subject to laws relating to bankruptcy, insolvency, reorganization, moratorium and other similar laws

affecting creditors' rights, the availability of equitable remedies and to the exercise of judicial discretion.

4. Under the Act, the Bonds and all interest and income thereon are exempt from all taxation by the State of West Virginia and by any county, municipality, political subdivision or agency thereof.

5. Under existing laws, regulations, and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although we observe that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. The opinion set forth in the preceding sentence is subject to the condition that all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest on the Bonds be, or continue to be, excludable from gross income for federal income tax purposes are so satisfied, and therefore failure by the Authority or the Obligated Group to comply with the Covenants, among other things, could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance. We express no opinion regarding any other tax consequences of the ownership of or receipt or accrual of interest on the Bonds. Furthermore, we express no opinion as to the effect on the excludability of the interest on the Bonds from gross income of (a) any event for which the Bond Indenture or the Loan Agreement requires the obtaining of an opinion of Bond Counsel, or (b) any amendment of the Bond Indenture or the Loan Agreement or waiver of the terms thereof.

We do not express any opinion as to the status of title to any property or any interest therein or the creation, perfection or priority of any interest or right purported to be created therein or with respect thereto, or as to the necessity for the recording, or the sufficiency for recording purposes, of any instrument with respect to the creation, perfection or priority of any property interest or right with respect thereto. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute 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. Our services did not include financial or other non-legal advice.

This opinion is rendered solely for your benefit and is furnished only with respect to the transactions contemplated by the Authority Resolution and the Bond Documents. Accordingly, this opinion may not be relied upon by or quoted to any other person or entity without, in each instance, our prior written consent; provided, however, that this opinion may be relied upon by (i) Moody's Investors Service, Inc. and Standard & Poor's Rating Services, a Standard & Poor's

Financial Services LLC business, for the purpose of assigning their initial ratings to the Bonds and (ii) the Bond Registrar for the purpose of its authentication of the Bonds.

This opinion is given as of the date hereof, based on the law in effect and the factual representations made to us as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any changes in law that may hereafter occur or any changes in facts or circumstances that may hereafter occur or come to our attention. This opinion is limited to the matters set forth above, and no other opinions should be implied or inferred beyond the matters expressly stated.

Our services as bond counsel have been limited to rendering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the tax-exempt status of the interest on the Bonds. We have not made any investigation concerning the business or financial resources of the Obligated Group, and therefore, we express no opinion herein as to the accuracy or completeness of any information that may have been relied upon by any purchasers in making their decision to purchase the Bonds.

Respectfully submitted,

SPILMAN THOMAS & BATTLE, PLLC

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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"), dated as of March 22, 2017, is executed and delivered by West Virginia United Health System, Inc. d/b/a West Virginia University Health System ("WVUHS"), as Obligated Group Agent (the "Obligated Group Agent"), and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent" or "DAC"), for the benefit of the Holders of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with EMMA.

"Annual Financial Information" means such information as shall be necessary in order to update financial information set forth in Appendix A to the Official Statement regarding the Bonds, the Obligated Group and the System as identified in Exhibit A hereto.

"Audited Financial Statements" means the consolidated financial statements (if any) of the System for the prior Fiscal Year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Bonds" means the bonds as listed on the attached Exhibit B, with the 9-digit CUSIP numbers relating thereto.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Quarterly Financial Information, Voluntary Report, or notice of Notice Event delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Quarterly Financial Information, Voluntary Report or notice of Notice Event required to be submitted to EMMA under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Obligated Group Agent and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Representative" means the Senior Vice President of Finance and Chief Financial Officer of WVUHS, as authorized officer of the Obligated Group Agent or such other person as the Obligated Group Agent shall designate in writing to the Disclosure Dissemination

Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Obligated Group Agent pursuant to Section 9 hereof.

"EMMA" means the Electronic Municipal Market Access system described in Securities Exchange Act of 1934 Release No. 59062 and maintained by the MSRB for purposes of the Rule.

"Fiscal Year" means each fiscal year of the members of the Obligated Group, commencing with the fiscal year ending on December 31, 2017. Currently, the fiscal year of each member of the Obligated Group is the 12-month period ending on December 31.

"Holder of the Bonds" means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

"Information" means the Annual Financial Information, Quarterly Financial Information, the Audited Financial Statements (if any), the notice of Notice Event, and the Voluntary Reports.

"Issuer" means the West Virginia Hospital Finance Authority, as issuer of the Bonds.

"Master Trust Indenture" means the Amended and Restated Master Trust Indenture dated as of August 1, 2003, as supplemented and amended from time to time, between the Obligated Group and The Huntington National Bank, as Master Trustee.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Notice Event" means an event listed in Sections 4(a) of this Disclosure Agreement.

"Obligated Group" means, as of the date of this Disclosure Agreement, WVUHS, West Virginia University Hospitals, Inc., United Hospital Center, Inc., City Hospital, Inc. d/b/a Berkeley Medical Center, The Charles Town General Hospital d/b/a Jefferson Medical Center, University Healthcare Foundation, Inc., and Camden-Clark Memorial Hospital Corporation d/b/a CamdenClark Medical Center.

"Official Statement" means that Official Statement prepared by the Issuer and the Obligated Group in connection with the Bonds.

"Quarterly Financial Information" means the financial information of the System required to be filed on a quarterly basis pursuant to Section 2(g) hereof.

"System" means WVUHS and controlled entities.

"Trustee" means The Bank of New York Mellon, as trustee under the Bond Indenture dated as of March 1, 2017, by and between the Issuer and the Bond Trustee, pursuant to which the Bonds are being issued.

"Underwriters" means, collectively, Merrill Lynch, Pierce, Fenner and Smith Incorporated, and Wells Fargo Bank, National Association, as Co-Senior Managers, and Fifth Third Securities, Inc. and TD Securities (USA) LLC, as Co-Managers.

"Voluntary Report" means the information provided to the Disclosure Dissemination Agent by the Obligated Group Agent pursuant to Section 7.

SECTION 2. Provision of Annual Reports and Quarterly Financial Information.

(a) The Obligated Group Agent shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with an electronic copy each for the Issuer and the Trustee, not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to EMMA not later than one hundred fifty (150) days after the end of each Fiscal Year, commencing with the fiscal year ending December 31, 2017. One hundred fifty days (150) after December 31, 2017 and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail), with a copy to the Issuer, to remind the Obligated Group Agent of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing, with a copy to the Issuer, that the Obligated Group Agent will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Notice Event as described in Section 4(a)(15) will have occurred as of the Annual Filing Date and to send a notice to EMMA in substantially the form attached as Exhibit C.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Notice Event described in Section 4(a)(15) shall have occurred and the Obligated Group Agent irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to EMMA in substantially the form attached as Exhibit C without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit D.

(d) If Audited Financial Statements of the Obligated Group are prepared but not available prior to the Annual Filing Date, the Obligated Group Agent shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certificate, together with a copy each for the Issuer and the Trustee, for filing with EMMA.

(e) The Disclosure Dissemination Agent shall:

(i) determine the address of EMMA each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Section 2(a) with EMMA;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with EMMA;

(iv) upon receipt, promptly file the text of each disclosure to be made with EMMA (if any) together with a completed copy of the Event Notice Cover Sheet in the form attached as Exhibit D, describing the event by checking the box indicated therein reflecting one or more of the following:

1. "Principal and interest payment delinquencies," pursuant to Sections 4(c) and 4(a)(1);

2. "Non-Payment related defaults, if material," pursuant to Sections 4(c) and 4(a)(2);

3. "Unscheduled draws on debt service reserves reflecting financial difficulties," pursuant to Sections 4(c) and 4(a)(3);

4. "Unscheduled draws on credit enhancements reflecting financial difficulties," pursuant to Sections 4(c) and 4(a)(4);

5. "Substitution of credit or liquidity providers, or their failure to perform," pursuant to Sections 4(c) and 4(a)(5);

6. "Adverse tax opinions or events affecting the tax-exempt status of the security," pursuant to Sections 4(c) and 4(a)(6);

7. "Modifications to rights of securities holders, if material," pursuant to Sections 4(c) and 4(a)(7);

8. "Bond calls, if material, or tender offers," pursuant to Sections 4(c) and 4(a)(8);

9. "Defeasances," pursuant to Sections 4(c) and 4(a)(9);

10. "Release, substitution, or sale of property securing repayment of the securities, if material," pursuant to Sections 4(c) and 4(a)(10);

11. "Rating changes on the securities," pursuant to Sections 4(c) and 4(a)(11);

12. "Bankruptcy, insolvency, receivership or other similar event of the obligated person," pursuant to Sections 4(c) and 4(a)(12);

13. "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 an action or termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material," pursuant to Sections 4(c) and 4(a)(13);

14. "Appointment of a successor or additional trustee or the change of name of a trustee, if material," pursuant to Sections 4(c) and 4(a)(14); and

15. "Failure to provide annual financial information as required," pursuant to Section 2(b)(ii) or Section 2(c), together with a completed copy of Exhibit C to this Disclosure Agreement;

(v) provide the Issuer and the Obligated Group Agent evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Obligated Group Agent may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Issuer, Trustee (if any) and EMMA, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) In addition, the Obligated Group Agent shall provide, or cause the Disclosure Dissemination Agent to provide, within sixty (60) days after the end of each fiscal quarter of each fiscal year, commencing with the fiscal quarter ending March 31, 2017, an electronic copy of the quarterly unaudited financial statements of the System (the "Quarterly Disclosure") and Certification to the Dissemination Agent. The Quarterly Disclosure prepared for the fiscal quarter ended December 31 of each fiscal year shall also include a calculation of the Historical Debt Service Coverage Ratio (as defined in the Master Indenture) as of the last day of the fiscal year prepared in accordance with the Master Indenture. The Quarterly Disclosure shall also include a discussion by management of the quarterly financial results, as well as certain utilization data, including but not limited to the number of discharges, inpatient days, average length of stay, occupancy percentage, and emergency department visits. The Obligated Group Agent shall provide, or cause the Disclosure Dissemination Agent to provide, the Quarterly Disclosure at the same time to EMMA, the Underwriter and any Holder of the Bonds or Beneficial Owner of Bonds who shall have filed a written request therefor with any Obligated Group Member.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the System and the Obligated Group.

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles ("GAAP") as described in the Official Statement will be included in the Annual Report. If audited financial statements are not available, then, unaudited financial statements, prepared in accordance with GAAP will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which any member of the Obligated Group is an "obligated person" (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available at emma.msrb.org. The Obligated Group Agent will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements relating to the Bonds reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal revenue Service of proposed or final determinations of taxability, Notices of Proposed Issuer (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-exempt status of the Bonds;

7. Modifications to rights of Bond holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds, if material;

11. Rating changes on the Bonds;

12. Bankruptcy, insolvency, receivership or similar event of the obligated person[1];

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material; and

15. Failure to provide annual financial information as required.

The Obligated Group Agent shall promptly and not in excess of ten (10) business days after its occurrence notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c). Such notice shall be accompanied with the text of the disclosure that the Obligated Group Agent desires to make, the written authorization of the Obligated Group Agent for the Disclosure Dissemination Agent to disseminate such information, and the date the Obligated Group Agent desires for the Disclosure Dissemination Agent to disseminate the information.

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer, Obligated Group Agent or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within five (5) business days of receipt of such notice, instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c), together with the text of the disclosure that the Obligated Group Agent desires to make, the written authorization of the Obligated Group Agent for the Disclosure Dissemination Agent to disseminate such information, and the date the Obligated Group Agent desires for the Disclosure Dissemination Agent to disseminate the information.

(c) If the Disclosure Dissemination Agent has been instructed by the Obligated Group Agent as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with EMMA. The Disclosure Dissemination Agent must file such notice with EMMA within ten (10) business days of the occurrence of such Notice Event.

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[1] The event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. 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.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Quarterly Financial Information, notices of Notice Events, and Voluntary Reports filed pursuant to Section 7(a), the Obligated Group Agent shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Obligated Group Agent acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Obligated Group Agent, and that the failure of the Disclosure Dissemination Agent to so advise the Obligated Group Agent shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Disclosure Agreement. The Obligated Group Agent acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Reports.

(a) The Obligated Group Agent may instruct the Disclosure Dissemination Agent to file information with EMMA from time to time pursuant to a Certification of the Disclosure Representative accompanying such information (a "Voluntary Report").

(b) Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Group Agent from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement, or including any other information in any Annual Report, Annual Financial Statement, Quarterly Financial Information or notice of Notice Event, in addition to that required by this Disclosure Agreement. If the Obligated Group Agent chooses to include any other information in any Annual Report, Annual Financial Statement, Quarterly Financial Information or notice of Notice Event in addition to that which is specifically required by this Disclosure Agreement, the Obligated Group Agent shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Annual Financial Statement or notice of Notice Event.

SECTION 8. Termination of Reporting Obligation. The obligations of the Obligated Group Agent and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Obligated Group is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Obligated Group Agent has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Obligated Group Agent may upon thirty (30) days written notice to the Disclosure Dissemination Agent, the Issuer and the Trustee, replace or appoint a successor to the Disclosure Dissemination Agent. Upon termination of DAC's services as

Disclosure Dissemination Agent, whether by notice of the Obligated Group Agent or DAC, the Obligated Group Agent agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Obligated Group Agent shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty (30) days' prior written notice to the Obligated Group Agent.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Obligated Group Agent or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' of the Bonds rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Obligated Group Agent has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information, or any other information, disclosures or notices provided to it by the Obligated Group Agent and shall not be deemed to be acting in any fiduciary capacity for the Obligated Group Agent, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Obligated Group Agent's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the Obligated Group Agent has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Obligated Group Agent at all times.

THE OBLIGATED GROUP AGENT AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT AND ITS RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITIES WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Obligated Group Agent under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Obligated Group Agent.

(c) All documents, reports, notices, statements, information and other materials provided to EMMA under this Disclosure Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. No Issuer Responsibility. The Obligated Group Agent and the Disclosure Dissemination Agent acknowledge that the Issuer has undertaken no responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to this Disclosure Agreement, and shall have no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures.

SECTION 13. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Obligated Group Agent and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Obligated Group Agent and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Obligated Group Agent nor the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than twenty (20) days written notice of the intent to do so together with a copy of the proposed amendment to the Obligated Group Agent. No such amendment shall become effective if the Obligated Group Agent shall, within ten (10) days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Obligated Group Agent, the members of the Obligated Group, the Issuer, the Trustee, the Disclosure Dissemination Agent, the Underwriters, and the Holders of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of West Virginia (other than with respect to conflicts of laws).

SECTION 16. 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.

[Remainder of Page Intentionally Left Blank]

The Disclosure Dissemination Agent and the Obligated Group Agent have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By: _____

Name: Shana Blanchard

Title: Assistant Client Service Manager Director

WEST VIRGINIA UNITED HEALTH SYSTEM, INC. d/b/a WEST VIRGINIA UNIVERSITY HEALTH SYSTEM,
as Obligated Group Agent

By: _____

Name: Douglas M. Coffman

Title: Authorized Officer

EXHIBIT A

ANNUAL FINANCIAL INFORMATION TABLES TO BE UPDATED

(Page numbers refer to Appendix A to Official Statement dated March 8, 2017)

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EXHIBIT B

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer: West Virginia Hospital Finance Authority
Obligated Person(s): West Virginia University Health System Obligated Group
Name of Bond Issue: Hospital Revenue Improvement Bonds (West Virginia University Health System Obligated Group), 2017 Series A
Date of Issuance: March 22, 2017
Date of Official Statement: March 8, 2017

CUSIP Numbers:

Maturity Year (June 1)	CUSIP
2027	956622M35
2028	956622M43
2029	956622M50
2030	956622M68
2031	956622M76
2032	956622M84
2033	956622M92
2034	956622N26
2035	956622N34
2036	956622N42
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2047	956622N75
2047	956622N83

EXHIBIT C

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Issuer: West Virginia Hospital Finance Authority
Obligated Person: West Virginia University Health System Obligated Group
Obligated Group Agent: West Virginia United Health System, Inc. d/b/a West Virginia University Health System
Name of Bond Issue: Hospital Revenue Improvement Bonds (West Virginia University Health System Obligated Group), 2017 Series A
Date of Issuance: March 22, 2017
Date of Official Statement: March 8, 2017

NOTICE IS HEREBY GIVEN that the Obligated Group Agent has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of March 22, 2017, between the Obligated Group Agent and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Obligated Group Agent has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated: _____

Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent, on behalf of the Obligated Group Agent

_____

cc: Issuer
Obligated Group Agent

EXHIBIT D

EVENT NOTICE COVER SHEET

This cover sheet and material event notice will be sent to EMMA pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name: West Virginia University Health System Obligated Group

Issuer's Six-Digit CUSIP Number:
956622

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

Number of pages of attached: _____

Description of Event Notice (Check One):

1. ___Principal and interest payment delinquencies
2. ___Non-Payment related defaults, if material
3. ___Unscheduled draws on debt service reserves reflecting financial difficulties
4. ___Unscheduled draws on credit enhancements reflecting financial difficulties
5. ___Substitution of credit or liquidity providers, or their failure to perform
6. ___Adverse tax opinions or events affecting the tax-exempt status of the security
7. ___Modifications to rights of securities holders, if material
8. ___Bond calls, if material, or tender offers
9. ___Defeasances
10. ___Release, substitution, or sale of property securing repayment of the securities, if material
11. ___Rating changes on the securities
12. ___Bankruptcy, insolvency, receivership or similar event of the obligated person
13. ___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 an action or termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. ___Appointment of a successor or additional trustee or the change of name of a trustee, if material
15. ___ Failure to provide annual financial information as required

[Remainder of this page intentionally blank]

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: _____

Name: _____ Title: _____
Employer: Digital Assurance Certification, L.L.C.

Address: _____

City, State, Zip Code: _____

Voice Telephone Number: _____

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WEST VIRGINIA HOSPITAL FINANCE AUTHORITY • HOSPITAL REVENUE IMPROVEMENT BONDS (WEST VIRGINIA UNIVERSITY HEALTH SYSTEM OBLIGATED GROUP) 2017 SERIES A

WVUMedicine

WEST VIRGINIA UNIVERSITY
HEALTH SYSTEM

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

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